

State Of North Dakota



Comprehensive Annual Financial Report

For the
Fiscal Year Ended
June 30, 2010

STATE OF NORTH DAKOTA

Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

June 30, 2010



Prepared by the Office of Management and Budget

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

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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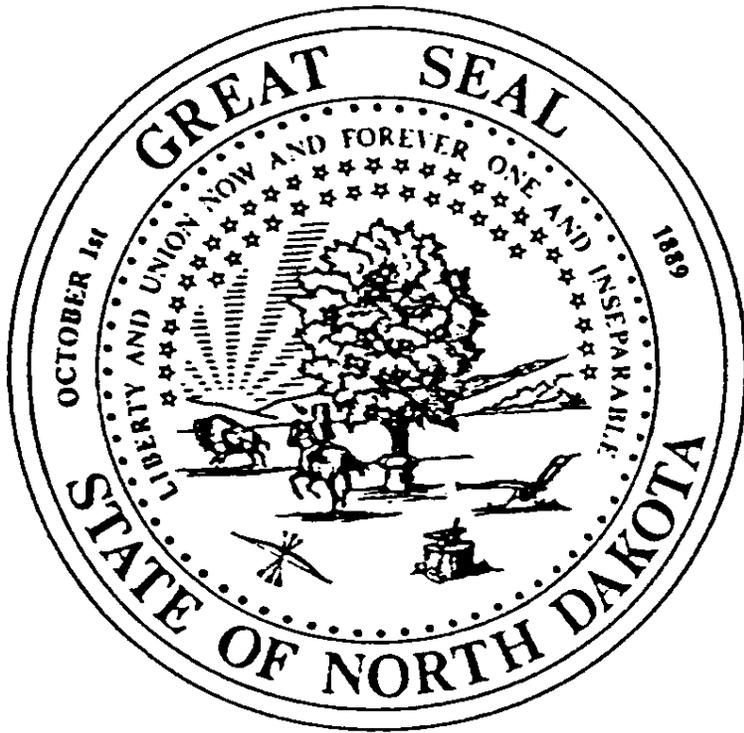
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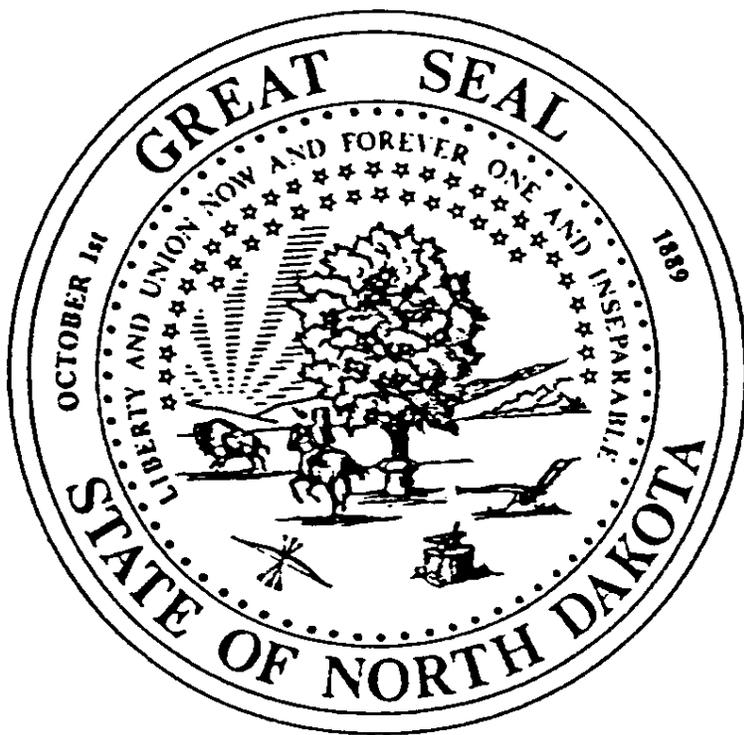
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Introductory Section



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OFFICE OF MANAGEMENT AND BUDGET

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

December 15, 2010

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, 2010. 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, 2010 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE GOVERNMENT

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

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

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

LOCAL ECONOMY

The North Dakota economy continues to make headlines as it outperforms the nation. While nationally, one in ten workers is unemployed, North Dakota has the lowest unemployment of any state. In October 2010, North Dakota's non-seasonally adjusted unemployment rate was only 2.8%, one-third the national rate of 9.0%.

Several factors have driven this exceptional economic performance. Although the North Dakota economy is increasingly diversified, the agricultural industry continues to play a key role in the state's economy. The USDA reports that North Dakota is the nation's leading producer of durum wheat, spring wheat, barley, dry edible beans, canola, flaxseed, lentils, dry edible peas, sunflowers, and several other crops. Agricultural commodity and cattle prices have fallen from recent record highs, but remain high by historic standards.

The energy industry plays an important role in the state's economy. The development of wind and coal resources, the production of ethanol and bio-diesel, and oil and natural gas extraction all contribute the state's economy. Oil production continues to set new records each month and has increased over 200 percent in just the last four years. North Dakota's current crude oil production ranks fourth in the nation, with only Texas, Alaska, and California producing more oil. State and local tax revenues have been bolstered by increased oil and gas tax collections.

Manufacturing is also a prominent player in the state's economy, accounting for 6.5% of employment. Machinery and transportation equipment make up over 40% of the state's exports. Exports totaled nearly \$2.2 billion in 2009.

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

LONG-TERM FINANCIAL PLANNING

The long-term financial plan of the state is to target aggressive economic development efforts at five industry sectors where North Dakota has a competitive advantage because of natural or human resources – value-added agriculture, advanced manufacturing, technology-based businesses, energy, and tourism. Economic growth in these industries has grown state revenues and allowed the state to meet three primary budget objectives that have guided the budget process -- to fund priorities, such as education and human services, build significant financial reserves, and provide tax relief.

Revenue forecasting 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 forecast based on state trends, national forecasting models, and input from private industry experts.

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.

North Dakota's fiscally responsible budgeting and revenue forecasting, combined with economic growth, has allowed the accumulation of significant reserve balances. Projected June 30, 2011, balances in the general fund, permanent oil tax trust fund, budget stabilization fund, and foundation aid stabilization fund total \$1.159 billion. In addition, the state's voters approved measure no. 1 on the November 2010 general election ballot, creating the legacy fund. The legacy fund will receive 30.0 percent of the state's oil and gas tax collections, beginning July 1, 2011. This fund will accumulate oil and gas tax revenues and investment interest. No expenditures of the accumulated principal and interest can be made until after June 30, 2017. The June 30, 2013, balance in the fund is estimated to be \$619 million.

RELEVANT FINANCIAL POLICIES

North Dakota's financial policies ensure that in the event of an economic downturn, North Dakota state government will be able to continue to provide its citizens with necessary services. Should North Dakota experience a revenue shortfall of 2.5 percent or more, the state is able to access funds from the budget stabilization fund. The budget stabilization fund currently has a balance of \$325 million, or 10 percent of the biennial state general fund budget. In addition, the Governor is able to reduce general fund expenditures to alleviate the effects of a revenue shortfall, if necessary.

In the event of such a general fund expenditure reduction, the foundation aid stabilization fund was established to protect the state education aid program. Dollars from this fund would replace the amount of general fund dollars cut, thus K-12 education would not experience a reduction in funding. Funding for the foundation aid stabilization fund comes from a portion of oil extraction tax collections.

The state also recognizes that, while tax collections from oil contribute significantly to the general fund, the volatility of oil price and production levels make it difficult to rely on oil tax revenue to fund general government operations. Thus the permanent oil tax trust fund has been established to accumulate oil tax revenue for appropriation by the legislative assembly while limiting general fund reliance on oil tax revenues. Oil tax collections are split between the state and local political subdivisions. Of the state share, the first \$71 million each biennium is deposited in the general fund; all oil tax collections in excess of \$71 million are deposited into the permanent oil tax trust fund.

Major Initiatives

North Dakota continues to implement programs and policies that improve the lives and well being of its citizens by creating more opportunities and better jobs. Priorities include excellence in education, creating a strong business climate, enhancing energy development, improving agriculture, taking care of people, and providing tax relief for the citizens of North Dakota.

Education

A record \$1.3 billion K-12 education funding package was approved by the 2009 Legislative Assembly. Included in this funding package is an additional \$120 million of state funds and one-time fiscal stimulus funding of \$150 million. State funding significantly increased payments to schools using the state school aid formula and targeted funding to new initiatives, such as mentorships, additional counselors and tutors, and establishment of an Early Childhood Learning Council.

Higher Education received \$795 million of state support. This funding package included \$161 million of additional funding to support students and families, improve campuses, and hold the line on tuition. To make higher education more affordable, more than \$32 million was included for financial aid for students.

Agriculture

Agriculture is one of the foundations of the North Dakota economy and remains the state's largest industry. The state has created a value-added board in the Commerce Department to promote opportunities in value-added processing; created investment tax credits to spark value-added ventures; eliminated the used farm equipment sales tax to reduce the burden on farmers; and increased general fund dollars for agriculture research.

However, production agriculture is no longer just about food – new technology and soaring oil prices have helped to foster new relationships between agriculture and energy. New agriculture related energy initiatives include a \$2 million grant program for the installation of blender pumps at motor fuel retailers to promote expanded use of ethanol and biodiesel.

Technology

The state is working to build information technology infrastructure to help businesses and government become more profitable and efficient. Various initiatives have been implemented to support technology in education, including K-12 schools and the university system. Technology is a targeted industry for growth in the North Dakota economy and several companies, including Microsoft, have developed successful and growing business operations in the state.

The State of North Dakota is working to build an enterprise infrastructure that supports the business processes of state agencies and delivers cost effective technology services that will benefit the citizens of the state. Recently funded state government technology initiatives include:

- Longitudinal data system to follow student progress from kindergarten to career in order to improve educational adequacy and meet the needs of the future workplace.
- Funding for the Medicaid Management Information System.

Economic Development

North Dakota's aggressive economic development efforts have resulted in new jobs and expanding exports. Key new initiatives to continue the momentum in economic growth include:

- A \$20 million appropriation for Centers of Excellence awards. These projects will continue to transform and expand North Dakota's economy.
- Increased funding for the North Dakota Trade office, which helps grow North Dakota's exports.
- More than \$5 million in loan and grant programs for childcare workforce development, quality improvement and technical assistance to establish and expand safe childcare facilities in North Dakota.
- \$2.5 million to support innovation and entrepreneurship.

Quality of Life

North Dakotans enjoy a quality of life that is unsurpassed in the nation. From clean air and safe communities to exceptional schools and four-season recreational opportunities. Recent initiatives that help to maintain this quality of life by caring for the neediest citizens, providing public safety, and supporting the military include:

- A \$380 million increase in the Department of Human Services budget to help seniors, children, and persons with disabilities.
- Increased medical payments to hospitals, physicians, dentists, chiropractors and ambulance service providers to advance quality healthcare in North Dakota.
- Increased funding for home and community based care to help our seniors live more independently.
- Expanded eligibility for SCHIP from 150 to 160 percent net of the federal poverty level.
- Approval for a major expansion of the North Dakota Heritage Center.
- An enhanced Veteran's Bonus Program that removes the current caps for both domestic and overseas service, and compensates for actual time served.

Energy Development

Energy is one of the largest industries in North Dakota. Energy development in North Dakota has expanded greatly from traditional oil, gas and coal energy to renewable energies such as ethanol, biodiesel and wind energy. Recent efforts to further the development of energy in North Dakota include:

- A streamlined oil extraction tax option to promote exploration and development in the Bakken Reserve.
- A carbon credit incentive against coal conversion privilege taxes to help facilities achieve a required level of carbon dioxide capture, and a new tax incentive for cleaner-burning beneficiated coal.
- An extended property tax reduction and sales and use tax exemption for wind power, as well as an extended income tax credit for the installation of any renewable energy device.
- \$3 million for the renewable energy fund.

Tax Relief

In addition to the initiatives above, the 2009 Legislative Assembly supported broad-based tax relief and reform for the people of North Dakota. Elements of the broad-based tax relief include:

- \$295 million property tax relief to help homeowners, farmers, ranchers and commercial businesses by reducing the average school district levy by 75 mills and capping the rate at 110 mills.
- \$90 million in individual income tax rate reductions.
- \$10 million in corporate income tax reductions.
- An increase in the Homestead Tax Credit to help reduce the burden of taxes on seniors and people with disabilities.
- Establishment of a Disabled Veterans Credit program.

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, 2009. This was the 19th 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 2009-2011 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 cursive script that reads "Pam Sharp". The signature is written in black ink and is positioned above the printed name and title.

Pam Sharp, Director
Office of Management and Budget

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



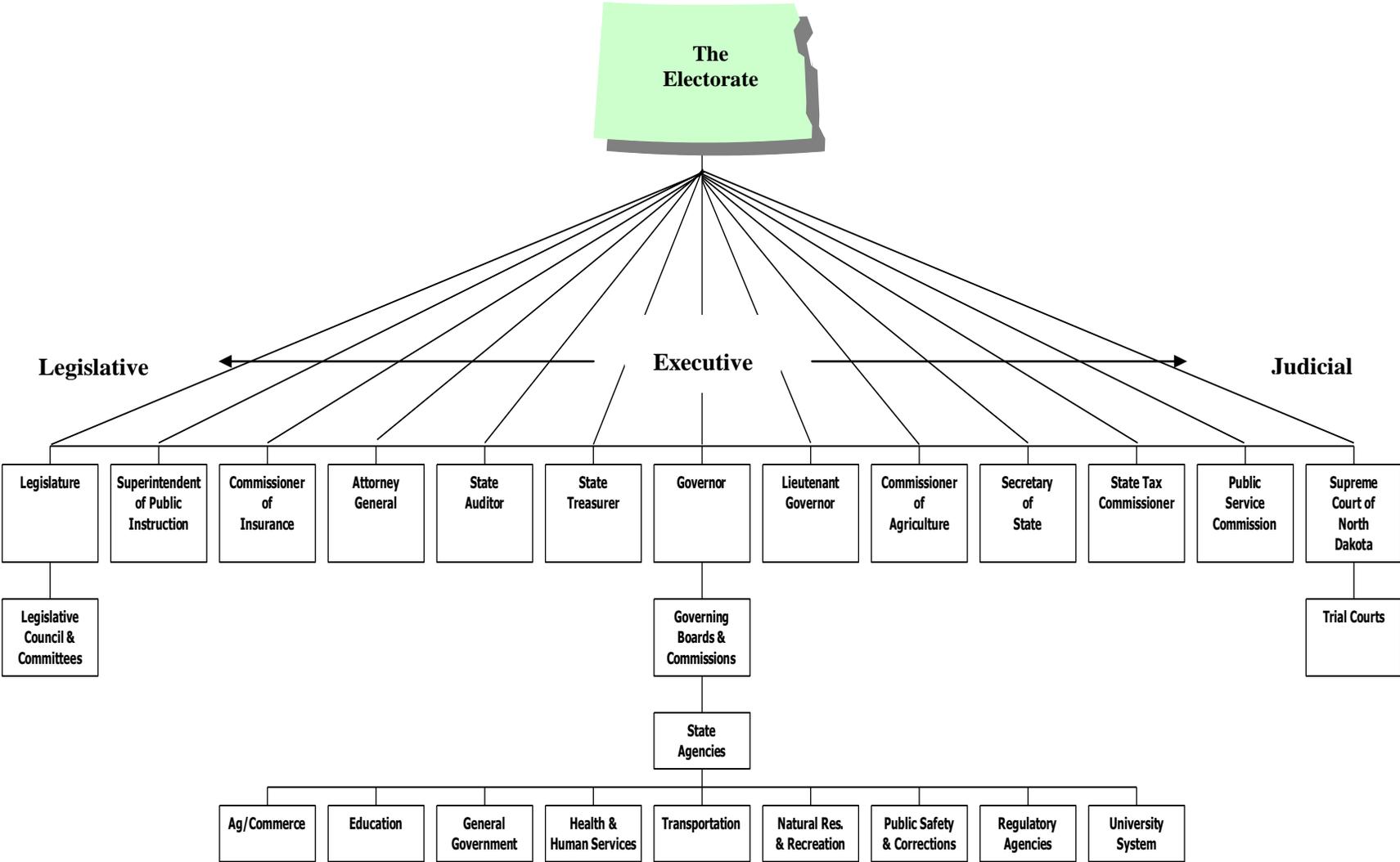
A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



NORTH DAKOTA
PRINCIPAL STATE OFFICIALS
June 30, 2010

ELECTED OFFICIALS

John Hoeven, Governor
Jack Dalrymple, Lieutenant Governor
Alvin A. Jaeger, Secretary of State
Wayne Stenehjem, Attorney General
Tony Clark, Public Service Commissioner
Kevin Cramer, Public Service Commissioner
Brian Kalk, Public Service Commissioner
Doug Goehring, Commissioner of Agriculture
Robert R. Peterson, State Auditor
Adam Hamm, Commissioner of Insurance
Dr. Wayne Sanstead, Superintendent of Public Instruction
Cory Fong, Tax Commissioner
Kelly Schmidt, State Treasurer

LEGISLATIVE

David Monson, Speaker of the House
Al Carlson, House Majority Leader
Merle Boucher, House Minority Leader
Lt. Gov. Jack Dalrymple, President of the Senate
Bob Stenehjem, Senate Majority Leader
David O'Connell, Senate Minority Leader

JUDICIAL

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

Financial Section



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

INDEPENDENT AUDITOR'S REPORT

The Honorable John Hoeven, Governor
of the State of North Dakota

Members of the Legislative Assembly
of the State of North Dakota

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, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of North Dakota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following state entities and discretely presented component units:

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

The financial statements of the above entities reflect total assets and revenues of the government-wide financial statements and fund financial statements as follows:

	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
<u>Government-Wide Financial Statements</u>		
Governmental Activities	28%	14%
Business-Type Activities	83%	34%
Aggregate Discretely Presented Component Units	100%	100%
<u>Fund Financial Statements</u>		
<u>Major Governmental Funds</u>		
Federal Fund	1%	2%
School Permanent Trust Fund	100%	100%
<u>Major Enterprise Funds</u>		
Bank of North Dakota	100%	100%
Housing Finance Agency	100%	100%
Workforce Safety and Insurance	100%	100%
Aggregate Remaining Fund Statements	76%	54%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based 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 of material misstatement. The financial statements of the North Dakota University System's component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

The actuary for the North Dakota Teachers' Fund for Retirement has determined the Fund's unfunded actuarial accrued liability is approximately \$795 million at June 30, 2010. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates will never fully fund the unfunded actuarial accrued liability based on current actuarial assumptions.

The actuary for the North Dakota Public Employees Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$586 million at June 30, 2010. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately \$7 million at June 30, 2010. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates are insufficient to meet the actuarially determined requirement. If unchanged, this difference will further increase the actuarial contribution requirement in future valuations.

In our opinion, based on our audit and the reports 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 17 to the basic financial statements, the Bank of North Dakota elected to present an unclassified 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.

As described in Note 20 to the basic financial statements, the State of North Dakota implemented two new accounting standards for the year ending June 30, 2010. The new standards were GASB Statement No. 51, "Accounting and Financial Reporting for Intangible

Assets” and GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments.”

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated December 15, 2010 on our consideration of the State of North Dakota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis and Budgetary Comparison Schedules and related reconciliations and notes are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and in, our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The data included in the introductory and statistical sections of this report has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion thereon.



Robert R. Peterson
State Auditor



Edwin J. Nagel, Jr., CPA
Director

December 15, 2010

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, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the State exceeded its liabilities at fiscal year end by \$7 billion (reported as net assets), an increase of \$1 billion from the previous year. The net assets of governmental activities increased by 18.6% while the net assets of the business-type activities showed an increase of 11.6%.

Fund Level:

As of the close of fiscal year 2010 the State's governmental funds reported combined ending fund balances of \$3.8 billion, an increase of \$690 million. Of this amount, \$2.4 billion represents unreserved fund balance, with the remaining amount of \$1.4 billion reserved for specific purposes, such as debt service, capital projects, and permanent trust for education. At the end of the fiscal year, unreserved fund balance for the General Fund was \$834 million.

The enterprise funds reported net assets at year-end of \$1.8 billion, an increase of \$190 million during the year.

Long-term Debt:

The State's total debt (bonds and notes payable) increased approximately 19% during the fiscal year to \$1.96 billion, an increase of \$317 million, which represents the net difference between new issuances and payments. During the year the State issued \$479 million in bonds and \$116 million in notes.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are 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 assets changed during the most recent fiscal year. All changes in net assets 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 19 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 and special revenue, capital project, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. Those three are the General Fund, the Federal Fund, and the School Permanent Trust 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 five (5) major enterprise funds: The Bank of North Dakota, Housing Finance, Mill and Elevator, University System, and Workforce Safety and Insurance. These five 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 Assets and Changes in Fiduciary Net Assets. 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 and Federal Fund as presented in the governmental fund financial statements.

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted previously, net assets may serve over time as a useful indicator of a government's financial position. The State's combined net assets (governmental and business-type activities) totaled \$7 billion at the end of fiscal year 2010. Net assets increased 16.8% from the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Current and Other Assets	\$3,613,541	\$4,425,230	\$6,016,829	\$6,810,240	\$7,928,465	\$9,516,877
Capital Assets	1,542,653	1,646,653	835,095	919,401	2,377,748	2,566,054
Total Assets	5,156,194	6,071,883	6,851,924	7,729,641	10,306,213	12,082,931
Long-Term Liabilities						
Outstanding	326,031	300,423	2,249,525	2,620,631	2,575,556	2,921,055
Other Liabilities	441,479	564,344	2,959,459	3,270,034	1,699,033	2,115,784
Total Liabilities	767,510	864,767	5,208,984	5,890,665	4,274,589	5,036,839
Net Assets						
Invested in Capital Assets, Net of Related Debt	1,323,477	1,450,350	578,828	644,109	1,902,305	2,094,459
Restricted	1,502,237	1,984,324	500,433	445,609	2,002,670	2,429,933
Unrestricted	1,562,970	1,772,442	563,679	749,258	2,126,649	2,521,700
Total Net Assets	\$4,388,684	\$5,207,116	\$1,642,940	\$1,838,976	\$6,031,624	\$7,046,092

NOTE: The Governmental Activities amounts and Business-Type Activities amounts do not cross foot to the total Primary Government column because internal balances are reported separately as internal receivables and internal payables. A total internal balance remains due to certain Business-Type Activities having different fiscal year ends than the Governmental Activities.

The largest component (36%) of the State's net assets is unrestricted net assets. Unrestricted net assets may be used at the State's discretion, but often have limitations on use based on State statutes. Restricted net assets make up thirty-four percent (34%) of the state's net assets. These restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Thirty percent (30%) of the State's net assets reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 229,005	\$ 245,410	\$1,116,210	\$1,110,240	\$1,345,215	\$1,355,650
Operating Grants & Contributions	1,131,838	2,025,395	114,158	412,398	1,245,996	2,437,793
Capital Grants & Contributions	57,065	63,035	10,820	19,762	67,885	82,797
General Revenues:						
Income Taxes	503,976	379,938	-	-	503,976	379,938
Sales Taxes	857,771	885,446	-	-	857,771	885,446
Other Taxes	489,484	695,521	-	-	489,484	695,521
Investment Earnings	12,830	33,926	-	-	12,830	33,926
Tobacco Settlement	30,990	23,559	-	-	30,990	23,559
Other	54,637	150,819	-	-	54,637	150,819
Total Revenues	3,367,596	4,503,049	1,241,188	1,542,400	4,608,784	6,045,449
Expenses						
General Government	418,221	393,432	-	-	418,221	393,432
Education	564,819	849,337	-	-	564,819	849,337
Health and Human Services	1,005,299	1,149,202	-	-	1,005,299	1,149,202
Regulatory	26,582	26,187	-	-	26,582	26,187
Public Safety and Corrections	194,264	284,846	-	-	194,264	284,846
Agriculture and Commerce	68,057	85,328	-	-	68,057	85,328
Natural Resources	64,817	81,304	-	-	64,817	81,304
Transportation	382,619	463,846	-	-	382,619	463,846
Interest on Long Term Debt	12,684	11,774	-	-	12,684	11,774
Bank of North Dakota	-	-	99,090	80,132	99,090	80,132
Housing Finance	-	-	59,769	62,932	59,769	62,932
Loan Programs	-	-	6,777	6,316	6,777	6,316
Mill and Elevator	-	-	233,792	170,076	233,792	170,076
State Lottery	-	-	16,123	18,178	16,123	18,178
Unemployment Compensation	-	-	106,475	137,474	106,475	137,474
University System	-	-	894,733	963,820	894,733	963,820
Workforce Safety and Insurance	-	-	168,527	218,186	168,527	218,186
Other	-	-	15,810	18,331	15,810	18,331
Total Expenses	2,737,362	3,345,256	1,601,096	1,675,446	4,338,458	5,020,701
Increase (decrease) in Net Assets Before Contributions & Transfers	630,234	1,157,793	(359,908)	(133,045)	270,326	1,024,748
Contributions to Permanent Fund Principal	11,574	11,203	-	-	11,574	11,203
Special Item-Loss on Discontin. of Computer Project	(3,314)	-	-	-	(3,314)	-
Transfers	(229,268)	(350,497)	270,189	324,786	40,921	(25,711)
Increase in Net Assets	409,226	818,499	(89,719)	191,741	319,507	1,010,240
Net Assets - Beginning -As Restated	3,979,458	4,388,617	1,732,659	1,647,235	5,712,117	6,035,852
Net Assets- Ending	<u>\$4,388,684</u>	<u>\$5,207,116</u>	<u>\$1,642,940</u>	<u>\$1,838,976</u>	<u>\$6,031,624</u>	<u>\$7,046,092</u>

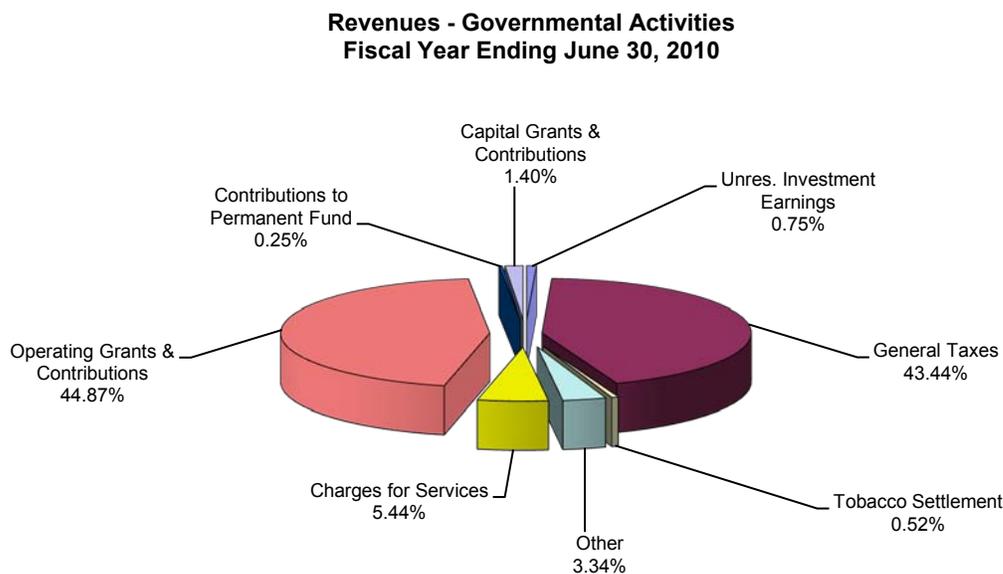
Governmental Activities

Governmental Activities increased the State's net assets by \$818 million. The largest dollar increase in the State's revenues for fiscal year 2010 was from the State's intergovernmental revenue, a 35% increase primarily from increased federal funding through the American Recovery and Reinvestment Act (ARRA) and from federal disaster assistance. Oil and gas tax revenues increased from the prior fiscal year by 47.8% because of the increased level of oil and gas production in the state. Individual and corporate income taxes had a combined decrease of 24.7%. Individual taxes went down primarily because of a rate reduction enacted by the 2009 Legislative Assembly and a decrease in capital gains. Corporate tax decreases were brought on by the national recession. Other general revenues nearly tripled because of the significant increase (225%) in mineral lease royalty income.

Expenses for total governmental activities increased by 22% from the prior fiscal year. Education expenses rose significantly (50%) for various reasons. The 2009 Legislature elected to fund the primary education formula at the prior year's level, but then awarded school districts with increased general state aid funding over the amount funded by the primary formula. The Legislature also awarded school districts one-time supplemental grants for infrastructure projects. In addition, the state enacted major legislation providing funding for statewide school district mill levy reductions and then provided grants to school districts in exchange for reducing school district property tax levies. The state was also awarded ARRA education stabilization funds, which were spent on school funding.

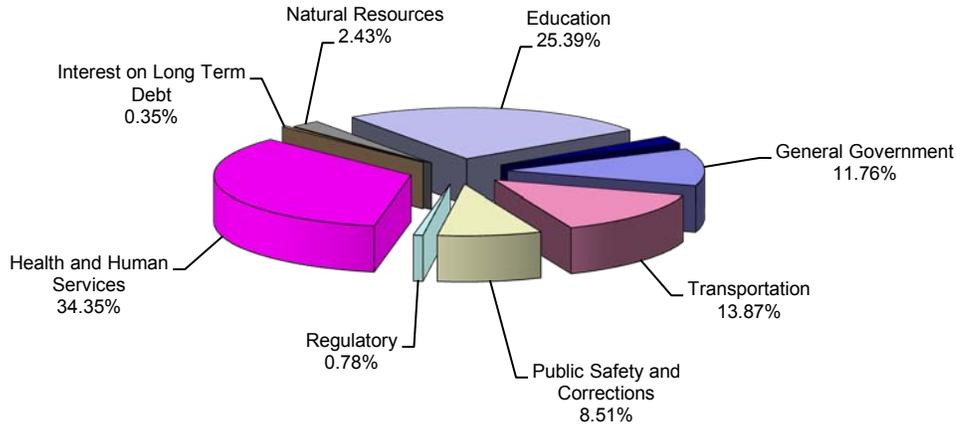
Public Safety and Corrections expenditures show a 47% increase in expenditures primarily due to costs relating to the 2009 spring flood disaster in the state. Transportation expenses increased about 21% because of an increase in highway construction made possible by ARRA funding. Health and Human Services expenditures went up \$144 million (a 14.4% increase) because of an increase in rates for medical providers.

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, 2010**



Business-type Activities

Net assets of the business-type activities increased by \$192 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net assets increased \$71 million because of underwriting and investment income.

The Bank of North Dakota had an increase of \$47 million, which is attributable to continued growth in state deposits, liquidity of banks investing at the Bank and increased investment in repurchase agreements by commercial customers

The University System's net assets increased \$70 million. The University System's net asset change is from increases in tuition, housing, and grants and contracts revenue.

Housing Finance had a \$9.7 million increase from program operations and financing activities.

The Mill and Elevator's net assets increased \$6 million because their short term borrowing from the Bank of North Dakota was down from prior years.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

As the State completed the year, its governmental funds reported combined fund balances of \$3.8 billion, an increase of \$690 million from the prior fiscal year. Approximately \$2.4 billion of this total amount constitutes unreserved fund balance, which is available for appropriation for the general purposes of the funds. The remainder of fund balance is reserved and is not available for new spending because it has already been dedicated to various commitments such as long-term receivables, debt service, and capital projects.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unreserved fund balance of the General Fund was \$834 million and reserved fund balance was \$5 million.

Total fund balance decreased during the fiscal year by \$28 million, due primarily to a \$121 million decrease in income tax revenues. There was a \$295 million legislatively mandated transfer from the Permanent Oil Tax trust fund to the general fund in fiscal year 2010, but general fund expenditures increased approximately \$195 million, of which more than \$150 million was from education expenditures.

The School Permanent Trust Fund balance at June 30, increased \$397 million because of increased royalty revenues of nearly \$200 million, increased investment income of more than \$200 million and additional oil and gas tax revenues of \$10 million. Transfers out also increased about \$6 million.

The Federal Fund balance at June 30, showed an increase of \$.9 million primarily because of prepaid items.

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 assets 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, 2010, was the first year of the 2009-11 budget cycle. The original budget increased \$63.2 million.

At the beginning of the 2009-11 budget cycle, there was an increase in the original budget of \$65.7 million due to the authorized carryover of general fund appropriation authority from the 2007-09 biennium, a \$6.8 million increase for capital construction carryover, and reductions of \$9.2 million.

The reductions were for appropriations that were authorized to start a few months prior to the beginning of the 2009-11 biennium but to continue through the 2009-11 biennium. The beginning appropriations needed to be reduced for the expenditures made prior to the start of the 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 Adjutant General, \$3.1 million, Office of Management and Budget, \$38.5 million, the University System, \$18.9 million, Legislative Council, \$2.2 million and Legislative Assembly, \$1.6 million. \$37 million of the \$38.5 million for the Office of Management and Budget was for a transfer to the Adjutant General for flood and snow disaster relief.

Of the \$6.1 million in capital construction carryover dollars, \$1.2 million was for the Office of Management and Budget; \$2.4 million was for the Department of Human Services and various smaller amounts for several other state agencies.

There were no expenditures in excess of general fund authority.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: At the end of the fiscal year 2010, the State had invested \$2.6 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$128 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Land and Land Improvements	\$ 68,120	\$ 69,338	\$ 18,764	\$ 18,764	\$ 86,884	\$ 88,102
Building & Building Improvements	250,634	250,199	520,272	553,664	770,906	803,863
Equipment	112,663	127,392	151,100	164,292	263,763	291,684
Intangibles						
Software	30,536	30,517	14,546	13,853	45,082	44,370
Other	4,106	4,484	328	466	4,434	4,950
Infrastructure	635,706	706,375	89,477	91,402	725,183	797,777
Construction in Progress	442,892	458,348	42,869	76,960	485,761	535,308
Total	\$1,544,657	\$1,646,653	\$ 837,356	\$ 919,401	\$2,382,013	\$2,566,054

The total increase in the State's investments in capital assets for the current fiscal year was 7% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$429 million for the year. A major portion of this amount was used to construct or reconstruct assets at the University Systems and for highway construction. More detailed information on the State's capital assets can be found in Note 3H to the financial statements.

Long-term Debt: Article X, Section 13 of the Constitution of North Dakota provides that the state may issue or guarantee the payment of bonds provided that all bonds in excess of \$2 million are: secured by first mortgage upon property and no further indebtedness may be incurred by the state unless evidenced by a bond issue; authorized by law, for a certain purpose; provisioned to pay the interest semiannually, and pay the principal within 30 years. The law authorized the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond. The State has no general obligation bonds outstanding at June 30, 2010.

The State does have a number of revenue bonds outstanding at June 30, 2010. 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 \$403.8 million. The advances have a fixed rate of interest, ranging from 3.01 percent to 7.35 percent.

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

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Revenue Bonds	\$ 251,526	\$ 232,101	\$1,051,542	\$1,301,368	\$1,303,068	\$1,533,469
Notes Payable	26,523	19,493	318,847	412,095	345,370	431,588
Total	<u>\$ 278,049</u>	<u>\$ 251,594</u>	<u>\$1,370,389</u>	<u>\$1,713,463</u>	<u>\$1,648,438</u>	<u>\$1,965,057</u>

The State's total debt increased approximately 19% during the current fiscal year.

ECONOMIC CONDITION AND OUTLOOK

In the midst of a lingering national recession, the North Dakota economy continues to thrive. The state's diversified economy has seen growth in various sectors, including manufacturing, agriculture, and energy. Moody's Analytics, formerly Moody's Economy.com, recently completed its analysis of the North Dakota economy for its Précis U.S. State October 2010 publication. The report depicts a strong, growing economy, leading the nation in several areas. Moody's notes that "North Dakota is one of the few states where payroll employment has already surpassed its prerecession peak. The state's unemployment rate is also the lowest in the nation."

As the rest of the nation recovers from recession, the outlook for North Dakota continues to be positive. "Increases in global business investment and favorable exchange rates will provide a boost to manufacturers and other export-related industries. Commodity prices will increase as the global recovery accelerates, supporting gains in state income." Gross state product, which was \$24.6 billion in 2009, is projected to grow by \$5.0 billion by 2014, a 20.3 percent increase. Total employment is expected to grow from 366,000 in 2009 to 395,000 in 2014, an increase of 29,000 jobs, or 7.9 percent. Personal income is expected to grow by 4.0 to 5.2 percent each year from 2011 through 2014.

Median household income and per capita income for North Dakota have both surpassed the national average. For 2008, median household income was \$50,075 in North Dakota and \$49,777 for the U.S. Per capita income was \$40,727 for North Dakota, based on 2009 Bureau of Economic Analysis data, but only \$39,626 for the U.S.

CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT

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



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Basic Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 12,825,115	\$ 933,335,668	\$ 946,160,783	\$ 36,875,106
Investments	1,661,851,841	1,603,857,871	3,265,709,712	39,806,398
Accounts Receivable - Net	60,515,093	105,784,304	166,299,397	27,380,412
Taxes Receivable - Net	304,216,529	-	304,216,529	-
Interest Receivable - Net	12,818,970	44,519,704	57,338,674	79,349
Intergovernmental Receivable - Net	289,312,855	42,646,940	331,959,795	-
Internal Receivable	1,949,309,970	-	230,716,348	-
Due from Component Units	1,299,700	10,940,422	12,240,122	-
Due from Primary Government	-	-	-	60,733,226
Prepaid Items	7,126,918	2,644,102	9,771,020	-
Inventory	17,357,537	24,458,122	41,815,659	543,595
Loans and Notes Receivable - Net	105,238,420	2,761,446,259	2,866,684,679	11,259,934
Unamortized Bond Financing Costs	999,247	11,931,373	12,930,620	2,635,151
Pension Assets	2,357,756	-	2,357,756	-
Other Assets	-	12,222,089	12,222,089	37,065,892
Restricted Assets:				
Cash and Cash Equivalents	-	250,994,855	250,994,855	8,268,086
Investments	-	45,251,863	45,251,863	761,084,558
Interest Receivable - Net	-	3,857,000	3,857,000	4,312,000
Loans and Notes Receivable - Net	-	936,599,000	936,599,000	-
Restricted Deferred Outflows	-	19,751,000	19,751,000	-
Capital Assets:				
Nondepreciable	527,686,123	95,723,978	623,410,101	5,324,017
Depreciable, Net	1,118,967,390	823,676,900	1,942,644,290	135,499,556
Total Assets	<u>6,071,883,464</u>	<u>7,729,641,450</u>	<u>12,082,931,292</u>	<u>1,130,867,280</u>

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

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Net Assets June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts Payable	234,113,356	41,544,411	275,657,767	8,569,743
Accrued Payroll	40,704,170	29,055,866	69,760,036	130,145
Securities Lending Collateral	117,503,120	7,472,318	124,975,438	-
Interest Payable	3,089,937	19,003,898	22,093,835	1,813,000
Intergovernmental Payable	73,038,480	3,947,946	76,986,426	-
Tax Refunds Payable	74,386,399	-	74,386,399	-
Internal Payable	-	1,718,593,622	-	-
Due to Component Units	-	61,965,505	61,965,505	-
Due to Primary Government	-	-	-	12,240,122
Contracts Payable	10,511,581	2,330,802	12,842,383	-
Federal Funds Purchased	-	329,510,000	329,510,000	-
Reverse Repurchase Agreements	-	8,117,000	8,117,000	-
Other Deposits	-	900,689,842	900,689,842	3,293,494
Amounts Held In Custody for Others	-	19,300,067	19,300,067	-
Unearned Revenue	10,996,972	97,670,474	108,667,446	7,789,143
Financial Derivative Instrument	-	19,751,000	19,751,000	-
Other Liabilities	-	11,081,397	11,081,397	27,072,619
Long-Term Liabilities				
Due within one year	24,332,468	312,186,277	336,518,745	17,435,828
Due in more than one year	276,090,865	2,308,444,948	2,584,535,813	248,686,022
Total Liabilities	<u>864,767,348</u>	<u>5,890,665,373</u>	<u>5,036,839,099</u>	<u>327,030,116</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	1,450,350,320	644,108,459	2,094,458,779	111,818,553
Restricted for:				
General Government	3,880,181	-	3,880,181	-
Education	160,329,635	-	160,329,635	-
Health and Human Services	50,590,048	-	50,590,048	-
Regulatory Purposes	27,442,635	-	27,442,635	-
Public Safety & Corrections	33,392,689	-	33,392,689	-
Agriculture and Commerce	21,876,686	-	21,876,686	-
Cultural and Natural Resources	144,750,188	-	144,750,188	-
Transportation	212,564,244	-	212,564,244	-
Capital Projects	3,040,000	148,864	3,188,864	-
Debt Service	21,463,652	114,494,213	135,957,865	53,998,000
Loan Purposes	-	45,930,458	45,930,458	247,139,000
Pledged Assets	-	136,456,000	136,456,000	-
Unemployment Compensation	-	99,518,255	99,518,255	-
Permanent Fund and University System - Expendable	-	28,478,879	28,478,879	-
Permanent Fund and University System - Nonexpendable	1,300,483,003	19,346,395	1,319,829,398	-
Other	4,511,240	1,236,348	5,747,588	338,378,501
Unrestricted	1,772,441,595	749,258,206	2,521,699,801	52,503,110
Total Net Assets	<u>\$ 5,207,116,116</u>	<u>\$ 1,838,976,077</u>	<u>\$ 7,046,092,193</u>	<u>\$ 803,837,164</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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 393,432,224	\$ 20,683,111	\$ 120,162,246	\$ -
Education	849,337,255	5,440,633	569,522,599	-
Health and Human Services	1,149,201,916	31,858,461	803,057,024	10,794,832
Regulatory	26,187,266	23,963,949	4,791,790	-
Public Safety and Corrections	284,846,465	12,310,270	173,919,718	-
Agriculture and Commerce	85,327,633	29,530,575	38,696,350	-
Natural Resources	81,304,271	30,854,355	20,623,868	8,740,159
Transportation	463,845,880	90,768,728	294,621,772	43,500,000
Interest on Long Term Debt	11,773,684	-	-	-
Total Governmental Activities	<u>3,345,256,594</u>	<u>245,410,082</u>	<u>2,025,395,367</u>	<u>63,034,991</u>
Business-Type Activities:				
Bank of North Dakota	80,132,606	138,081,000	5,046,000	-
Housing Finance	62,931,910	48,814,007	19,286,000	-
Loan Programs	6,315,852	6,013,058	369,610	-
Mill and Elevator	170,075,842	183,287,534	10,778	-
State Lottery	18,177,724	24,498,988	10,934	-
Unemployment Compensation	137,473,630	115,951,800	4,094,375	-
University System	963,820,452	418,085,075	247,976,185	19,762,204
Workforce Safety & Insurance	218,185,899	157,710,330	131,239,065	-
Other	18,330,675	17,797,890	4,365,375	-
Total Business-Type Activities	<u>1,675,444,590</u>	<u>1,110,239,682</u>	<u>412,398,322</u>	<u>19,762,204</u>
Total Primary Government	<u>\$ 5,020,701,184</u>	<u>\$ 1,355,649,764</u>	<u>\$ 2,437,793,689</u>	<u>\$ 82,797,195</u>
Component Units:	<u>\$ 133,888,057</u>	<u>\$ 70,889,657</u>	<u>\$ 98,561,341</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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year, as Restated

Net Assets, Ending

Net (Expense) Revenue and Change in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (252,586,867)		\$ (252,586,867)	
(274,374,022)		(274,374,022)	
(303,491,600)		(303,491,600)	
2,568,473		2,568,473	
(98,616,476)		(98,616,476)	
(17,100,709)		(17,100,709)	
(21,085,889)		(21,085,889)	
(34,955,380)		(34,955,380)	
(11,773,684)		(11,773,684)	
<u>(1,011,416,154)</u>		<u>(1,011,416,154)</u>	
	62,994,394	62,994,394	
	5,168,097	5,168,097	
	66,816	66,816	
	13,222,470	13,222,470	
	6,332,198	6,332,198	
	(17,427,455)	(17,427,455)	
	(277,996,988)	(277,996,988)	
	70,763,496	70,763,496	
	3,832,590	3,832,590	
<u>-</u>	<u>(133,044,382)</u>	<u>(133,044,382)</u>	
(1,011,416,154)	(133,044,382)	(1,144,460,536)	
			\$ 35,562,941
379,938,009	-	379,938,009	-
885,445,674	-	885,445,674	-
633,445,059	-	633,445,059	-
62,075,915	-	62,075,915	-
33,925,667	-	33,925,667	-
23,559,384	-	23,559,384	-
150,818,789	-	150,818,789	-
11,203,425	-	11,203,425	19,011,618
(350,496,669)	324,785,928	(25,710,741)	-
<u>1,829,915,253</u>	<u>324,785,928</u>	<u>2,154,701,181</u>	<u>19,011,618</u>
818,499,099	191,741,546	1,010,240,645	54,574,559
4,388,617,017	1,647,234,531	6,035,851,548	749,262,605
<u>\$ 5,207,116,116</u>	<u>\$ 1,838,976,077</u>	<u>\$ 7,046,092,193</u>	<u>\$ 803,837,164</u>

STATE OF NORTH DAKOTA

Balance Sheet Governmental Funds June 30, 2010

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
ASSETS					
Cash Deposits at the Bank of ND	\$ 412,854,086	\$ -	\$ 7,379,958	\$ 1,273,230,206	\$ 1,693,464,250
Cash and Cash Equivalents	6,960,648	-	-	5,857,528	12,818,176
Investments at the Bank of ND	91,146,121	4,500,000	-	149,109,980	244,756,101
Investments	192,871,979	-	1,326,212,728	136,066,430	1,655,151,137
Accounts Receivable - Net	3,847,807	6,628,515	15,405,681	34,292,952	60,174,955
Taxes Receivable - Net	188,463,334	-	2,800,477	112,952,718	304,216,529
Interest Receivable - Net	1,335,995	-	9,690,305	1,736,863	12,763,163
Intergovernmental Receivable - Net	-	276,012,392	-	13,062,452	289,074,844
Due from Other Funds	125,831,461	18,097,926	3,704,573	16,930,005	164,563,965
Due from Component Units	1,299,700	-	-	-	1,299,700
Prepaid Items	2,097,328	1,003,199	-	1,819,026	4,919,553
Inventory	2,811,009	8,625,556	-	5,826,886	17,263,451
Loans and Notes Receivable - Net	166,545	209,190	43,837,503	61,025,182	105,238,420
Total Assets	\$ 1,029,686,013	\$ 315,076,778	\$ 1,409,031,225	\$ 1,811,910,228	\$ 4,565,704,244
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 38,921,604	\$ 154,522,731	\$ 5,996,251	\$ 31,388,011	\$ 230,828,597
Accrued Payroll	19,639,189	10,176,243	-	9,047,487	38,862,919
Securities Lending Collateral	-	-	105,955,200	11,495,457	117,450,657
Interest Payable	-	-	-	290,764	290,764
Intergovernmental Payable	3,315,128	17,577,647	-	52,121,383	73,014,158
Tax Refunds Payable	73,310,873	-	-	1,075,526	74,386,399
Due to Other Funds	18,143,016	103,942,956	97,641	41,901,664	164,085,277
Contracts Payable	-	7,797,799	-	2,713,782	10,511,581
Deferred Revenue	37,344,849	16,473,162	-	29,335,460	83,153,471
Total Liabilities	190,674,659	310,490,538	112,049,092	179,369,534	792,583,823
Fund Balances:					
Reserved For:					
Inventory	2,811,009	8,625,556	-	5,826,886	17,263,451
Long - Term Receivables	81,903	68,558	-	54,475,445	54,625,906
Capital Projects	-	-	-	3,040,000	3,040,000
Debt Service	-	-	-	21,463,652	21,463,652
Prepaid Expenditures	2,097,328	1,003,199	-	1,819,026	4,919,553
Legal Requirements	-	-	-	15,696,600	15,696,600
Undistributed Revenue	-	-	9,690,305	-	9,690,305
Permanent Trust Fund	-	-	1,287,291,828	-	1,287,291,828
Unreserved, Reported in:					
General Fund	834,021,114	-	-	-	834,021,114
Special Revenue Funds	-	(5,111,073)	-	1,530,219,085	1,525,108,012
Total Fund Balances	839,011,354	4,586,240	1,296,982,133	1,632,540,694	3,773,120,421
Total Liabilities and Fund Balances	\$ 1,029,686,013	\$ 315,076,778	\$ 1,409,031,225	\$ 1,811,910,228	\$ 4,565,704,244

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2010

Total Fund Balances-Governmental Funds \$ 3,773,120,421

Amounts reported for governmental activities in the statement of net assets 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 \$4,388,813,757 and the accumulated depreciation is \$2,827,240,897. 1,561,572,860

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 deferred in the funds. 72,156,500

Internal service funds are used to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 80,501,554

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 966,000

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds. 2,357,756

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

Bonds Payable	(229,178,862)	
Notes Payable	(9,621,029)	
Accrued Interest on Long-Term Liabilities	(2,712,716)	
Compensated Absences	(37,542,340)	
Intergovernmental Payable	(143,757)	
Capital Leases	(2,583,227)	
Pension Obligation (Reported as Accounts Payable)	(284,143)	
Claims and Judgments	(1,492,901)	
Total Long-Term Liabilities		<u>(283,558,975)</u>

Net Assets of Governmental Activities \$ 5,207,116,116

STATE OF NORTH DAKOTA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Fiscal Year Ended June 30, 2010

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Total
REVENUES					
Individual and Corporate Income Taxes	\$ 370,701,175	\$ -	\$ -	\$ 9,367,795	\$ 380,068,970
Sales and Use Taxes	652,637,635	-	-	230,627,808	883,265,443
Oil, Gas, and Coal Taxes	66,580,964	-	28,361,274	538,555,374	633,497,612
Business and Other Taxes	43,595,585	-	-	18,749,037	62,344,622
Licenses, Permits and Fees	14,582,256	-	-	128,934,268	143,516,524
Intergovernmental	483,925	1,648,332,788	-	43,257,979	1,692,074,692
Sales and Services	3,169,232	-	-	44,824,296	47,993,528
Royalties and Rents	16,018,329	9,867	271,075,289	119,947,792	407,051,277
Fines and Forfeits	3,619,471	-	1,923,207	7,739,824	13,282,502
Interest and Investment Income	32,219,877	104,026	132,153,065	17,348,531	181,825,499
Tobacco Settlement	-	-	9,280,218	23,559,384	32,839,602
Commodity Assessments	-	-	-	19,558,592	19,558,592
Miscellaneous	4,418,693	968,644	-	6,482,937	11,870,274
Total Revenues	1,208,027,142	1,649,415,325	442,793,053	1,208,953,617	4,509,189,137
EXPENDITURES					
Current:					
General Government	104,567,397	3,830,926	-	9,737,529	118,135,852
Education	543,749,463	251,089,024	5,275,129	48,991,064	849,104,680
Health and Human Services	318,415,722	784,594,037	-	44,493,379	1,147,503,138
Regulatory	10,089,640	3,683,054	-	8,342,118	22,114,812
Public Safety and Corrections	106,116,921	159,258,720	-	11,343,466	276,719,107
Agriculture and Commerce	17,084,236	33,729,098	-	34,327,682	85,141,016
Natural Resources	18,818,180	17,365,769	-	37,175,982	73,359,931
Transportation	550,000	287,441,015	-	137,939,356	425,930,371
Intergovernmental - Revenue Sharing	-	-	-	273,118,310	273,118,310
Capital Outlay	28,729,039	81,201,106	-	45,218,231	155,148,376
Debt Service:					
Principal	11,521,165	74,491	-	18,917,845	30,513,501
Interest and Other Charges	788,089	9,211	-	11,520,772	12,318,072
Total Expenditures	1,160,429,852	1,622,276,451	5,275,129	681,125,734	3,469,107,166
Revenues over Expenditures	47,597,290	27,138,874	437,517,924	527,827,883	1,040,081,971
OTHER FINANCING SOURCES (USES)					
Capital Lease Acquisitions	105,791	38,626	-	22,534	166,951
Sale of Capital Assets	-	7,000	404,000	60,890	471,890
Transfers In	312,102,565	423,319	-	162,459,227	474,985,111
Transfers Out	(388,011,234)	(26,678,825)	(41,133,000)	(369,658,720)	(825,481,779)
Total Other Financing Uses	(75,802,878)	(26,209,880)	(40,729,000)	(207,116,069)	(349,857,827)
Net Change in Fund Balances	(28,205,588)	928,994	396,788,924	320,711,814	690,224,144
Fund Balances - Beginning of Year, as Adjusted	867,216,942	3,657,246	900,193,209	1,311,828,880	3,082,896,277
Fund Balances - End of Year	\$ 839,011,354	\$ 4,586,240	\$ 1,296,982,133	\$ 1,632,540,694	\$ 3,773,120,421

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, 2010

Net Change in Fund Balances-Total Governmental Funds		\$ 690,224,144
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		93,493,315
In the statement of activities, only the <i>gain(loss)</i> 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 assets differs from the change in fund balance by the book value of the assets sold.		(997,756)
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 assets.		(166,951)
Based on receipt dates, some revenues are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased/decreased by this amount this year.		2,263,000
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		5,558,915
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		(140,000)
The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds.		(113,766)
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 assets. In the current year, these amounts consist of:		
	18,770,000	
Bond principal retirement	10,901,793	
Note payments	1,236,154	
Capital lease payments	<u>30,907,947</u>	
Total long-term debt repayment		30,907,947
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These activities consist of:		
Net increase/decrease in accrued interest	823,953	
Net increase/decrease in compensated absences	(3,462,202)	
Net increase/decrease in net pension obligation (reported as accounts payable)	(69,757)	
Net increase/decrease in claims and judgments	178,257	
Total additional expenditures		<u>(2,529,749)</u>
Change in Net Assets of Governmental Activities		\$ 818,499,099

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2010

	Business-Type Activities - Enterprise Funds						Governmental
	Bank of North Dakota	Housing Finance	Mill and Elevator	University System	Workforce Safety and Insurance	Other Enterprise Funds	Internal Service Funds
ASSETS							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 2,351,000	\$ 33,614	\$ 61,781,387	\$ 1,364,416	\$ 30,027,467	\$ 95,557,884	\$ 16,084,020
Cash and Cash Equivalents	40,000	-	7,489,704	-	84,566,964	92,096,668	6,938
Investments at the Bank of ND	-	-	75,764,411	35,096,736	14,224,000	125,085,147	-
Investments	-	-	902,306	1,176,848,461	25,366,997	1,203,117,764	6,700,705
Accounts Receivable - Net	547,000	28,601,856	17,494,035	34,276,825	24,795,236	105,714,952	340,137
Interest Receivable - Net	157,000	-	-	7,769,602	2,045,102	9,971,704	55,807
Intergovernmental Receivable - Net	174,000	-	38,529,926	-	3,943,014	42,646,940	238,011
Due from Other Funds	117,000	-	16,111,603	99,157	1,069,122	17,396,882	5,784,314
Due from Fiduciary Funds	-	-	-	-	69,352	69,352	-
Due from Component Units	-	-	7,272,422	-	-	7,272,422	-
Prepaid Items	50,000	659,921	-	597,060	1,337,121	2,644,102	2,207,365
Inventory	-	15,240,691	7,815,762	-	1,401,669	24,458,122	94,086
Loans and Notes Receivable - Net	-	286,545	8,929,737	-	8,885,438	18,101,720	-
Other Assets	498,000	-	2,993,264	-	-	3,491,264	-
Restricted Cash at the Bank of ND	10,774,000	-	-	-	4,442,952	15,216,952	3,972,854
Restricted Cash and Cash Equivalents	250,606,000	-	-	-	-	250,606,000	-
Restricted Investments at the Bank of ND	-	-	-	-	5,000,000	5,000,000	-
Restricted Interest Receivable - Net	3,857,000	-	-	-	-	3,857,000	-
Restricted Loans Receivable - Net	17,773,000	-	-	-	-	17,773,000	-
Total Current Assets	286,944,000	44,822,627	245,084,557	1,256,052,257	207,174,434	2,040,077,875	35,484,237
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	-	11,841,326	-	252,223	12,093,549	-
Restricted Cash and Cash Equivalents	-	-	388,855	-	-	388,855	-
Restricted Investments at the Bank of ND	-	-	6,892,325	-	-	6,892,325	-
Restricted Investments	12,292,000	-	32,738,867	-	220,996	45,251,863	-
Investments at the Bank of ND	-	-	58,063,751	-	-	58,063,751	-
Investments	-	-	7,038,107	-	-	7,038,107	-
Loans and Notes Receivable - Net	-	-	32,110,034	-	53,963,505	86,073,539	-
Restricted Loans Receivable - Net	904,626,000	-	-	-	14,200,000	918,826,000	-
Unamortized Bond Issuance Costs	7,909,000	-	3,939,147	-	83,226	11,931,373	33,247
Restricted Deferred Outflows	19,751,000	-	-	-	-	19,751,000	-
Other Noncurrent Assets	3,329,000	291,221	-	-	3,295,604	6,915,825	-
Capital Assets:							
Nondepreciable	-	221,553	79,942,708	10,327,959	4,060,758	94,552,978	-
Depreciable, Net	85,000	36,504,621	755,278,146	9,524,341	10,538,792	811,930,900	85,080,653
Total Noncurrent Assets	947,992,000	37,017,395	988,233,266	19,852,300	86,615,104	2,079,710,065	85,113,900
Bank Related Assets:							
Cash and Cash Equivalents	\$ 841,239,000					\$ 841,239,000	
Investments	393,702,000					393,702,000	
Interest Receivable - Net	34,548,000					34,548,000	
Due from Other Funds	14,509,000					14,509,000	
Due from Component Units	3,668,000					3,668,000	
Loans and Notes Receivable - Net	2,657,271,000					2,657,271,000	
Other Assets	1,815,000					1,815,000	
Capital Assets:							
Nondepreciable	1,171,000					1,171,000	
Depreciable, Net	11,746,000					11,746,000	
Total Bank Related Assets	3,959,669,000					3,959,669,000	
Total Assets	3,959,669,000	1,234,936,000	81,840,022	1,233,317,823	1,275,904,557	293,789,538	120,598,137

STATE OF NORTH DAKOTA

Statement of Net Assets Proprietary Funds June 30, 2010

	Business-Type Activities - Enterprise Funds						Governmental	
	Bank of North Dakota	Housing Finance	Mill and Elevator	University System	Workforce Safety and Insurance	Other Enterprise Funds	Internal Service Funds	
LIABILITIES								
Current Liabilities:								
Accounts Payable		1,248,000	8,987,346	23,621,102	4,366,105	3,321,858	41,544,411	3,000,619
Accrued Payroll		-	967,384	27,792,137	-	296,345	29,055,866	1,841,251
Securities Lending Collateral		-	-	-	7,257,842	214,476	7,472,318	52,463
Interest Payable		18,474,000	-	140,249	-	99,762	18,714,011	34,873
Intergovernmental Payable		520,000	-	147,597	-	3,971,946	4,639,543	24,321
Due to Other Funds		18,000	20,319,453	2,967,065	78,874	9,605,899	32,989,291	7,120,883
Due to Component Units		-	-	2,969,474	-	-	2,969,474	-
Contracts Payable		-	-	2,330,802	-	-	2,330,802	-
Other Deposits		-	-	6,307,922	-	-	6,307,922	-
Amounts Held in Custody for Others		10,774,000	-	-	-	8,526,067	19,300,067	-
Claims/Judgments Payable		-	-	-	96,500,000	815,178	97,315,178	1,337,671
Dividends Payable		-	-	-	76,500,000	-	76,500,000	-
Compensated Absences Payable		142,000	39,712	1,488,916	914,140	39,395	2,624,163	151,064
Notes Payable		-	-	1,005,844	-	-	1,005,844	1,918,382
Capital Leases Payable		-	-	5,355,146	-	26,087	5,381,233	187,100
Bonds Payable		119,051,000	-	8,624,262	-	190,000	127,865,262	681,658
Deferred Revenue		-	-	14,511,713	78,320,109	4,838,652	97,670,474	-
Other Current Liabilities		-	-	-	-	564	564	-
Total Current Liabilities		150,227,000	30,313,895	97,262,229	263,937,070	31,946,229	573,686,423	16,350,285
Noncurrent Liabilities:								
Intergovernmental Payable		1,054,000	-	1,207,287	-	6,332,635	8,593,922	-
Due to Component Units		-	-	54,102,031	-	-	54,102,031	-
Claims/Judgments Payable		-	-	-	675,595,000	780,767	676,375,767	3,744,373
Compensated Absences Payable		81,000	754,526	26,681,792	161,319	332,432	28,011,069	1,574,939
Notes Payable		-	-	7,309,764	-	-	7,309,764	7,953,247
Capital Leases Payable		-	-	35,727,405	-	156,451	35,883,856	123,487
Bonds Payable		948,692,000	-	184,871,539	-	14,786,031	1,148,349,570	2,240,880
Financial Derivative Instrument		19,751,000	-	-	-	-	19,751,000	-
Other Noncurrent Liabilities		-	-	1,231,003	-	7,275,830	8,506,833	-
Total Noncurrent Liabilities		969,578,000	754,526	311,130,821	675,756,319	29,664,146	1,986,883,812	15,636,926
Bank Related Liabilities:								
Interest Payable		277,595	-	-	-	-	277,595	-
Due to Other Funds		2,532,405	-	-	-	-	2,532,405	-
Due to Component Units		4,894,000	-	-	-	-	4,894,000	-
Federal Funds Purchased		329,510,000	-	-	-	-	329,510,000	-
Reverse Repurchase Agreements		8,117,000	-	-	-	-	8,117,000	-
Deposits Held for Other Funds		2,086,290,158	-	-	-	-	2,086,290,158	-
Other Deposits		849,100,842	-	-	-	-	849,100,842	-
Other Liabilities		2,574,000	-	-	-	-	2,574,000	-
Long Term Liabilities:								
Due within one year		803,000	-	-	-	-	803,000	-
Due in more than one year		403,921,000	-	-	-	-	403,921,000	-
Total Bank Related Liabilities		3,688,020,000	-	-	-	-	3,688,020,000	-
Total Liabilities		3,688,020,000	1,119,805,000	31,068,421	408,393,050	939,693,389	6,248,590,235	31,987,211
NET ASSETS								
Invested in Capital Assets, Net of Related Debt		12,917,000	85,000	36,726,174	561,021,967	19,852,300	644,108,459	74,898,606
Restricted for:								
Capital Projects		-	-	-	148,864	-	148,864	-
Debt Service		-	99,937,000	-	13,317,994	-	114,494,213	-
Loan Purposes		-	-	-	45,319,180	-	45,930,458	-
Pledged Assets		136,456,000	-	-	-	-	136,456,000	-
Unemployment Compensation		-	-	-	-	99,518,255	99,518,255	-
University System-Nonexpendable		-	-	-	13,231,395	-	13,231,395	-
University System-Expendable		-	-	-	34,593,879	-	34,593,879	-
Other		-	-	-	189,765	1,046,583	1,236,348	-
Unrestricted		122,276,000	15,109,000	14,045,427	157,101,729	316,358,868	741,148,834	13,712,320
Total Net Assets		\$ 271,649,000	\$ 115,131,000	\$ 50,771,601	\$ 824,924,773	\$ 336,211,168	\$ 1,830,866,705	\$ 88,610,926

Reconciliation of the Proprietary Funds Statement of Net Assets to the Statement of Net Assets June 30, 2010

Total Net Assets - Enterprise Funds

\$1,830,866,705

Amounts reported for business-type activities in the statement of net assets 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

\$8,109,372

Net Assets of Business-Type Activities

\$1,838,976,077

STATE OF NORTH DAKOTA

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds						Governmental	
	Bank of North Dakota	Housing Finance	Mill and Elevator	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES								
Sales and Services	\$ 6,160,000	\$ 1,782,000	\$ 183,224,005	\$ 61,730,681	\$ 155,441,150	\$ 161,652,908	\$ 569,990,744	\$ 80,958,518
Auxiliary Sales Pledges for Bonds	-	-	-	98,486,095	-	-	98,486,095	-
Tuition and Fees	-	-	-	253,693,095	-	-	253,693,095	-
Grants and Contributions	-	-	-	164,519,128	-	-	164,519,128	-
Royalties and Rents	-	-	-	-	710,081	116,651	826,732	-
Fines and Forfeits	-	-	-	-	1,559,099	-	1,559,099	-
Interest and Investment Income	136,967,000	47,032,007	-	-	-	2,490,630	186,489,637	-
Miscellaneous	-	-	-	1,461,178	-	1,374	1,462,552	-
Total Operating Revenues	143,127,000	48,814,007	183,224,005	579,890,177	157,710,330	164,261,563	1,277,027,082	80,958,518
OPERATING EXPENSES								
Cost of Sales and Services	-	-	163,659,310	38,271,721	-	2,474,987	204,406,018	1,122,704
Salaries and Benefits	10,474,000	2,636,000	2,272,912	607,926,781	16,094,038	4,621,851	644,025,582	22,160,820
Operating	17,981,000	5,657,000	709,292	215,126,735	4,261,519	30,607,132	274,342,678	34,387,425
Claims	-	-	-	-	117,606,375	140,597,680	258,204,055	4,058,645
Dividends Expense	-	-	-	-	74,868,560	-	74,868,560	-
Scholarships and Fellowships	-	-	-	38,637,684	-	-	38,637,684	-
Interest	50,994,000	36,644,000	-	-	-	601,015	88,239,015	-
Depreciation	951,000	25,000	2,918,773	48,453,001	254,599	1,039,791	53,642,164	12,735,917
Miscellaneous	-	-	-	-	-	4,000	4,000	-
Total Operating Expenses	80,400,000	44,962,000	169,560,287	948,415,922	213,085,091	179,946,456	1,636,369,756	74,465,511
Operating Income (Loss)	62,727,000	3,852,007	13,663,718	(368,525,745)	(55,374,761)	(15,684,893)	(359,342,674)	6,493,007
NONOPERATING REVENUES (EXPENSES)								
Grants and Contracts	-	-	-	49,237,969	-	545,080	49,783,049	-
Gifts	-	-	-	24,107,951	-	-	24,107,951	-
Interest and Investment Income	-	19,286,000	10,778	10,111,137	131,239,065	8,295,214	168,942,194	938,367
Interest Expense	-	(17,979,000)	(507,819)	(13,723,617)	(5,206,073)	(141,931)	(37,558,440)	(570,634)
Gain (Loss) on Sale of Capital Assets	-	-	-	(662,060)	-	(1,522)	(663,582)	54,399
Other	-	-	13,233	685,481	-	(218,900)	479,814	22,420
Total Nonoperating Revenues (Expenses)	-	1,307,000	(483,808)	69,756,861	126,032,992	8,477,941	205,090,986	444,552
Income (Loss) Before Contributions and Transfers	62,727,000	5,159,007	13,179,910	(298,768,884)	70,658,231	(7,206,952)	(154,251,688)	6,937,559
Capital Grants and Contributions	-	-	-	19,762,204	-	-	19,762,204	66,285
Transfers In	-	4,602,993	-	355,694,851	-	1,390,154	361,687,998	-
Transfer Out	(15,000,000)	(30,000)	(6,953,857)	(6,674,706)	-	(8,243,507)	(36,902,070)	-
Changes in Net Assets	47,727,000	9,732,000	6,226,053	70,013,465	70,658,231	(14,060,305)	190,296,444	7,003,844
Total Net Assets - Beginning of Year, as Adjusted	223,922,000	105,399,000	44,545,548	754,911,308	265,552,937	246,239,468	1,640,570,261	81,607,082
Total Net Assets - End of Year	\$ 271,649,000	\$ 115,131,000	\$ 50,771,601	\$ 824,924,773	\$ 336,211,168	\$ 232,179,163	\$ 1,830,866,705	\$ 88,610,926

Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2010

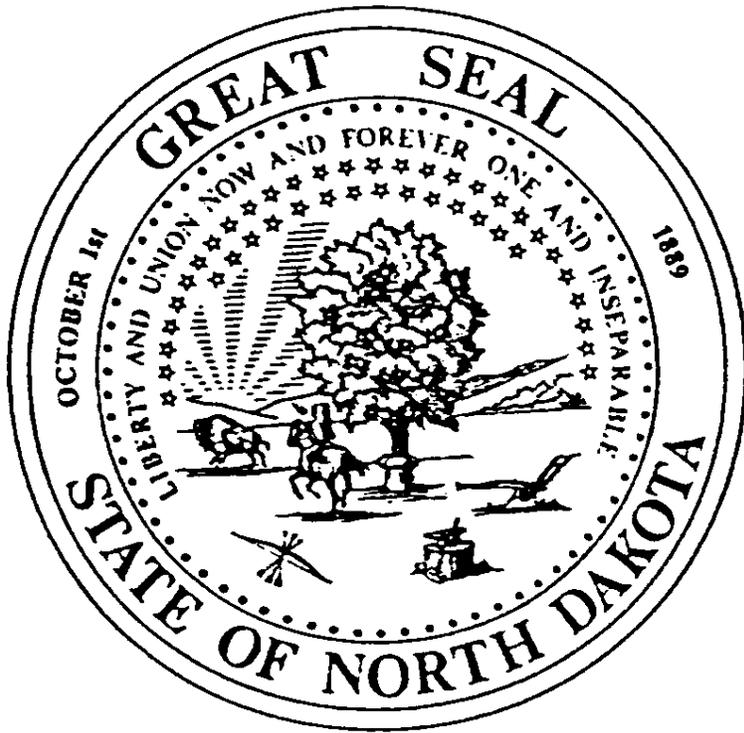
Net Change in Net Assets-Total Enterprise Funds \$ 190,296,444

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

Expenses were reduced based on the allocation of internal service fund's net income 1,445,102

Change in Net Assets of Business-Type Activities \$ 191,741,546

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, 2010

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
Cash Flows from Operating Activities:			
Receipts from Customers and Users	\$ 6,127,000	\$ 169,040,007	\$ 224,865,832
Receipts from Tuition and Fees	-	-	-
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	-
Receipts from Other Funds	-	-	-
Receipts from Grants and Contracts	-	-	-
Receipts from Others	-	-	-
Payments for Loan Funds	-	-	-
Payments to Other Funds	-	(393,000)	-
Payments for Scholarships and Fellowships	-	-	-
Payments to Suppliers	(7,607,000)	(222,307,000)	(187,304,593)
Payments to Employees	(10,406,000)	(2,630,000)	(9,150,018)
Claim Payments	-	-	-
Payments to Others	-	(1,001,000)	-
Other	-	-	(336,841)
Net Cash Provided by (Used for) Operating Activities	(11,886,000)	(57,290,993)	28,074,380
Cash Flows from Noncapital Financing Activities:			
Proceeds from Bonds	-	570,402,000	-
Proceeds from Sale of Notes and Other Borrowings	105,387,000	-	10,400,000
Principal Payments - Bonds	-	(354,181,000)	-
Principal Payments - Notes and Other Borrowings	(15,986,000)	-	(35,600,000)
Interest Payments - Bonds	-	(37,499,000)	-
Interest Payments - Notes and Other Borrowings	(16,801,000)	-	(507,819)
Payment of Bond Issue Costs	-	(2,517,000)	-
Transfers In	-	4,602,993	-
Transfers Out	(30,000,000)	(30,000)	(34,404)
Net Increase in Non-Interest Bearing Deposits	128,967,000	-	-
Net Decrease in Interest Bearing Deposits	164,736,000	-	-
Payments of Interest on Deposits	(39,994,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(842,000)	-	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	33,607,000	-	-
Collection of Advances Made	-	-	-
Principal Payments on Due To Other Funds	-	-	-
Grants and Gifts Received for Other than Capital Purposes	-	-	-
Agency Fund Cash Increase	-	-	-
Grants Given for Other than Capital Purposes	-	-	-
Other	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	329,074,000	180,777,993	(25,742,223)
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(438,000)	(14,000)	(2,356,046)
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Bonds	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	-
Principal Payments - Bonds	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-
Interest Payments - Bonds	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-
Capital Appropriations	-	-	-
Payment on Capital Leases	-	-	-
Interest Payments - Capital Leases	-	-	-
Other	-	-	-
Capital Grants and Gifts Received	-	-	-
Insurance Proceeds	-	-	-
Other	-	-	-
Net Cash Used for Capital and Related Financing Activities	(438,000)	(14,000)	(2,356,046)
Cash Flows from Investing Activities:			
Proceeds from Sale and Maturities of Investment Securities	159,562,000	1,260,000	-
Purchase of Investment Securities	(220,470,000)	-	-
Interest and Dividends on Investments	12,928,000	980,000	10,778
Proceeds from Sale of Other Real Estate	238,000	-	-
Net Decrease in Loans	(100,197,000)	-	-
Receipt of Loan Principal Repayments	-	-	-
Loan Income Received	119,705,000	-	-
Net Cash Provided by (Used for) Investing Activities	(28,234,000)	2,240,000	10,778

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds				Governmental Activities
University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
\$ 154,870,317	\$ 149,428,978	\$ 326,712,618	\$ 1,031,044,752	\$ 81,682,540
257,985,956	-	-	257,985,956	-
-	-	404,897	404,897	-
4,882,038	-	12,959,839	17,841,877	-
-	-	(129,745)	(129,745)	12,810
163,620,078	-	-	163,620,078	-
1,532,499	3,188,689	85,391	4,806,579	-
(6,754,418)	-	(12,901,369)	(19,655,787)	-
-	(1,746,010)	5,857	(2,133,153)	143,325
(38,637,684)	-	-	(38,637,684)	-
(251,810,180)	-	(249,034,288)	(918,063,061)	(35,034,318)
(603,349,602)	(11,808,275)	(4,567,132)	(641,911,027)	(22,004,139)
-	(118,166,322)	(87,595,088)	(205,761,410)	(852,875)
-	(16,452,254)	(333,619)	(17,786,873)	(3,977,309)
-	-	(206,811)	(543,652)	6,312
(317,660,996)	4,444,806	(14,599,450)	(368,918,253)	19,976,346
-	-	-	570,402,000	-
-	-	-	115,787,000	-
-	-	(1,000,000)	(355,181,000)	-
-	-	-	(51,586,000)	-
-	-	(535,000)	(38,034,000)	-
-	-	(11,905)	(17,320,724)	-
-	-	-	(2,517,000)	(1,606)
312,499,742	-	1,360,154	318,462,889	-
(6,527,809)	-	(7,877,132)	(44,469,345)	-
-	-	-	128,967,000	-
-	-	-	164,736,000	-
-	-	-	(39,994,000)	-
-	-	-	(842,000)	-
-	-	-	33,607,000	-
-	-	-	-	7,000,000
-	-	(334,916)	(334,916)	-
73,307,584	-	545,080	73,852,664	-
(1,618,025)	-	-	(1,618,025)	-
(871,132)	-	-	(871,132)	-
2,493,287	-	-	2,493,287	-
379,283,647	-	(7,853,719)	855,539,698	6,998,394
(101,940,452)	(2,426,432)	(2,402,000)	(109,576,930)	-
1,186,199	-	10,600	1,196,799	(24,773,801)
-	-	-	-	2,430,846
47,408,782	-	301,371	47,710,153	-
(25,297,989)	-	(190,000)	(190,000)	4,950,000
-	-	(24,927)	(25,322,916)	-
(12,968,810)	-	(34,861)	(34,861)	(1,716,372)
36,021,345	-	(3,182)	(12,971,992)	-
-	-	(10,540)	36,010,805	(790,686)
-	-	(26,087)	(26,087)	-
-	-	-	-	(147,452)
-	-	-	-	(28,689)
19,932,018	-	-	19,932,018	-
378,046	-	-	378,046	-
-	-	(61)	(61)	-
(35,280,861)	(2,426,432)	(2,379,687)	(42,895,026)	(20,076,154)
59,688,389	21,600,000	28,582,989	270,693,378	-
(75,887,780)	(24,284,191)	(33,881,441)	(354,523,412)	(1,276,691)
7,643,332	-	6,599,913	28,162,023	401,052
-	-	-	238,000	-
-	-	(1,924,000)	(102,121,000)	-
-	-	934,669	934,669	-
-	-	520,487	120,225,487	-
(8,556,059)	(2,684,191)	832,617	(36,390,855)	(875,639)

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, 2010

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	Mill and Elevator
Net Change in Cash:			
Net Increase (Decrease) in Cash and Cash Equivalents	288,516,000	125,713,000	(13,111)
Cash and Cash Equivalents at June 30, 2009	552,723,000	138,058,000	46,725
Cash and Cash Equivalents at June 30, 2010	<u>\$ 841,239,000</u>	<u>\$ 263,771,000</u>	<u>\$ 33,614</u>
Reconciliation:			
Current:			
Cash Deposits at the Bank of North Dakota	\$ -	\$ 2,351,000	\$ 33,614
Cash and Cash Equivalents	841,239,000	40,000	-
Restricted Cash Deposits at the Bank of North Dakota	-	10,774,000	-
Restricted Cash and Cash Equivalents	-	250,606,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	-
Restricted Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents	<u>\$ 841,239,000</u>	<u>\$ 263,771,000</u>	<u>\$ 33,614</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:			
Operating Income (Loss)	\$ 62,727,000	\$ 3,852,007	\$ 13,663,718
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	951,000	25,000	2,918,773
Amortization/Accretion	-	1,986,000	-
Reclassification of Interest Revenue/Expense	(80,778,000)	36,821,000	-
Gain on Sale of Real Estate	(21,000)	-	-
Net Increase in Fair Value of Investments	(5,046,000)	-	-
Interest Received on Program Loans	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	10,300,000	-	-
Contributed Property and Equipment	1,000	-	-
Other	-	(586,000)	(273,312)
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	(98,153,000)	2,447,458
(Increase) Decrease in Interest Receivable	-	(338,000)	-
(Increase) Decrease in Due From	(4,000)	(19,000)	-
(Increase) in Due From Fiduciary Funds	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	(17,000)	-
(Increase) in Notes Receivable	-	-	-
(Increase) Decrease in Prepaid Items	-	(4,000)	(184,101)
(Increase) Decrease in Inventories	-	-	4,723,581
(Increase) Decrease in Other Assets	74,000	(1,267,000)	(21,500)
Increase (Decrease) in Accounts Payable	-	-	3,330,093
Increase (Decrease) in Notes Payable	-	-	-
Increase (Decrease) in Interest Payable	-	-	-
Increase (Decrease) in Contracts Payable	-	-	-
Increase (Decrease) in Claims/Judgments Payable	-	-	-
Increase in Intergovernmental Payable	-	4,000	-
Increase in Accrued Payroll	-	-	883,915
Increase in Compensated Absences Payable	-	22,000	48,793
Increase in Amounts Held for Others	-	232,000	-
Decrease in Other Deposits	-	-	-
Increase (Decrease) in Due To Other Funds	94,000	(18,000)	-
Increase in Deferred Revenue	-	-	-
Increase (Decrease) in Other Liabilities	(184,000)	169,000	536,962
Decrease in Dividends Payable	-	-	-
Total Adjustments	<u>(74,613,000)</u>	<u>(61,143,000)</u>	<u>14,410,862</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (11,886,000)</u>	<u>\$ (57,290,993)</u>	<u>\$ 28,074,380</u>
Noncash Transactions:			
Net Increase (Decrease) in Fair Value of Investments	\$ 5,046,000	\$ 207,000	\$ -
Change in Securities Lending Collateral	-	-	-
Interest on Investments	-	-	-
Amortization of Bond Discount	-	-	-
Amortization of Bond Issuance Costs	-	-	-
Assets Acquired Through Capital Lease	-	-	-
Assets Acquired Through Special Assessments	-	-	-
Assets Acquired Through Derivatives	-	-	618,488
Gifts of Capital Assets	-	-	-
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	<u>\$ 5,046,000</u>	<u>\$ 207,000</u>	<u>\$ 618,488</u>

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds				Governmental Activities
University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
17,785,731	(665,817)	(24,000,239)	407,335,564	6,022,947
63,715,541	2,030,233	143,289,845	899,863,344	14,040,865
<u>\$ 81,501,272</u>	<u>\$ 1,364,416</u>	<u>\$ 119,289,606</u>	<u>\$ 1,307,198,908</u>	<u>\$ 20,063,812</u>
\$ 61,781,387	\$ 1,364,416	\$ 30,027,467	\$ 95,557,884	\$ 16,084,020
7,489,704	-	84,566,964	933,335,668	6,938
-	-	4,695,175	15,469,175	-
-	-	-	250,606,000	-
11,841,326	-	-	11,841,326	3,972,854
388,855	-	-	388,855	-
<u>\$ 81,501,272</u>	<u>\$ 1,364,416</u>	<u>\$ 119,289,606</u>	<u>\$ 1,307,198,908</u>	<u>\$ 20,063,812</u>
\$ (368,525,745)	\$ (55,374,761)	\$ (15,684,893)	\$ (359,342,674)	\$ 6,493,007
48,453,001	254,599	1,039,791	53,642,164	12,729,268
-	-	48,000	2,034,000	6,649
-	-	23,534	(43,933,466)	-
-	-	-	(21,000)	-
-	-	-	(5,046,000)	-
-	-	441,000	441,000	-
-	-	6,229,000	6,229,000	-
-	-	1,128,000	11,428,000	-
(666,449)	-	(151,811)	(1,677,572)	6,312
(1,879,890)	(16,537,771)	(6,306,334)	(120,429,537)	185,948
-	-	38,931	(299,069)	-
-	(10,606)	(195,449)	(229,055)	611,714
-	-	(47)	(47)	-
(899,049)	-	266,168	(649,881)	77,143
(507,366)	-	(536,457)	(1,043,823)	-
-	(534,649)	(691,952)	(1,414,702)	(596,251)
(605,199)	-	(389,608)	3,728,774	12,219
(1,062,471)	-	(47,945)	(2,324,916)	(174)
48,247	239,153	(513,657)	3,103,836	1,264,948
-	-	-	-	-
-	-	(1,000)	(1,000)	-
-	195,000	651,758	846,758	(986,892)
-	-	1,238,941	1,242,941	37,096
2,114,377	-	16,469	3,014,761	30,759
2,462,801	91,256	38,250	2,663,100	125,922
-	-	140,054	372,054	-
1,082,550	-	-	1,082,550	-
-	(48,653)	(1,748,728)	(1,721,381)	(21,322)
2,324,197	1,315,868	368,535	4,008,600	-
-	-	-	521,962	-
-	74,855,370	-	74,855,370	-
<u>50,864,749</u>	<u>59,819,567</u>	<u>1,085,443</u>	<u>(9,575,579)</u>	<u>13,483,339</u>
<u>\$ (317,660,996)</u>	<u>\$ 4,444,806</u>	<u>\$ (14,599,450)</u>	<u>\$ (368,918,253)</u>	<u>\$ 19,976,346</u>
\$ 2,843,332	\$ 58,552,647	\$ 2,180,225	\$ 68,829,204	\$ 510,056
-	(53,489,252)	(243,102)	(53,732,354)	(57,500)
-	67,537,881	-	67,537,881	-
-	-	8,754	8,754	-
-	-	3,335	3,335	-
18,813,748	-	-	18,813,748	-
899,079	-	-	899,079	-
-	-	-	618,488	-
5,023,754	-	-	5,023,754	-
-	-	620	620	-
<u>\$ 27,579,913</u>	<u>\$ 72,601,276</u>	<u>\$ 1,949,832</u>	<u>\$ 108,002,509</u>	<u>\$ 452,556</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2010

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
ASSETS				
Cash Deposits at the Bank of ND	\$ 47,070,630	\$ 3,704,679	\$ 9,090,700	\$ 16,685,193
Cash and Cash Equivalents	-	-	420,751	7,623,151
Receivables:				
Contributions Receivable	15,739,807	-	-	-
Accounts Receivable - Net	-	-	-	22,766
Taxes Receivable - Net	-	-	-	17,038,558
Interest Receivable - Net	9,442,057	85,601	2,615	211
Due from Other Funds	13,457	-	14	-
Due from Fiduciary Funds	165,248	-	-	-
Total Receivables	<u>25,360,569</u>	<u>85,601</u>	<u>2,629</u>	<u>17,061,535</u>
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	21,327	20,500,043
Equity Pool	1,603,410,729	73,007,866	-	-
Fixed Income	2,218,657	-	-	-
Fixed Income Pool	1,052,147,658	64,548,980	2,092,504	286,384
Cash and Cash Pool	19,224,994	979,672	-	-
Real Estate Pool	209,115,342	9,244,236	-	-
Alternative Investments	126,827,981	4,281,788	-	-
Annuities	94,200	-	-	-
Mutual Funds	42,111,043	-	285,254,032	-
Total Investments	<u>3,055,150,604</u>	<u>152,062,542</u>	<u>287,367,863</u>	<u>20,786,427</u>
Invested Securities Lending Collateral	<u>17,623,848</u>	<u>967,353</u>	<u>48,575</u>	<u>-</u>
Capital Assets (Net of Depreciation)	6,139,688	-	-	-
Other Assets	-	-	-	1,419
Total Assets	<u>3,151,345,339</u>	<u>156,820,175</u>	<u>296,930,518</u>	<u>\$ 62,157,725</u>
LIABILITIES				
Accounts Payable	5,361,895	233,492	500,240	\$ -
Accrued Payroll	118,634	-	-	-
Securities Lending Collateral	17,623,848	967,353	48,575	-
Intergovernmental Payable	-	-	-	31,525,892
Tax Refunds Payable	-	-	-	7,053
Due to Other Funds	110,004	-	-	-
Due to Fiduciary Funds	156,614	-	-	-
Amounts Held in Custody for Others	-	-	-	30,624,780
Claims/Judgments Payable	23,534	-	-	-
Deferred Revenue	43,460	-	-	-
Compensated Absences Payable	141,687	-	-	-
Total Liabilities	<u>23,579,676</u>	<u>1,200,845</u>	<u>548,815</u>	<u>\$ 62,157,725</u>
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	3,126,374,104	-	-	
Other Employee Benefits	1,391,559	-	-	
External Investment Pool Participants	-	155,619,330	-	
Other Purposes	-	-	296,381,703	
Total Net Assets Held in Trust	<u>\$ 3,127,765,663</u>	<u>\$ 155,619,330</u>	<u>\$ 296,381,703</u>	

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Statement of Changes in Fiduciary Net Assets Fiduciary Funds For the Fiscal Year Ended June 30, 2010

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 80,317,268	\$ -	\$ -
Employee	83,322,954	-	-
From Participants	-	-	21,998,892
Transfers from Other Funds	537,858	-	-
Transfers from Other Plans	225,582	-	-
Donations	-	-	7,710
Total Contributions	<u>164,403,662</u>	<u>-</u>	<u>22,006,602</u>
Investment Income:			
Net Change in Fair Value of Investments	321,854,653	14,659,780	31,870,182
Interest and Dividends	69,732,482	3,735,969	7,791,896
Less Investment Expense	<u>13,151,983</u>	<u>648,765</u>	<u>-</u>
Net Investment Income	<u>378,435,152</u>	<u>17,746,984</u>	<u>39,662,078</u>
Securities Lending Activity:			
Securities Lending Income	75,156	6,722	-
Less Securities Lending Expense	<u>(168,372)</u>	<u>(7,271)</u>	<u>-</u>
Net Securities Lending Income	<u>243,528</u>	<u>13,993</u>	<u>-</u>
Repurchase Service Credit	5,656,787	-	-
Miscellaneous Income	<u>860,662</u>	<u>-</u>	<u>3,900</u>
Total Additions	<u>549,599,791</u>	<u>17,760,977</u>	<u>61,672,580</u>
DEDUCTIONS			
Benefits Paid to Participants	222,355,896	-	-
Refunds	6,503,457	-	-
Prefunded Credit Applied	5,563,631	-	-
Transfer to Other Plans	537,858	-	-
Payments in Accordance with Trust Agreements	-	-	37,645,172
Administrative Expenses	<u>3,972,186</u>	<u>-</u>	<u>2,034,198</u>
Total Deductions	<u>238,933,028</u>	<u>-</u>	<u>39,679,370</u>
Purchase of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>8,330,391</u>	<u>-</u>
Change in Net Assets Held in Trust for:			
Pension Benefits	310,570,846	-	-
Other Employee Benefits	95,917	-	-
External Investment Pool Participants	-	26,091,368	-
Other Purposes	<u>-</u>	<u>-</u>	<u>21,993,210</u>
Total Change in Net Assets	<u>310,666,763</u>	<u>26,091,368</u>	<u>21,993,210</u>
Net Assets - Beginning of Year, as Adjusted	<u>2,817,098,900</u>	<u>129,527,962</u>	<u>274,388,493</u>
Net Assets - End of Year	<u>\$ 3,127,765,663</u>	<u>\$ 155,619,330</u>	<u>\$ 296,381,703</u>

The Accompanying Notes are an Integral Part of the Financial Statements

STATE OF NORTH DAKOTA

Combining Statement of Net Assets Component Units - Proprietary Funds June 30, 2010

	BSC Foundation	DSU Foundation	CHAND	Public Finance Authority	ND Development Fund	NDSU Development Foundation
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 82,962	\$ 2,192,231	\$ 2,911,535	\$ 1,000	\$ 6,651,928	\$ 2,063,433
Investments	-	-	-	-	8,110,340	25
Accounts Receivable - Net	1,053,305	2,229,698	-	-	-	5,134,286
Interest Receivable - Net	-	-	-	-	79,349	-
Due from Primary Government	145,233	-	-	-	-	1,313,472
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	-	-	2,365,688	-
Other Assets	61,495	49,414	-	-	-	434,582
Restricted Cash and Cash Equivalents	-	-	-	1,233,000	-	-
Restricted Investments	-	-	-	33,013,000	-	-
Restricted Interest Receivable - Net	-	-	-	4,312,000	-	-
Total Current Assets	1,342,995	4,471,343	2,911,535	38,559,000	17,207,305	8,945,798
Noncurrent Assets:						
Restricted Cash and Cash Equivalents	147,370	260,488	-	-	-	603,356
Restricted Investments	11,117,260	8,748,305	-	431,372,000	-	97,187,074
Investments	301,558	300,000	-	-	-	19,194,660
Due from Primary Government	2,071,137	-	-	3,668,000	-	18,024,225
Loans and Notes Receivable - Net	-	-	-	-	7,234,496	-
Unamortized Bond Issuance Costs	38,993	-	-	905,000	-	-
Other Noncurrent Assets	571,840	3,872,996	-	-	-	5,983,069
Capital Assets:						
Nondepreciable	1,200,000	80,000	-	-	-	868,809
Depreciable, Net	10,838,098	828,575	-	-	-	4,613,033
Total Noncurrent Assets	26,286,256	14,090,364	-	435,945,000	7,234,496	146,474,226
Total Assets	27,629,251	18,561,707	2,911,535	474,504,000	24,441,801	155,420,024
LIABILITIES						
Current Liabilities:						
Accounts Payable	36,752	827,124	2,682,720	34,000	63,400	1,100,726
Accrued Payroll	-	68,096	-	-	-	-
Interest Payable	-	-	-	1,813,000	-	-
Intergovernmental Payable	-	-	-	289,000	-	-
Due to Primary Government	85,120	327,653	-	-	1,299,700	-
Other Deposits	-	-	-	-	-	623,238
Notes Payable	-	16,148	-	-	-	209,149
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	808,098	261,062	-	11,580,000	-	681,913
Deferred Revenue	-	-	143,844	-	-	-
Other Current Liabilities	-	-	-	-	-	-
Total Current Liabilities	929,970	1,500,083	2,826,564	13,716,000	1,363,100	2,615,026
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	188,000	-	-
Due to Primary Government	-	-	-	3,668,000	-	-
Notes Payable	-	282,595	-	-	-	1,584,336
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	2,622,701	8,938,938	-	152,702,000	-	21,054,531
Other Noncurrent Liabilities	2,782,255	1,270,773	-	-	-	5,630,717
Total Noncurrent Liabilities	5,404,956	10,492,306	-	156,558,000	-	28,269,584
Total Liabilities	6,334,926	11,992,389	2,826,564	170,274,000	1,363,100	30,884,610
Net Assets						
Invested in Capital Assets, Net of Related Debt	9,583,475	609,832	-	-	-	5,481,842
Restricted for:						
Debt Service	-	-	-	53,998,000	-	-
Loan Purposes	-	-	-	247,139,000	-	-
Other	13,050,322	7,306,749	-	-	-	115,154,232
Unrestricted	(1,339,472)	(1,347,263)	84,971	3,093,000	23,078,701	3,899,340
Total Net Assets	\$ 21,294,325	\$ 6,569,318	\$ 84,971	\$ 304,230,000	\$ 23,078,701	\$ 124,535,414

	NDSU Research and Technology Park	RE Arena Inc. UND Arena Services, Inc. & Affiliates	UND Aerospace Foundation	UND Alumni Association and UND Foundation	Non-Major	Total
\$	3,220,485	\$ 2,467,564	\$ 4,421,749	\$ 3,639,197	\$ 9,223,022	\$ 36,875,106
	-	-	-	-	6,410,169	14,520,534
	245,222	1,237,665	4,032,480	12,489,718	958,038	27,380,412
	-	-	-	-	-	79,349
	880,000	96,387	105,771	422,332	-	2,963,195
	-	405,571	127,187	-	10,837	543,595
	-	-	-	-	-	2,365,688
	60,666	131,283	187,206	31,852	34,935	991,433
	-	-	-	-	-	1,233,000
	-	-	-	-	-	33,013,000
	-	-	-	-	-	4,312,000
	4,406,373	4,338,470	8,874,393	16,583,099	16,637,001	124,277,312
	250,599	3,593,294	-	-	2,179,979	7,035,086
	-	-	-	141,924,488	37,722,431	728,071,558
	-	-	6,310	4,523,676	959,660	25,285,864
	22,765,000	-	1,420,945	9,820,724	-	57,770,031
	1,659,750	-	-	-	-	8,894,246
	1,691,158	-	-	-	-	2,635,151
	499,563	-	345,340	22,769,036	2,032,615	36,074,459
	-	-	1,108,984	-	2,066,224	5,324,017
	4,216,083	76,793,605	16,779,147	1,775,200	19,655,815	135,499,556
	31,082,153	80,386,899	19,660,726	180,813,124	64,616,724	1,006,589,968
	35,488,526	84,725,369	28,535,119	197,396,223	81,253,725	1,130,867,280
	219,987	1,356,497	1,094,143	442,986	711,408	8,569,743
	62,049	-	-	-	-	130,145
	-	-	-	-	-	1,813,000
	28,491	-	-	-	-	317,491
	-	3,601,083	190,334	22,601	3,045,631	8,572,122
	-	-	-	2,670,256	-	3,293,494
	48,000	-	1,161,737	100,000	158,840	1,693,874
	-	-	42,805	-	41,260	84,065
	880,000	351,089	-	738,521	39,715	15,340,398
	-	1,383,727	6,256,613	4,959	-	7,789,143
	-	-	-	-	40,000	40,000
	1,238,527	6,692,396	8,745,632	3,979,323	4,036,854	47,643,475
	437,446	-	-	-	-	625,446
	-	-	-	-	-	3,668,000
	600,000	-	6,614,961	-	7,186,271	16,268,163
	-	-	1,741,321	-	194,498	1,935,819
	26,455,000	3,170,391	-	12,513,466	2,399,567	229,856,594
	1,003,700	-	-	15,995,675	349,499	27,032,619
	28,496,146	3,170,391	8,356,282	28,509,141	10,129,835	279,386,641
	29,734,673	9,862,787	17,101,914	32,488,464	14,166,689	327,030,116
	-	73,272,125	8,327,307	1,775,200	12,768,772	111,818,553
	-	-	-	-	-	53,998,000
	-	-	-	-	-	247,139,000
	327,162	3,593,294	-	151,195,059	47,751,683	338,378,501
	5,426,691	(2,002,837)	3,105,898	11,937,500	6,566,581	52,503,110
\$	5,753,853	\$ 74,862,582	\$ 11,433,205	\$ 164,907,759	\$ 67,087,036	\$ 803,837,164

STATE OF NORTH DAKOTA

Combining Statement of Activities Component Units - Proprietary Funds For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
BSC Foundation	\$ 2,355,931	\$ 164,688	\$ 2,131,871	\$ (59,372)
DSU Foundation	13,155,310	348,537	3,077,810	(9,728,963)
CHAND	13,894,106	12,178,374	431,366	(1,284,366)
Public Finance Authority	11,849,000	1,469,000	37,331,000	26,951,000
ND Development Fund	1,509,366	865,557	91,968	(551,841)
NDSU Development Foundation	12,200,670	951,783	18,525,988	7,277,101
NDSU Research and Technology Park	3,144,195	2,795,630	270,459	(78,106)
RE Arena, Inc., UND Arena Services & Affiliates	12,643,562	8,220,936	-	(4,422,626)
UND Aerospace Foundation	25,612,853	30,508,387	329,902	5,225,436
UND Alumni Association & UND Foundation	18,403,445	4,579,353	22,574,604	8,750,512
Nonmajor Component Units	19,119,619	8,807,296	13,796,373	3,484,050
Total Component Units	\$ 133,888,057	\$ 70,889,541	\$ 98,561,341	\$ 35,562,825

Adds to Permanent Endowments	Change in Net Assets	Net Assets Beginning of Year, as Adjusted	Net Assets End of Year
\$ 430,372	\$ 371,000	\$ 20,923,325	\$ 21,294,325
964,078	(8,764,885)	15,334,203	6,569,318
-	(1,284,366)	1,369,337	84,971
-	26,951,000	277,279,000	304,230,000
-	(551,841)	23,630,542	23,078,701
4,410,652	11,687,753	112,847,661	124,535,414
-	(78,106)	5,831,959	5,753,853
-	(4,422,626)	79,285,208	74,862,582
-	5,225,436	6,207,769	11,433,205
11,595,926	20,346,438	144,561,321	164,907,759
1,610,590	5,094,640	61,992,396	67,087,036
<u>\$ 19,011,618</u>	<u>\$ 54,574,443</u>	<u>\$ 749,262,721</u>	<u>\$ 803,837,164</u>

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NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

BLENDED COMPONENT UNITS

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

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

the governing board of the Building Authority. The funds and account groups of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2010, 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, 2009, 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, 2009, and their report has been previously issued under a separate cover.

North Dakota Development Fund, Inc. (Proprietary Fund Type) - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms 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

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June 30, 2010, and their report has been previously issued under a separate cover.

The **NDSU Research and Technology Park, Inc.** is a nonprofit organization developed to promote an economic environment dedicated to applied research and technology discovery for the benefit of NDSU, its faculty and staff, students, and the citizens of North Dakota. Its facilities are located on the campus of NDSU in Fargo, North Dakota. The organization was established in 1999 and is exempt from federal and state income taxes as it is organized under Section 501(c)(3) of the Internal Revenue Code. The majority of the Park's board of directors (six of ten) consists of people who work in private industry. Vacancies are filled by a majority vote of the board. Officers of NDSU fill three of the ten positions on the Park's board. The president of NDSU serves as president of the board of directors. The status of the Park as a discretely presented component unit is primarily due to the control by the NDSU president over the final building plans for any new building at the Park. This control is based on feedback from the Legislative Budget Section and is required by the land lease between the State Board of Higher Education and the Park, as well as NDUS policy. The Park was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

The **UND Aerospace Foundation** is a North Dakota nonprofit organization organized in 1985 to encourage and develop the University of North Dakota's John D. Odegard School of Aerospace Sciences. The Foundation's principal activities consist of developing and conducting training programs, research and development, and consulting services related to the aerospace industry. The Foundation is managed by a board of directors consisting of five to seven members, including two or more persons who are active in the aerospace industry and/or graduates of UND with an interest in the aerospace industry, elected by the board; a senior manager of the Foundation, elected by the board; the dean of the Odegard School of Aerospace Sciences; and the president of the university. The Foundation benefits the university, financially and otherwise, through its promotion of the Odegard School and its programs and in the sharing of resources. The Foundation is reported as a discretely presented component unit as UND has voting members on the board of directors and because of the extent of the financial relationship between the entities. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

The **Bismarck State College Foundation** is a legally separate, tax-exempt organization providing support and recognition to BSC through a variety of programs. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college. The Foundation is managed by a 75-member board of directors comprised of leading citizens, both

alumni and friends of the college, as well as seven ex-officio members that are officers/employees of BSC. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

Dickinson State University Foundation, Inc. was organized in 1952 as a nonprofit corporation to provide an avenue through which alumni and friends of the university may contribute financially to the university. Gifts, grants, and bequests to the Foundation benefit present and future students by providing scholarship assistance and the funding of special projects not available through other funding sources. The Foundation is managed by a 26-member board of directors comprised of leading citizens, both alumni and friends of DSU, as well as two ex-officio members that are officers/employees of DSU. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

North Dakota State University Development Foundation is an incorporated, nonprofit organization developed solely for the benefit of NDSU. The Foundation is approved by the IRS as a charitable, tax-exempt organization and designated by the university as the repository for private giving to the university. Their purpose is to raise, manage, and disburse contributions for the benefit of NDSU. The Foundation is managed by a 60-member board of trustees comprised of leading citizens, both alumni and friends of the university, as well as four ex-officio members: the president of NDSU, the president and vice president of the Alumni Association, and the executive director of the Development Foundation and Alumni Association. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

Alumni Association of the University of North Dakota and UND Foundation - The Alumni Association of the University of North Dakota was incorporated in 1915 for the purpose of (1) keeping classmates in contact with each other, (2) keeping graduates and former students informed of happenings at UND, and (3) involving the graduates, former students, and special friends in the ongoing growth and development of UND. UND Foundation was incorporated in 1978 to replace the Alumni Association Development Fund and is the umbrella organization for alumni and private support for the total University of North Dakota. These two legally separate nonprofit corporations have the same board of directors and the same executive vice president, but different board presidents and vice presidents. The board of directors consists of 21 voting members who are alumni of UND and three ex-officio members that are officers of UND. The Alumni Association and the Foundation were audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

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RE Arena, Inc., UND Arena Services, Inc., UND Sports Facilities, Inc., Arena Holdings Charitable LLC and Affiliates are related organizations with common board of directors and management organized in 2003 for the benefit of UND. These organizations operate and maintain a multipurpose sports and entertainment arena in Grand Forks, ND. The arena is used primarily for UND athletics and activities. UND Sports Facilities, Inc. is the sole member of Arena Holdings Charitable LLC. RE Arena, Inc. conducts the day-to-day operations of the arena as an agent for Arena Holdings. UND Arena Services, Inc. is the legal manager of Arena Holdings. These organizations were audited by other independent auditors for the fiscal year ended May 31, 2009, and their combined report has been previously issued under separate cover.

NONMAJOR COMPONENT UNITS

Dakota College at Bottineau Development Foundation and Logrollers are separate legal entities that were established to act primarily as fund-raising organizations to supplement the resources that are available to DCB. The Foundation and Logrollers are managed by the same eight-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as one ex-officio member that is an officer of DCB. However, each entity has separate committees that direct each organization's activities. The Foundation and Logrollers were audited by other independent auditors for the fiscal year ended June 30, 2010, and their combined report has been previously issued under separate cover.

Lake Region Community College Foundation was established in 1959 to provide a permanent structure through which support for Lake Region State College could be channeled. The work and the resources of the Foundation are managed by a 27-member board of directors elected by the Foundation membership to serve three-year terms. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

Mayville State University Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to Mayville State University (MaSU). The Foundation is managed by a 15-member board of directors comprised of leading citizens, both alumni and friends of the university, as well as one ex-officio member that are officers/employees of MaSU. The **Comet Athletic Club**, a legally separate nonprofit organization, operates as an entity within the Foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports. Their financial activity is reflected in the Foundation's financial statements.

Minot State University Development Foundation was incorporated in 1978 exclusively for the benefit of Minot State University (MiSU). Its purpose is to establish, promote and stimulate voluntary financial support for the

benefit of the university, especially in the building of endowment and in addressing the long-term priorities of the university. The Foundation is managed by a board of directors comprising 13 voting members, two of who are ex-officio appointments from the Board of Regents and the Alumni Association, and three ex-officio members who are employees of MiSU. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

North Dakota State College of Science Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS. The Foundation is managed by a 13-member board of directors comprised of leading citizens, both alumni and friends of the college, as well as three ex-officio members that are officers/employees of NDSCS. The Foundation was audited by other independent auditors for the fiscal year ended June 30, 2010, and their report has been previously issued under separate cover.

NDSU FOUNDATIONS

North Dakota 4-H Foundation is a legally separate, non-profit 501(c)(3) organization committed to supporting 4-H programs with private funds for furthering leadership development, education, research and scholarships and creating opportunities for the youth of North Dakota. The foundation is managed by board of directors comprised of 15 voting members, of which 2 are employees of NDSU.

North Dakota State University Research Foundation is a legally separate, non-profit 501(c)(3) organization created to provide support to NDSU in its mission by enabling NDSU faculty to enhance their involvement in research, technology transfer, and business endeavors. Through linkages with public and private businesses and industries, the foundation facilitates the commercialization of research technologies developed by NDSU faculty and staff. The foundation is managed by an 11-member board of directors, comprised of five NDSU employees and six individuals who are not employed by NDSU.

North Dakota State University Team Makers Clubs was established in 1950 by a group of local business leaders who recognized the need for a community-based support group to benefit NDSU Bison Athletics. Team Makers is a legally separate, non-profit 501(c)(3) organization to provide financial support, promotion and spirit for NDSU student-athletes and the NDSU Athletics Department in order to achieve excellence. The foundation is managed by board of directors comprised of 11 voting members, of which one is an employee of NDSU.

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UND FOUNDATIONS

University of North Dakota Center for Innovation Foundation was incorporated in 1991. The Foundation supports the Center for Innovation at the University of North Dakota to fulfill their mission of helping entrepreneurs, innovators, researchers and students launch new technologies, products and ventures, develop business and marketing plans, access talent and secure sources of venture financing. This fiscal year the foundation supported the College of Business and Public Administration in the amount of \$200,831 plus \$50,000 for the support of an international marketing specialist at UND. The foundation is managed by a board of directors comprised of 9 members as well as four ex-officio non-voting members who are officers of UND.

The University of North Dakota Research Foundation is the newest foundation and was formed in 2006 to assist the University of North Dakota to advance its research agenda, to commercialize its university innovations and discoveries, and to create economic opportunities for Grand Forks and the State of North Dakota. The foundation works with UND to build successful and strategic partnerships between the university and private companies, resulting in mutual gains for each.

The Fellows of the University of North Dakota was organized in 1970 as a nonprofit corporation for the purpose of supporting and promoting the University of North Dakota. The Fellows provides scholarships, promotion and special project fund-raising for UND. In FY10, the Fellows is managed by a board of directors comprised of five members, including two officers of UND. The Fellows transferred \$346,467 to UND for scholarships and special project funding.

Valley City State University Foundation was established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare. The Foundation is managed by a 22-member board of directors comprised of leading citizens, both alumni and friends of the university, as well as one ex-officio member that are officers of VCSU.

Williston State College Foundation was established to act primarily as a fund-raising organization to supplement the resources that are available to WSC. The Foundation is managed by an 11-member board of directors comprised of leading citizens, both alumni and friends of the college.

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

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

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

Public Finance Authority
700 East Main Avenue
Bismarck, ND 58501

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

North Dakota State University Research and Technology Park, Inc.
1854 NDSU Research Park Drive
Fargo, ND 58105-5014

University of North Dakota Aerospace Foundation
PO Box 9023
Grand Forks, ND 58202-9023

Bismarck State College Foundation
PO Box 5587
Bismarck, ND 58506-5587

Minot State University Development Foundation
500 University Avenue West
Minot, ND 58707

North Dakota State University Development Foundation
PO Box 5144
Fargo, ND 58105

Alumni Association of the University of North Dakota
PO Box 8157
Grand Forks, ND 58202

Ralph Engelstad Arena, Inc., UND Arena Services, Inc., Arena Holdings Charitable LLC and Affiliates
One Ralph Engelstad Arena Drive
Grand Forks, ND 58203

Dickinson State University Foundation, Inc.
Dickinson State University
Dickinson, ND 58601

Lake Region Community College Foundation
1801 College Drive North
Devils Lake, ND 58301-1598

Mayville State University Foundation
330 3rd Street NE
Mayville, ND 58257

Dakota College at Bottineau Development Foundation and Logrollers
105 Simrall Boulevard
Bottineau, ND 58318

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North Dakota State College of Science Foundation
800 Sixth Street North
Wahpeton, ND 58076-0002

North Dakota 4-H Foundation
FLC 219 Dept 7280
PO Box 6050
Fargo, ND 58108-6050

North Dakota State University Research Foundation
1735 NDSU Research Park Drive
Fargo, ND 58105-5014

North Dakota State University Team Makers
NDSU Dept 1200
PO Box 6050
Fargo, ND 58108-6050

University of North Dakota Center for Innovation
Foundation
4200 James Ray Drive
Grand Forks, ND 58203

University of North Dakota Research Foundation
4201 James Ray Drive
Grand Forks, ND 58202

Fellows of the University of North Dakota
264 Centennial Drive, Twamley Hall
Grand Forks, ND 58202

Valley City State University Foundation
101 College Street SW
Valley City, ND 58072

Williston State College Foundation
PO Box 1286
Williston, ND 58802-1286

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets 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),

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which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. In accordance with Governmental Accounting Standards Board Statement 20, the State's enterprise funds, with the exception of the Bank of North Dakota, follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The Bank of North Dakota follows all applicable FASB pronouncements unless they conflict with the GASB pronouncements.

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

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

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

FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State. It is used to account for all financial resources that are not accounted for in other funds. Included are transactions for services such as education, general government, health services, legal and judiciary, natural

resources, public safety, regulatory services, agriculture and commerce, and social services.

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

The School Permanent Trust Fund accounts for moneys belonging to common schools and other public institutions derived from the sale of or leasing of lands owned by the State.

The State reports the following major enterprise funds:

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

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

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

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

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

Additionally, the State reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes. Examples include transportation, regulatory, and other activities.

Debt Service Funds account for resources obtained and used for the payment of interest and principal on revenue bonds that are funded primarily through taxes.

Capital Projects Funds account for resources obtained and used for the acquisition, construction or improvement of certain capital facilities (except those financed by non-governmental funds). Such resources are derived principally from proceeds of revenue bonds.

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.

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PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

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

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

D. GENERAL BUDGETARY POLICIES AND PROCEDURES

The State operates through a biennial appropriation that represents departmental appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session.

The Legislative Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The governor has line item veto powers over all appropriations subject to legislative override.

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

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

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

During the 2007-2009 biennium, there were general, federal and other funds supplemental appropriations totaling \$383,927,075.

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

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administrative bodies as determined by law. Cash and cash equivalents are presented on the fund balance sheets as "Cash Deposits at the Bank of North Dakota" and "Cash and Cash Equivalents" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

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

The State had no cash overdrafts from pooled cash and investments at June 30, 2010.

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

F. INVESTMENTS

All funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments." Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investment securities, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of

comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold.

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

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

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

Investments at the Bank of North Dakota. State agency investments, primarily certificates of deposits of the Bank of North Dakota, are included on the fund balance sheets as "Investments at the Bank of North Dakota." For purposes of the Government-wide Statement of Net Assets, 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 Assets as "Investments."

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

G. SECURITIES LENDING

GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported

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as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

The State lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The State has contracted with a third party securities lending agent (Agent) to lend the State's securities portfolios. The Agent lends securities of the type on loan at June 30, 2010, for collateral in the form of cash or other securities at 102% of the loaned securities fair value plus accrued interest for domestic securities and 105% of the loaned securities fair value plus accrued interest for international securities. The collateral for the loans is maintained at 100% per the contractual requirements. As of June 30, 2010, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State.

The Average Duration of the collateral investments as of June 30, 2010, was one day. The Average Weighted Maturity of collateral investments as of June 30, 2010, was one day. (Land Department was 73 days.) The interest rate sensitivity (duration) of the securities on loan matched the duration of the collateral investments, however the Land Department has an interest sensitivity of 24 days.

The Agent provides indemnification if the borrowers fail to return the underlying securities (and if collateral is inadequate to replace the securities lent) or fails to pay income distributions on them. All open securities loans can be terminated on demand by either the State or the borrower. All term securities loans can be terminated with five days notice by either the State or the borrower. Cash collateral is invested in accordance with investment guidelines approved by the State. The State cannot pledge or sell collateral securities received unless the borrower defaults.

H. INTERFUND ACTIVITY AND BALANCES

INTERFUND ACTIVITY

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

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. Residual transfer amounts exist in the

Government-wide Statement of Activities due to different fiscal year ends of various agencies included in business-type activities.

INTERFUND BALANCES

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

I. INVENTORIES AND PREPAID ITEMS

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

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

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

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

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

J. UNAMORTIZED BOND ISSUANCE COSTS

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

K. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, intangibles (software, easements and other), construction in progress and infrastructure assets, are

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valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets except for the University System.

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

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

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

road along with corresponding accumulated depreciation.

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

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

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

L. LEASE COMMITMENTS

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

M. FEDERAL FUNDS PURCHASED

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

N. CLAIMS/JUDGMENTS PAYABLE

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

O. COMPENSATED ABSENCES

ANNUAL LEAVE

State employees accrue vested annual leave at a variable rate based on years of service. Teachers employed by the State do not receive annual leave. In general, accrued annual leave cannot exceed 30 days at

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each year end, as set by the agency. The amount of annual leave earned ranges between one and two days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

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

SICK LEAVE

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

P. DEPOSITS

The following two liability line items are presented in the Government-wide Statement of Net Assets 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 Assets, these amounts have been reclassified to internal balances.

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

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

Q. DEFERRED REVENUE

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

statements, deferred revenue is recognized when revenue is unearned or unavailable.

R. REVENUES AND EXPENDITURES/EXPENSES

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

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. 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 subclassified 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 subclassified 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

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investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as non-operating.

S. NET ASSETS/FUND BALANCE

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

NOTE 2 – RESTATEMENTS

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

	Government-wide Governmental Activities	Government-wide Business Activities	Other Governmental Funds	University System	Component Units	
					NDSU Development Foundation	UND Aerospace Foundation
June 30, 2009, fund balance/net assets, as previously reported	\$ 4,388,684	\$ 1,642,941	\$ 1,313,668	\$ 750,617	\$ 104,460	\$ 7,994
Prior period adjustment:						
Change in accounting principle	1,772	2,243	-	2,243	-	-
Correction of errors	(1,839)	2,051	(1,839)	2,051	8,388	(1,786)
June 30, 2009, fund balance/net assets, as restated	<u>\$ 4,388,617</u>	<u>\$ 1,647,235</u>	<u>\$ 1,311,829</u>	<u>\$ 754,911</u>	<u>\$ 112,848</u>	<u>\$ 6,208</u>

CORRECTION OF ERRORS

The beginning net assets of the Government-wide Governmental Activities \$(1,838,521) and Other Governmental Funds Public Safety and Corrections \$(1,838,521) were restated for an over estimated accrual of receivables and revenue in the prior period. The beginning net assets of the Government-wide Business Activities \$2,051,466 and University System \$2,051,466 were restated to properly recognize capital asset payments previously made. The beginning net assets of the Major Component Unit NDSU Development Foundation was restated by \$8,387,783, to properly reflect the under accrual of pledges receivable in previous periods. The beginning net assets of the Major Component Unit UND Aerospace Foundation was restated by \$(1,785,984) for the over accrual of a receivable related to an airport hangar.

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

T. CHANGE IN ACCOUNTING PRINCIPLE

The State has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", which is effective for fiscal years June 30, 2010. This statement establishes criteria that governments will use to establish accounting and financial reporting requirements for intangible assets such as software, easements and other intangibles.

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, "[a]ll 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, 2010, the bank balance of the primary government's deposits was \$790,572,903. Of the bank amount, \$671,253,791 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, 2010. Their uninsured and uncollateralized deposits totaled \$664.0 million and \$5 million, and their bank deposits totaled \$664.8 million and \$7.2 million, respectively.

At June 30, 2010, the bank balance of the major component units' deposits was \$61,310,164. Of the bank amount, \$11,721,151 was uncollateralized and uninsured.

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

B. INVESTMENTS

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

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

1. State Investment Board (SIB) – NDCC 21-10 designates the SIB with investment responsibilities for the Public Employees' Retirement System, Bonding Fund, Teachers' Fund for Retirement, Fire and Tornado Fund, Workforce Safety & Insurance Fund, and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing funds under its supervision. The retirement funds belonging to the teachers' fund for retirement and the public employee's 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. Managers are specifically permitted to use treasury futures and options, S&P 500 index future options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. SIB's policy with respect to these derivatives is that their use may not increase the credit, market, or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

2. North Dakota Board of University and Schools Lands – The Century Code states that the Board of University and School Lands shall apply the prudent investor rule in investing its funds. Also,

NDCC 15-03 allows the Board to invest in first mortgages on farmlands to the extent such mortgages are guaranteed or insured by the United States or any instrumentality thereof, or if not so guaranteed or insured, not exceeding in amount 80 percent of the actual value of the property on which the same may be loaned, such value to be determined by competent appraisal.

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. Investments governed by a gift instrument are covered under NDCC 15-67-04. Subject to any limitations in the gift instrument, such funds may be invested in any real or personal property deemed advisable by the governing board.

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

INTEREST RATE RISK

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

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At June 30, 2010, the following table shows the debt securities of the primary government and major component units 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	\$ 34,954	\$ 6,461	\$ 5,505	\$ 2,557	\$ 20,431
Commercial Mortgage-Backed	36,606	3,974	1,034	71	31,527
Corporate Bonds	1,072,966	141,258	491,738	258,612	181,358
Corporate Convertible Bonds	139,746	28	123,795	2,791	13,132
Government Agencies	163,031	27,054	106,715	14,717	14,545
Government Bonds	512,097	197,390	190,941	59,435	64,331
Government Mortgage-Backed	348,357	-	236,592	12,126	99,639
Index-Linked Government Bonds	114,002	1,652	109,577	-	2,773
Municipal/Provincial Bonds	30,402	1,350	7,020	1,080	20,952
Non-Government-Backed CMOs	70,861	16,004	-	6,127	48,730
Short Term Bills and Notes	5,455	5,455	-	-	-
Short Term Investment Funds	31,135	31,135	-	-	-
Pooled Investments	620,818	66,676	307,689	246,150	303
Total Debt Securities	\$ 3,180,430	\$ 498,437	\$ 1,580,606	\$ 603,666	\$ 497,721

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

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

Major Component Units

	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
US Treasuries and Agencies	\$ 288	\$ 30	\$ 46	\$ 211	\$ 1
Money Market Funds	590	590	-	-	-
Corporate Bonds	2,685	190	1,035	1,345	115
Mutual Bond Funds	36,838	-	18,394	45	18,399
Total Debt Securities	\$ 40,401	\$ 810	\$ 19,475	\$ 1,601	\$ 18,515

CREDIT RISK

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

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As of June 30, 2010, the following tables present the debt securities of the primary government and major

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

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 34,955	\$ 13,216	\$ 5,543	\$ 1,820	\$ 5,632
Commercial Mortgage-Backed	35,814	26,988	1,943	3,503	2,323
Corporate Bonds	1,050,774	22,460	45,087	187,627	440,515
Corporate Convertible Bonds	139,747	2,336	1,556	22,746	26,303
Government Agencies	153,914	143,918	1,242	3,785	3,725
Government Bonds	205,161	141,298	529	28,789	11,057
Government Mortgage Backed	183,522	183,219	-	-	303
Index Linked Government Bonds	112,350	2,773	-	-	-
Municipal/Provincial Bonds	21,186	3,172	5,031	7,431	1,149
Non-Government Backed CMOs	70,860	35,323	2,037	1,464	1,576
Pooled Investments	651,953	262,433	256,418	1,637	119,731
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Credit Risk Debt Securities	2,660,236	\$ 837,136	\$ 319,386	\$ 258,802	\$ 612,314
	<hr/>				
US Gov't & Agencies	520,194				
	<hr/>				
Total Debt Securities	\$ 3,180,430				

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

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component units, and their respective ratings (expressed in thousands).

BB	B	CCC	CC	C	D	Not Rated
\$ 575	\$ 4,327	\$ 1,235	\$ 63	\$ -	\$ 176	\$ 2,368
-	-	-	-	-	-	1,057
131,063	93,768	24,282	1,754	347	1,643	102,228
26,812	17,982	6,705	-	-	-	35,307
103	136	-	-	-	-	1,005
5,010	170	-	-	-	-	18,308
-	-	-	-	-	-	-
-	-	-	-	-	-	109,577
2,751	-	-	-	-	-	1,652
4,746	5,365	14,772	1,769	278	566	2,964
2,087	9,452	-	-	-	-	195
<u>\$ 173,147</u>	<u>\$ 131,200</u>	<u>\$ 46,994</u>	<u>\$ 3,586</u>	<u>\$ 625</u>	<u>\$ 2,385</u>	<u>\$ 274,661</u>

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Component Units

S & P Credit Rating*	Total Market Value	Money Market Funds	Corporate Bonds	Mutual Bond Funds
AAA	\$ 401	\$ -	\$ 186	\$ 215
AA	523	-	523	-
A	1,165	-	1,040	125
BBB	955	-	114	841
BB	105	-	105	-
B	171	-	171	-
C	25	-	25	-
NR	36,768	590	521	35,657
Total Credit Risk				
Debt Securities	40,113	\$ 590	\$ 2,685	\$ 36,838
US Treasuries	288			
Total Debt Securities	\$ 40,401			

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

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, 2010 (expressed in thousands):

	Amount	Percent
Federal Agency		
Federal Home Loan Bank	\$ 67,147	16.9%
Mortgage-backed		
Fannie Mae	74,449	18.8%
Freddie Mac	80,601	20.3%
Corporate Bonds		
Bank of America	25,195	6.3%
JP Morgan Chase & Co	25,149	6.3%
Morgan Stanley	25,173	6.3%
Federal Home Loan Bank Stock	22,193	5.6%

FOREIGN CURRENCY RISK

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

At June 30, 2010, foreign currency risk exposure on investments managed by the Board of University and School Lands and State Investment Board were as follows (expressed in thousands).

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Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Total
Australian dollar	\$ (11,700)	\$ 10,287	\$ 21,648	\$ 20,235
Brazilian real	-	5,849	8,369	14,218
British pound sterling	362	6,122	71,106	77,590
Canadian dollar	(3,823)	4,198	8,358	8,733
Chinese yuan renminbi	2,236	-	-	2,236
Danish krone	(311)	19	3,918	3,626
Euro	(26,079)	(368)	111,916	85,469
Hong Kong dollar	(2,958)	-	9,316	6,358
Hungarian forint	(254)	190	-	(64)
Iceland krona	30	-	-	30
Indonesian rupiah	-	4,931	-	4,931
Israeli shekel	-	-	1,200	1,200
Japanese yen	(24,088)	-	75,123	51,035
Malaysian ringgit	-	5,607	-	5,607
Mexican peso	(313)	6,973	-	6,660
New Zealand dollar	1,456	4,111	126	5,693
Norwegian krone	1,703	2,481	2,644	6,828
Polish zloty	(135)	6,518	-	6,383
Singapore dollar	(589)	-	4,100	3,511
South African rand	-	1,382	61	1,443
South Korean won	-	6,070	544	6,614
Swedish krona	(5,093)	5,581	7,176	7,664
Swiss franc	(8,281)	-	28,791	20,510
Turkish lira	3,989	-	-	3,989
International commingled funds (various currencies)	-	75,976	332,729	408,705
Total international investment securities	\$ (73,848)	\$ 145,927	\$ 687,125	\$ 759,204

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 Assets. At June 30, 2010, 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’ credit 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 Assets and totaled \$97.4 million. At June 30, 2010, the State investment portfolio had the notional futures shown below (expressed in thousands).

Futures	Notional Value
Cash and cash equivalent derivative futures	
Long	\$110,876
Short	(31,990)
Equity derivative futures	
Long	492,773
Short	-
Fixed income derivative futures	
Long	40,488
Short	(43,571)
Total futures	<u>\$568,576</u>

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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' 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 Assets and totaled \$1.5 million. At June 30, 2010, the State investment portfolio had the following option balances (expressed in thousands).

Options	Fair Value
Cash and cash equivalent options	
Call	\$ (22)
Put	-
Equity options	
Call	-
Put	1,934
Fixed income options	
Call	25
Put	(2)
Total options	<u>\$ 1,935</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 and credit risk.

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

Credit risk represents the exposure to fair value losses arising from a credit event such as default, failure to pay, restructuring or bankruptcy. All counterparties were rated "Aa" by Moody's as of June 30, 2010. In a credit default swap (CDS) contract, the protection buyer of the CDS makes a series of payments to the protection seller and, in exchange, receives a payoff if the credit instrument experiences a credit event. CDS contracts are also used to establish exposure to a desired credit instrument.

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the Statement of Changes in Net Assets and totaled \$729 thousand. The maximum loss that would be recognized at June 30, 2010, if all counterparties failed to perform as contracted is \$345 thousand. Swap fair values are determined by a third party pricing source. At June 30, 2010, the States' investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

Counterparty	Notional Amount	Expiration Date	Fair Value
Deutsche Bank AG New York	\$ 45	3-20-2014	\$ (9)
Deutsche Bank AG New York	120	9-20-2013	4
Deutsche Bank AG New York	75	3-20-2012	(4)
Barclays Capital Securities London	105	6-20-2011	(4)
Total credit default swaps	<u>\$ 345</u>		<u>\$ (13)</u>

Interest Rate Swaps

Counterparty	Notional Amount	Rate	Counterparty Rate	Expiration Date	Fair Value
Barclays Bank PLC London	<u>\$ 1,376</u>	4.25%	LIBOR*	4-27-2013	<u>\$ 23</u>

*One month London interbank Offered Rate (LIBOR)

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

of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Assets and totaled \$9.8 million. At June 30, 2010, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Australian dollar	\$ (20,566)	\$ 495	\$ (19,781)	\$ (19,286)
Brazilian real	270	4,201	(4,201)	-
British pound sterling	(16,125)	11,662	(27,651)	(15,989)
Canadian dollar	(12,535)	86	(12,435)	(12,349)
Chinese yuan renminbi	2,281	2,236	-	2,236
Danish krone	(5,243)	-	(5,194)	(5,194)
Euro	(74,628)	3,931	(77,611)	(73,680)
Hong Kong dollar	(4,417)	-	(4,417)	(4,417)
Hungarian forint	30,805	8	(2,067)	(2,059)
Japanese yen	(28,483)	-	(29,226)	(29,226)
Mexican peso	(1,914)	150	(2,019)	(1,869)
New Zealand dollar	(1,459)	1,840	(3,177)	(1,337)
Norwegian krone	(1,217)	2,361	(3,560)	(1,199)
Polish zloty	(1,745)	1,882	(3,549)	(1,667)
Singapore dollar	(653)	-	(652)	(652)
Swedish krona	(5,197)	2,956	(8,049)	(5,093)
Swiss franc	(11,808)	-	(12,292)	(12,292)
Turkish lira	3,941	3,989	-	3,989
United States dollar	181,803	217,538	(35,735)	181,803
Total forwards subject to currency risk				\$ 1,719

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, 2010, 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	\$ (18,276)	\$ (19,738)	\$ 12,114	\$ (10,652)	\$ -	\$ -
Options on interest rate futures	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -
Swaps-interest rate contracts	23	-	-	-	23	-
Total	\$ 24	\$ 1	\$ -	\$ -	\$ 23	\$ -

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Mill and Elevator Derivative Financial Instruments –

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are \$618,488, classified as derivative-grain futures contract (one contract equals 5,000 bushels) and \$618,488, classified as deferred inflow of resources. The fair value of the grain futures contracts was determined on the Minneapolis Grain

Exchange. The margin requirement is \$.60 per bushel, unless the market price changes the limit for two consecutive days, then the margin requirement is \$.90 per bushel. The Mill has entered into futures contracts for spring wheat to lock in a price for a future delivery or settlement period. These contracts are entered into to protect the Mill against price fluctuation of the commodity. The price protection is needed to cover any long or short positions compared to flour sales.

Futures	Brokerage Firm	Number of Contracts	Average Cost	Fair Value	Effective Date
Sept 2010	ADM Investor Services	(202)	\$ 5.3480	\$ 5.1225	June 2010
Sept 2010	MF Global	(277)	5.3820	5.1225	June 2010
Dec 2010	ADM Investor Services	22	5.3160	5.2850	June 2010
Dec 2010	MF Global	133	5.2400	5,2850	March, April, June 2010
March 2011	MF Global	41	5.4530	5.4825	Sept 2009, Jan, March, June 2010
May 2011	MF Global	3	5.6600	5.5775	May 2010

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. The firms are rated A and BBB by the Standard & Poors Rating Service.

The Mill is exposed to rollover risk on grain futures trades whenever the hedge ration (defined in aggregate of the size across all futures months relative to the underlying net cash position) does not equal 1.0. At June 30, 2010, the table below shows the hedge ratio by futures month going forward:

Period	Hedge Ratio
Sept 2010	0.9
Dec 2010	1.0
Mar 2011	1.1
May 2011	0.9
Net Position	0.9

Alternative Investments - In relation to investment asset allocation, the State considers alternative investments to be any investments that do not fit into any of the other specific asset classes available for investment. Examples of investments the State has included in the alternative investments asset class are private equity, venture capital and distressed debt. All of the investments in this asset class are in the form of limited partnerships with specific time horizons and capital commitments.

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 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.

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.

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

The AICPA expands the definition of Alternative Investments for the purpose of performing audits. The expanded 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

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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 market values (publically traded stocks or bonds). The State owns units of these funds rather than the individual securities. Contributions or withdrawals from these fund can be done as needed.

Private Equity – See definition above. The State has determined that private equity investments add diversification opportunities within asset classes that traditionally hold public equity investments. Therefore, there are private equity investments within equity asset classes as well as the alternative investments asset class.

Distressed Equity - See definition above. The State has determined that certain distressed debt investments add diversification and return opportunities within traditional fixed income asset classes. Therefore, there are distressed debt investments within fixed income asset classes as well as the alternative investments asset class.

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 high yield bond allocation.

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

Portable Alpha Strategies - This strategy separates alpha from beta in a portfolio by investing in securities that differ from the market index from which their beta is derived. Alpha is the return achieved over and above the return that results from the correlation between the portfolio and the market (beta). This strategy involves investing in areas that have little to no correlation with the beta of the portfolio. The State utilizes this strategy in its US equity and fixed income allocation by “porting” various types of fixed income-based portfolios over S&P 500 beta futures contracts.

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 in Real Estate and Real Estate Assets include:

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

Timberland – includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the “higher and better use” value of the underlying land. The State has analyzed this type of investment and determined that its risk and return profile is very similar to bonds. Therefore, they have chosen to include timberland in fixed income asset allocations to provide additional diversification and return options.

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. Similar to timberland, the State has included these types of investments in fixed income asset allocations.

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C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2010 (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	\$ 7,721	\$ -	\$ 7,920
US government securities	13,506	-	13,754
US corporate fixed income securities	71,160	-	73,140
Global government fixed income securities	2,862	-	3,014
US equities	40,476	-	42,075
Global equities	3,478	-	3,712
Lent for non-cash collateral:			
US agency securities	-	-	-
US government securities	-	47	-
US corporate fixed income securities	266	273	-
US equities	16	16	-
Global equities	-	-	-
Total	<u>\$ 139,485</u>	<u>\$ 336</u>	<u>\$ 143,615</u>

D. ENDOWMENT FUNDS

The endowment funds reported herein are donor-restricted funds in the custody of the University System. NDCC Section 59-21 applies to the investment of endowments governed by a gift instrument. Subject to any limitations in the gift instrument such funds may be invested in any real or personal property deemed advisable by the governing board. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. UND's policy allows up to 4.5% of the average of the last five years of assets in the Alerus endowment pool to be expended. NDSU allows expenditure of 80 percent of appreciation. MiSU allows for 4.5 percent of earning to be used for scholarships and .5 percent for administrative expenses. MaSU, 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 consists of the following at June 30, 2010:

Mayville State University	\$ 453	<u>Reflected in net assets as:</u>
Minot State University	54,568	Expendable scholarships & fellowships
University of North Dakota	458,000	Expendable scholarships & fellowships
Williston State College	3,685	Non-expendable scholarships & fellowships
Total NDUS	<u>\$ 516,706</u>	Cash in bank

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College, Lake Region State College and Williston State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2010 are \$51.7 million and \$1.67 million respectively.

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E. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2010, the State had reverse repurchase agreements of \$8,117,000 included in securities lending collateral on the statement of net assets. The highest month end balance for the previous year was \$8,117,000, with an average daily balance of \$1,434,000. The weighted average interest rate as of year end was 0.25 percent. The weighted average interest rate paid during the year was .25 percent. The fair value of these securities at June 30, 2010, was \$8,117,000.

F. RECEIVABLES

Receivables at June 30, 2010, consist of the following (expressed in thousands):

	General	Federal	School Permanent Trust Fund	Other Governmental Funds	Bank of North Dakota	Housing Finance	Mill & Elevator	University System
Receivables:								
Accounts	\$ 8,056	\$ 6,629	\$ 15,406	\$ 47,004	\$ -	\$ 547	\$ 30,355	\$ 20,945
Less Allowance	(4,208)	-	-	(12,711)	-	-	(1,753)	(3,451)
Taxes	210,477	-	2,800	113,247	-	-	-	-
Less Allowance	(22,014)	-	-	(294)	-	-	-	-
Interest	1,336	-	9,690	2,696	34,548	4,014	-	-
Less Allowance	-	-	-	(959)	-	-	-	-
Current Loans and Notes	193	209	2,870	64,357	453,618	17,773	287	10,405
Less Allowance	(26)	-	-	(3,332)	-	-	-	(1,475)
Noncurrent Loans and Notes	-	-	40,968	-	2,246,121	904,626	-	37,525
Less Allowance	-	-	-	-	(42,468)	-	-	(5,415)
Net Receivables	\$ 193,814	\$ 6,838	\$ 71,734	\$ 210,008	\$ 2,691,819	\$ 926,960	\$ 28,889	\$ 58,534

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
Receivables:						
Accounts	\$ 38,777	\$ 29,897	\$ 340	\$ 23	\$ 26,422	\$ 224,401
Less Allowance	(4,500)	(5,102)	-	-	-	(31,725)
Taxes	-	-	-	19,230	-	345,754
Less Allowance	-	-	-	(2,191)	-	(24,499)
Interest	7,770	2,045	56	9,531	4,391	76,077
Less Allowance	-	-	-	-	-	(959)
Current Loans and Notes	-	8,885	-	-	2,366	560,963
Less Allowance	-	-	-	-	-	(4,833)
Noncurrent Loans and Notes	-	69,137	-	-	13,396	3,311,773
Less Allowance	-	(973)	-	-	(4,502)	(53,358)
Net Receivables	\$ 42,047	\$ 103,889	\$ 396	\$ 26,593	\$ 42,073	\$ 4,403,594

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G. INTERFUND ACCOUNTS AND TRANSFERS

DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2010, consist of the following (expressed in thousands):

Due To General Fund From:

Federal Fund	\$ 93,319
Nonmajor Governmental Funds	18,439
Bank of North Dakota	1,871
Mill and Elevator	6,260
Nonmajor Enterprise Funds	5,157
All Others	785
Total Due To General Fund	\$ 125,831

Due To Federal Fund From:

General Fund	\$ 2,193
Nonmajor Governmental Funds	15,628
All Others	277
Total Due To Federal Fund	\$ 18,098

Due To Internal Service Funds From:

General Fund	\$ 2,998
Federal Fund	707
Nonmajor Governmental Funds	879
University System	705
All Others	495
Total Due To Internal Service Funds	\$ 5,784

Due To School Permanent Trust Fund From:

Nonmajor Enterprise Funds	\$ 2,788
All Others	917
Total Due To School Permanent Trust Fund	\$ 3,705

Included in the Nonmajor Enterprise Funds is an advance from the Developmentally Disabled Fund for \$636,568. This is not expected to be repaid within one year.

Due To Nonmajor Governmental Funds From:

General Fund	\$ 703
Federal Fund	6,459
Nonmajor Governmental Funds	2,084
Internal Service Funds	7,248
All Others	436
Total Due To Nonmajor Governmental Funds	\$ 16,930

Due To Bank of North Dakota From:

Housing Finance	\$ 7,574
Mill and Elevator	6,000
Nonmajor Enterprise Funds	612
All Others	323
Total Due To Bank of North Dakota	\$ 14,509

Included in the Nonmajor Enterprise Funds amount is a loan to Roughrider Industries for \$434,962. Of this \$385,030 is not expected to be repaid within one year.

Due To University System From:

General Fund	\$ 11,532
Federal Fund	3,091
Nonmajor Enterprise Funds	1,138
All Others	351
Total Due To University System	\$ 16,112

Due To All Other Funds From:

All Other	\$ 1,533
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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, 2010.

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

Due From's	\$ 202,502
Differences:	
Bank of ND/General Fund	(1,871)
Bank of ND/Housing Finance	(7,588)
Mill & Elevator/Bank of ND	7,400
Bank of ND/University System	2,473
Bank of ND/Student Loan Trust	23
School Permanent Trust Fund/ Developmentally Disabled Loan Fund	(85)
Bank of ND/Guaranteed Student Loan	779
Governmental Agencies/Bank of ND	3,191
Enterprise Funds/Bank of ND	171
Total Differences	4,493
Due To's	\$ 206,995

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In addition, the total Internal Receivables and Internal Payables on the Government-wide Statement of Net Assets does not equal due to activity occurring between funds that have different fiscal year ends.

INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2010, follows (expressed in thousands):

	Transfers In						Total
	General	Federal	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	
Transfers Out							
General	\$ -	\$ 41	\$ 45,597	\$ -	\$ 330,381	\$ 11,992	\$ 388,011
Federal	-	-	22,076	4,603	-	-	26,679
School Permanent Trust Fund	-	-	39,485	-	1,648	-	41,133
Non-major Governmental	312,103	381	33,509	-	23,666	-	369,659
Bank of North Dakota	15,000	-	-	-	-	-	15,000
Housing Finance	-	-	30	-	-	-	30
University System	-	-	6,675	-	-	-	6,675
Non-major Enterprise	-	-	8,244	-	-	-	8,244
Mill & Elevator	-	-	6,954	-	-	-	6,954
Total	\$ 327,103	\$ 422	\$ 162,570	\$ 4,603	\$ 355,695	\$ 11,992	\$ 862,385

(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, 2010, legislatively-mandated transfers were made to the general fund of \$295 million and \$5.1 million from the Permanent Oil Tax and the State Lottery respectively.

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

Transfers In	\$ 836,674
Differences:	
General Fund/Bank of ND	15,000
Federal Fund/Bank of ND	(1)
Beginning Farmer/PACE	110
State Fair/Bank of ND	10,602
Total Differences	<u>25,711</u>
Transfers Out	\$ <u>862,385</u>

The above timing differences of \$25,711,000 result from transactions between agencies that have different fiscal year ends. This difference is also the total net transfers on the Government-wide Statement of Activities.

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H. CAPITAL ASSETS

PRIMARY GOVERNMENT:

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

<u>Description</u>	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 68,120	\$ 1,268	\$ (50)	\$ 69,338
Construction in Progress	442,892	95,903	(80,447)	458,348
Total Capital Assets Not Being Depreciated	<u>511,012</u>	<u>97,171</u>	<u>(80,497)</u>	<u>527,686</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	436,299	9,541	(209)	445,631
Equipment	214,785	36,020	(14,759)	236,046
Intangibles				
Software	61,852	5,355	-	67,207
Other	4,834	960	-	5,794
Infrastructure	<u>3,145,263</u>	<u>111,467</u>	<u>(10)</u>	<u>3,256,720</u>
Total Capital Assets Being Depreciated	<u>3,863,033</u>	<u>163,343</u>	<u>(14,978)</u>	<u>4,011,398</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(185,665)	(9,875)	108	(195,432)
Equipment	(102,122)	(17,755)	11,223	(108,654)
Intangibles				
Software	(31,316)	(5,374)	-	(36,690)
Other	(728)	(582)	-	(1,310)
Infrastructure	<u>(2,509,557)</u>	<u>(40,798)</u>	<u>10</u>	<u>(2,550,345)</u>
Total Accumulated Depreciation	<u>(2,829,388)</u>	<u>(74,384)</u>	<u>11,341</u>	<u>(2,892,431)</u>
Total Capital Assets Being Depreciated, Net	<u>1,033,645</u>	<u>88,959</u>	<u>(3,637)</u>	<u>1,118,967</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,544,657</u>	<u>\$ 186,130</u>	<u>\$ (84,134)</u>	<u>\$ 1,646,653</u>

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2010.

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<u>Description</u>	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated				
Land	\$ 18,764	\$ -	\$ -	\$ 18,764
Construction in Progress	42,869	64,982	(30,891)	76,960
Total Capital Assets Not Being Depreciated	<u>61,633</u>	<u>64,982</u>	<u>(30,891)</u>	<u>95,724</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	917,418	56,249	(634)	973,033
Equipment	394,345	39,565	(16,780)	417,130
Intangibles				
Software	30,291	1,679	(6)	31,964
Other	339	177	-	516
Infrastructure	158,422	6,064	(6)	164,480
Total Capital Assets Being Depreciated	<u>1,500,815</u>	<u>103,734</u>	<u>(17,426)</u>	<u>1,587,123</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(397,146)	(22,780)	557	(419,369)
Equipment	(243,245)	(24,474)	14,881	(252,838)
Intangibles				
Software	(15,745)	(2,366)	-	(18,111)
Other	(11)	(39)	-	(50)
Infrastructure	(68,945)	(4,133)	-	(73,078)
Total Accumulated Depreciation	<u>(725,092)</u>	<u>(53,792)</u>	<u>15,438</u>	<u>(763,446)</u>
Total Capital Assets Being Depreciated, Net	<u>775,723</u>	<u>49,942</u>	<u>(1,988)</u>	<u>823,677</u>
Business-Type Activities Capital Assets, Net	<u>\$ 837,356</u>	<u>\$ 114,924</u>	<u>\$ (32,879)</u>	<u>\$ 919,401</u>

<u>Description</u>	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Major Component Units:				
Capital Assets Not Being Depreciated				
Land	\$ 3,237	\$ 21	\$ -	\$ 3,258
Construction in Progress	1	-	(1)	-
Total Capital Assets Not Being Depreciated	<u>3,238</u>	<u>21</u>	<u>(1)</u>	<u>3,258</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	131,877	333	-	132,210
Equipment	30,218	5,439	(2,210)	33,447
Infrastructure	1,248	-	-	1,248
Total Capital Assets Being Depreciated	<u>163,343</u>	<u>5,772</u>	<u>(2,210)</u>	<u>166,905</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(33,769)	(6,592)	-	(40,361)
Equipment	(7,898)	(2,913)	413	(10,398)
Infrastructure	(262)	(40)	-	(302)
Total Accumulated Depreciation	<u>(41,929)</u>	<u>(9,545)</u>	<u>413</u>	<u>(51,061)</u>
Total Capital Assets Being Depreciated, Net	<u>121,414</u>	<u>(3,773)</u>	<u>(1,797)</u>	<u>115,844</u>
Major Component Unit Capital Assets, Net	<u>\$ 124,652</u>	<u>\$ (3,752)</u>	<u>\$ (1,798)</u>	<u>\$ 119,102</u>

Beginning capital asset balances were adjusted for certain reclassifications.

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

Governmental Activities:		
General Government	\$	9,259
Education		340
Health and Human Services		4,054
Regulatory		296
Public Safety & Corrections		8,080
Agriculture and Commerce		146
Natural Resources		7,798
Transportation		44,411
Total Governmental Activities Depreciation Expense	\$	<u>74,384</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, 2010</u>	<u>Balance Authorized</u>
Office of Management and Budget	\$ 1,500	\$ 1,500	\$ -
State Courts	1,948	1,376	572
Legislative Assembly	6,130	3,674	2,456
Secretary of State	1,807	1,807	-
State Historical Society	51,700	1,904	49,796
Veterans Home	35,077	21,157	13,920
Department of Human Services	5,446	4,011	1,435
Adjutant General	43,349	34,389	8,960
Department of Corrections	64,534	2,921	61,613
Job Service North Dakota	5,516	211	5,305
Department of Transportation	500,844	385,265	115,579
Seed Department	375	133	242
Total Governmental Activities	<u>\$ 718,226</u>	<u>\$ 458,348</u>	<u>\$ 259,878</u>

<u>Business-Type Activities</u>	<u>Amount Authorized</u>	<u>Amount Expended Through June 30, 2010</u>	<u>Balance Authorized</u>
Workforce Safety and Insurance	\$ 14,000	\$ 9,426	\$ 4,754
State Fair	1,614	1,220	394
PERS Group Insurance	2,759	2,450	309
University System	187,758	63,864	123,894
Total Business-Type Activities	<u>\$ 206,131</u>	<u>\$ 76,960</u>	<u>\$ 129,351</u>

I. OPERATING LEASES

PAYMENTS ON OPERATING LEASES

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2010, amounted to \$12,121,220 for governmental activities and \$9,982,899 for business-type activities.

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Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2010, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2011	\$ 8,838	\$ 7,835
2012	2,913	5,650
2013	1,484	4,402
2014	837	3,452
2015	653	2,657
2016-2020	998	7,376
2021-2025	119	11
Total Minimum Lease Payments	<u>\$ 15,842</u>	<u>\$ 31,383</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, 2010 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2011	\$ 1,237	\$ 10,551	\$ 131
2012	1,016	8,189	126
2013	814	7,844	126
2014	17	7,254	126
2015	4	6,844	126
2016-2020	-	28,627	632
2021-2025	-	16,244	632
2026-2030	-	14,198	632
2031-2035	-	4,572	442
2036-2040	-	1,821	-
2041-2045	-	364	-
Total Minimum Lease Payments	3,088	106,508	2,973
Less: Amount Representing Interest	(246)	(34,047)	(1,189)
Present Value of Future Minimum Lease Payments	<u>\$ 2,842</u>	<u>\$ 72,461</u>	<u>\$ 1,784</u>

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide statement of net assets at June 30, 2010, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 1,660	\$ -
Buildings	-	63,918	-
Equipment	10,463	33,337	1,978
Less: Accumulated Depreciation	(6,207)	(33,149)	(599)
Total	<u>\$ 4,256</u>	<u>\$ 65,766</u>	<u>\$ 1,379</u>

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K. LONG-TERM DEBT

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

BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2010, 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 2002 Series C Bonds have interest payable semiannually on February 15 and August 15 of each year. The 2001 Series A Bonds, the 2002 Series A and D Bonds, the 2003 Series B and C Bonds, the 2005 Series A Bonds, and the 2006 Series A and B 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.

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

Water Commission

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

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

Department of Transportation

The North Dakota Department of Transportation (NDDOT) is authorized pursuant to NDCC 24-02, to issue grant and revenue anticipation bonds for the purpose of financing certain qualified federal aid transportation projects. The Series 2005 Bonds are limited obligations of NDDOT, payable solely from federal transportation funds, pledged state highway funds and other moneys.

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

State Fair

Interest on the 2001 Series Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds maturing on December 1, 2011, are not subject to optional redemption prior to maturity, except under extraordinary circumstances.

Student Loan Trust

Interest is payable semiannually on June 1 and December 1 of each year. The proceeds of the Series 2000 B Bonds were used to provide funds for the acquisition of student loans from the Bank of North Dakota. The 2000 Series B Bonds are fixed rate bonds. Under certain conditions, the Industrial Commission may call for early redemption of the 2000 Series B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on the lesser of either the one-month LIBOR plus .7% or Federal Home Loan Bank plus .7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. Section 2.2 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution has deemed these to be Federally Taxable Bonds. The Series 2004 Bonds are

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subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

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

Housing Finance

Housing Finance Bonds were issued to provide financing to purchase mortgage loans to finance multifamily housing projects. The bonds are the direct obligation of the Housing Finance Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and

foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution. The term bonds of all bond series have mandatory sinking fund requirements starting in 1998.

Revenues Pledged – The agency has homeownership bonds outstanding in the amount of \$1,067,743 maturing at various times from July 1, 2010, through July 1, 2041. 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 \$255,370 and \$166,885, respectively. Bond principal was reduced through customer revenues and the refunding of older bonds with proceeds from new bond issues.

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.

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Revenue Bonds outstanding (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/09</u>
Primary Government			
<u>Governmental:</u>			
Building Authority	2011-2025	2.50-5.25	\$ 84,334
Water Commission	2011-2049	2.50-5.50	101,903 ¹⁾
Department of Transportation	2011-2020	3.00-5.00	42,942
Information Technology Department	2011-2014	4.00-5.25	2,923
<u>Proprietary:</u>			
State Fair	2011-2012	3.50-4.60	776
Student Loan Trust	2011-2029	1.05-5.85	14,200 ²⁾
Housing Finance:			
Homeownership	2011-2042	0.00-6.15	1,067,743 ²⁾
University System:			
VCSU—Valley City	2011-2033	5.68-7.25	3,085
Williston State College	2011-2019	0-3.00	256
Lake Region State College	2011-2017	3.00-5.125	675
UND—Grand Forks	2011-2036	1.00-5.00	70,139
NDSU—Fargo	2011-2037	1.5-5.60	111,110
NDSU—Wahpeton	2011-2016	4.0-5.50	780
MiSU—Minot	2011-2030	0-6.60	15,241
Dakota College of Bottineau	2011-2012	6.25-6.90	56
MaSU—Mayville	2011-2018	1.55-6.63	5,859
DSU—Dickinson	2011-2020	3.75-5.00	575
BSC—Bismarck	2011-2030	3.4-5.35	3,915
NDUS – Univ. Sys. State Office	2011-2014	4.28	6,958
Total Revenue Bonds Payable— Primary Government			<u>\$ 1,533,470</u>
Major Component Units			
<u>Proprietary:</u>			
Public Finance Authority	2011-2034	2.00-10.00	\$ 164,282
NDSU Research and Technology Park, Inc.	2011-2032	3.00-5.40	27,335
NDSU Development Foundation	2011-2039	1.50-5.19	21,736
Arena Holdings Charitable LLC	2011-2030	4.60	3,522
UND Foundation	2011-2027	2.50-5.00	13,252
DSU Foundation	2011-2024	5.89	9,200
BSC Foundation	2011-2032	4.50-5.25	3,431
Total Revenue Bonds Payable— Major Component Units			<u>\$ 242,758</u>

¹⁾ Approximately \$53 million of the Water Commission's bonds payable is not associated with fixed assets of the State.

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

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

Primary Government:

Governmental Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 15,653	\$ 10,097
2012	16,707	9,339
2013	16,720	8,675
2014	17,630	7,970
2015	17,297	7,233
2016-2020	81,501	24,638
2021-2025	46,896	9,202
2026-2030	9,644	2,112
2031-2035	2,777	956
2036-2040	1,201	645
2041-2045	1,478	380
2046-2050	925	88
Bond Premium	3,673	(3,673)
Total	\$ 232,102	\$ 77,662

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 128,476	\$ 52,925
2012	33,350	51,859
2013	32,094	50,709
2014	35,752	49,477
2015	31,218	48,125
2016-2020	162,926	220,427
2021-2025	176,402	182,899
2026-2030	224,151	137,179
2031-2035	260,270	81,900
2036-2040	195,315	21,483
2041-2045	14,630	587
Bond Premium	6,784	(6,784)
Total	\$ 1,301,368	\$ 890,786

Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 15,301	\$ 10,724
2012	15,540	10,117
2013	15,288	9,458
2014	15,691	8,794
2015	15,796	8,077
2016-2020	76,117	29,644
2021-2025	50,846	14,815
2026-2030	31,862	4,873
2031-2035	4,569	535
2036-2040	421	40
Bond Premium	1,327	(1,327)
Total	\$ 242,758	\$ 95,750

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2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2010 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Maturities</u>	<u>Interest Rates</u>	<u>Balance 6/30/08</u>
Primary Government			
<u>Governmental:</u>			
Department of Corrections	2011-2015	4.59	\$ 406
Department of Human Services	2011-2015	4.24	2,774
Department of Transportation	2011-2022	4.18	2,195
Office of Management and Budget	2011-2022	4.18	4,010
School for the Deaf	2011-2021	4.8408	236
Information Technology Department	2011-2014	3.47-3.90	9,872
<u>Proprietary:</u>			
Bank of North Dakota	2011-2025	3.01-7.35	403,779
University System	2011-2017	4.22-9.90	8,316
Major Component Units			
UND Aerospace Foundation	2011-2019	2.50-6.00	7,777
NDSU Development Foundation	2011-2013	2.77-6.86	1,793
NDSU Research & Tech Park	2011-2017	0.0-4.00	648
UND Foundation	2011	5.00	100
DSU Foundation	2011-2025	5.625	299

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

The Public Finance Authority has a note payable of \$3,668,000 due to the Bank of North Dakota which is reported in the state's financial statements as a due to primary government.

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

Primary Government:

Governmental Activities

Business-type Activities

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,978	\$ 722	2011	\$ 1,006	\$ 19,286
2012	4,415	593	2012	33,982	18,481
2013	4,023	421	2013	748	17,265
2014	3,103	286	2014	62,384	15,674
2015	563	201	2015	15,354	14,058
2016-2020	3,059	655	2016-2020	237,004	50,683
2021-2025	1,352	67	2021-2025	61,617	10,330
Total	\$ 19,493	\$ 2,945	Total	\$ 412,095	\$ 145,777

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Major Component Units

Fiscal Year	Principal	Interest
2011	\$ 1,535	\$ 499
2012	1,378	427
2013	2,200	331
2014	953	264
2015	2,507	151
2016–2020	1,927	150
2021–2025	117	12
Total	\$ 10,617	\$ 1,834

Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2010, are summarized as follows (expressed in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 26,523	\$ 4,950	\$ (11,980)	\$ 19,493	\$ 2,978
Bonds Payable	251,526	-	(19,425)	232,101	15,785
Capital Leases Payable	4,056	167	(1,381)	2,842	1,118
Intergovernmental Payable	505	32	(393)	144	144
Compensated Absences	35,680	27,674	(24,086)	39,268	2,116
Claims/Judgments Payable	7,742	4,805	(5,972)	6,575	2,191
Total Long-Term Liabilities	\$ 326,032	\$ 37,628	\$ (63,237)	\$ 300,423	\$ 24,332
Business-Type Activities:					
Short-Term Notes Payable	\$ -	\$ 10,000	\$ (10,000)	\$ -	\$ -
Notes Payable	317,844	101,108	(6,857)	412,095	1,006
Bonds Payable	1,051,542	478,293	(228,467)	1,301,368	128,817*
Capital Leases Payable	68,096	19,732	(15,367)	72,461	6,677*
Intergovernmental Payable	8,578	13,464	(12,756)	9,286	692
Compensated Absences	28,848	4,881	(2,149)	31,580	3,427
Dividends Payable	1,645	74,855	-	76,500	76,500
Claims/Judgments Payable	772,844	136,732	(135,885)	773,691	97,315
Total Long-Term Liabilities	\$ 2,249,397	\$ 839,065	\$ (411,481)	\$ 2,676,981	\$ 314,434
Major Component Units:					
Notes Payable	\$ 11,534	\$ 2,605	\$ (3,522)	\$ 10,617	\$ 1,535
Bonds Payable	259,232	3,875	(20,349)	242,758	15,301
Capital Leases Payable	1,866	-	(82)	1,784	43
Intergovernmental Payable	802	167	(26)	943	317
Total Long-Term Liabilities	\$ 273,434	\$ 6,647	\$ (23,979)	\$ 256,102	\$ 17,196

*Bonds Payable and Capital Leases Payable includes \$25,152,687 and \$31,196,308 respectively, classified as Due to Component Units in the Statement of Net Assets for the University System. Of the above amounts, \$951,500 and \$1,295,464 are shown as current.

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

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Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$1,726,003 of internal service fund compensated absences and \$5,082,044 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (52%), the Highway Fund (16%), the Federal Fund (22%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

3. DEFEASED DEBT

Primary Government

Building Authority

On November 15, 2006, the Authority issued \$9,770,000 Lease Revenue Refunding Bonds, 2006 B. The proceeds of the issue were for an advance refunding of a portion of the 2001 Series A. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$483,000. This amount is netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. The current refunding was undertaken to reduce total debt service payments over the next fourteen years by \$627,000 and resulted in an economic gain of \$520,000. As of June 30, 2010, there were bonds of \$9,405,000.

Water Commission

On March 17, 2005, the Water Commission issued \$21,630,000 Water Development Trust Fund, Water Development and Management Program Refunding Bonds, 2005 Series A. The proceeds of the 2005 Series A Bonds were used to establish an irrevocable escrow account to advance refund the callable maturities totaling \$20,340,000 of the Water Commission's outstanding \$32,095,000 Water Development Trust Fund, Water Development and Management Program Bonds, 2000 Series A. As of June 30, 2010, \$20,340,000 of the 2000 Series A Bonds outstanding is considered defeased, and the liability for those 2000 Series A Bonds is not reflected on the State's financial statements.

Housing Finance

Previous to July 1, 1999, Housing Finance defeased certain general obligation bonds by placing bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. At June 30, 2010, \$2,030,000 of bonds outstanding is considered defeased.

University System

North Dakota State University

On December 30, 1985, the North Dakota State University issued \$4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985). The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling \$7,675,000. The principal amount outstanding as of June 30, 2010, of the original bonds refunded by the advance refunding total \$285,000.

North Dakota State College of Science

On June 20, 2001, North Dakota State College of Science issued \$2,785,000 of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 2001). These bonds were used to (1) refund, defease and discharge outstanding North Dakota State School of Science Married Student Housing Revenue Bonds 1970 and Dormitory Revenue Bonds of 1972; (2) finance the cost of the construction of the parking lot and related improvements at the College; and (3) to pay certain costs associated with the issuance of the Series 2001 bonds. The principal amount outstanding as of June 30, 2010, of the original bonds refunded is \$275,000.

Component Units

Public Finance Authority Bonds

The Finance Authority issued \$11,790,000 of revenue bonds (Series 2004 A SRF Bonds) with an average interest rate of 4.16% on October 5, 2004. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As of December 31, 2009, \$11,005,000 of bonds outstanding is considered defeased, and the liability has been removed from the balance sheet.

L. ARBITRAGE REBATE PAYABLE

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

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

The State has an arbitrage rebate payable to the federal government of approximately \$2,143,757 at June 30, 2010. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

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NOTE 4 – NET ASSETS

The government-wide statement of net assets reports \$2,429,933,613 of restricted net assets, of which \$646,643,112 is restricted by enabling legislation.

NOTE 5 – RETIREMENT SYSTEMS

A. DESCRIPTION OF PLANS

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

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

At June 30, 2010, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	81
Counties	48
School Districts	115
Other	69
Total Participating Local	<u>313</u>

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

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

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

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

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 or at normal retirement age (65), equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 120 months of service, for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service for the Main System and National Guard/Law Enforcement, and five or more years of service for the Supreme and district court judges. The monthly pension benefit for Supreme and district court judges at normal retirement age (65) or the rule of 85 is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service. The percentage is equal to 3.5% of final average monthly salary multiplied by the first 10 years of service, plus 2.80% of final average monthly salary times the second 10 years of service, plus 1.25% of final

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average monthly salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The monthly pension benefit for National Guard at normal retirement age (55), and Law Enforcement, normal retirement age (55) or the rule of 85, is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 120 months of service, for each year of service. The plan permits early retirement at ages 50-55 with three or more years of service.

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

The System is funded by employee contributions (set by statute) of 4% of regular compensation, with the exception of Supreme and district court judges' contributions, which are established at 5% of total compensation. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution with the exception of the Supreme and district court judges, in which the State is paying 4 of the 5% contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12% of covered compensation are set by statute. The employer contribution rate for the Supreme and district court judges is also set by statute at 14.52%, and the contribution rate for the National Guard/Law Enforcement is set by the Board at 6.50% for the National Guard, 8.31% for Law Enforcement with previous service, and 6.43% for Law Enforcement without previous service. The required contributions are determined using an entry age normal actuarial funding method.

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

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

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

NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

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

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

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

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 120 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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The System is funded by employee contributions of 10.30% (of which the State is paying 4%) of total compensation and an employer contribution of 16.70%. The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

REFUNDS OF MEMBER CONTRIBUTIONS

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

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

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. This plan document, as amended, is authorized by the Plan Administrator, who is the Executive Director of the agency.

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

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

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to their annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before they died and

elected the Contingent Annuitant Option with 55% of their retirement benefit continued to their spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefit will cease.

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

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

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

The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The required employer contributions are determined using the frozen initial liability actuarial cost method, which is the same as the aggregate cost method. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the Plan's actuarial value of assets exceeds the actuarial present value of projected benefits. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the employer.

TEACHERS' FUND FOR RETIREMENT (TFFR)

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

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Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503.

At June 30, 2010, the number of participating employer units in TFFR was:

<u>Type</u>	<u>Number</u>
Special Education Units	21
Vocational Education Units	5
Public School Districts	183
County Superintendents	11
Other	11
Total	231

Effective July 1, 2008, for purposes of determining pension benefits, members are classified as those employed before July 1, 2008, who have not taken a refund (Tier 1), and those employed after July 1, 2008 (Tier 2).

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

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

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

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the

number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

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

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

Assessments and contributions paid to TFFR are set by NDCC 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 7.75% 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 8.25% (increasing to 8.75% effective July 1, 2010) of the teacher's salary, until the fund reaches 90% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of assessments paid plus 6% or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of contributions paid before 70 ½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

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	<u>PERS</u>	<u>NDHPRS</u>	<u>JSND</u>	<u>TFFR</u>
Retirees and Beneficiaries				
Currently Receiving Benefits:	7,416	113	211	6,672
Special Prior Service Retirees:	18	-	-	-
Terminated Employees:				
Vested	3,375	4	4	1,472
Nonvested	<u>2,183</u>	<u>1</u>	<u>-</u>	<u>331</u>
Total Terminated Employees	5,558	5	4	1,803
Active Employees:				
Vested	14,891	63	31	8,356
Nonvested	<u>5,777</u>	<u>76</u>	<u>-</u>	<u>1,551</u>
Total Active Employees	20,668	139	31	9,907
Date of Annual Valuation	July 1, 2010	July 1, 2010	July 1, 2010	July 1, 2010

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

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

METHOD USED TO DETERMINE EMPLOYER CONTRIBUTIONS

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

METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net

increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

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

C. FUNDING STATUS AND PROGRESS

The actuarial methods and assumptions together with the schedule of funding progress is presented by the retirement systems in their separately presented financial reports based upon the actuary reports generated by the studies conducted by the Segal Company and Gabriel, Roeder, Smith and Company. The actuarial value of assets is based on a five-year smoothed fair value basis. Under this method, realized and unrealized gains and losses on investments are smoothed over five years. Below is listed the various actuarial methods and significant assumptions used to determine the annual required contributions, together with the schedule of funding progress.

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	PERS NDHPRS	JSND	TFFR
Valuation Date	July 1, 2010	July 1, 2010	July 1, 2010
Actuarial Cost Method	Entry Age Normal	Frozen Initial Liability**	Entry Age Normal
Amortization Method	Level Percent Open	Level Dollar Closed	Level Percentage of Payroll
Remaining Amortization Period	20 years	15 years	30 years***
Asset Valuation Method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment rate of return	8.0%	7.5%	8.0%
Projected salary increase	4.5%*	5.0%	4.5% to 14.75%
Includes inflation at	3.5%	5.0%	3.0%
Post retirement cost-of-living	None	5.0%	None

* Inflation together with wage increases attributable to seniority, merit and "standard of living" increases.

** As of July 1, 2010, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero. The frozen initial liability actuarial cost method is the same as the aggregate cost method.

*** The GASB Annual Required Contribution (ARC) for this plan is defined as the larger of (a) the sum of (i) the employer normal costs, and (ii) an amount necessary to amortize the UAAL as a level percentage of payroll over an open 30-year amortization period, and (b) the 8.75% statutory employer contribution rate. Payroll is assumed to increase at 3.25% per annum.

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 2005	\$ 1,236.1	\$ 1,361.2	\$ 125.1	90.8%	\$ 521.1	24.0%
July 1, 2006	1,314.5	1,480.5	166.0	86.8%	547.0	30.3%
July 1, 2007	1,503.1	1,610.2	107.1	93.4%	582.3	18.4%
July 1, 2008	1,609.8	1,737.6	127.8	92.6%	640.7	19.9%
July 1, 2009	1,617.1	1,901.2	284.1	85.1%	697.7	40.7%
July 1, 2010	1,621.7	2,208.4	586.7	73.4%	769.7	76.2%
NDHPRS						
July 1, 2005	\$ 40.7	\$ 46.3	\$ 5.6	87.9%	\$ 5.3	105.7%
July 1, 2006	42.8	49.1	6.3	87.0%	5.7	110.5%
July 1, 2007	48.2	51.5	3.3	93.5%	6.1	54.1%
July 1, 2008	50.8	54.6	3.8	93.0%	6.5	58.5%
July 1, 2009	50.2	57.6	7.4	87.2%	7.0	105.0%
July 1, 2010	49.3	61.8	12.5	79.8%	7.7	161.0%
JSND						
July 1, 2005	\$ 69.3	N/A*	\$ -	N/A	\$ 2.2	0.0%
July 1, 2006	70.6	N/A	-	N/A	1.9	0.0%
July 1, 2007	75.7	70.7	(5.0)	107.1%	1.8	0.0%
July 1, 2008	77.0	70.8	(6.2)	108.8%	1.8	0.0%
July 1, 2009	74.5	71.1	(3.4)	104.7%	1.7	0.0%
July 1, 2010	73.5	70.1	(3.4)	104.8%	1.6	0.0%
TFFR						
July 1, 2005	\$ 1,469.7	\$ 1,965.5	\$ 495.5	74.8%	\$ 386.6	128.2%
July 1, 2006	1,564.0	2,073.9	509.9	75.4%	390.1	130.7%
July 1, 2007	1,750.1	2,209.3	459.2	79.2%	401.3	114.4%
July 1, 2008	1,909.5	2,330.6	421.1	81.9%	417.7	100.8%
July 1, 2009	1,900.3	2,445.9	545.6	77.7%	440.0	124.0%
July 1, 2010	1,842.0	2,637.2	795.2	69.8%	465.0	171.0%

*The Frozen Initial Liability method does not directly identify an Actuarial Accrued Liability.

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

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

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The contribution rate is not actuarially determined for TFFR; it is set by statutory law under the North Dakota Century Code 15-39.1-09. It is required that every eligible teacher be a member of the Fund and assessed at a rate of 7.75 percent of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 8.25 percent (increasing to 8.75 percent effective July 1, 2010) of the teacher's salary, until the fund reaches 90% funded ratio on an actuarial basis.

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

Schedule of Employer Contributions

	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
PERS		
2008	\$ 35,875,117	70.0%
2009	40,327,067	69.0%
2010	54,157,866	56.0%
TFFR		
2008	\$ 44,114,585	76.4%
2009	41,986,174	89.3%
2010	52,053,217	76.5%

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2010:

	<u>NDHPRS</u>	<u>JSND</u>
Annual required contributions	\$ 1,312,591	\$ -
Interest on net pension obligations	(66,328)	(123,180)
Adjustment to annual required contributions	57,864	129,361
Annual pension costs	1,304,127	6,181
Contributions made	1,196,562	-
Increase in net pension obligations	107,565	6,181
Net pension obligations, beginning of year	(829,104)	(1,642,398)
(Assets in excess of) net pension obligations, end of year	<u>\$ (721,539)</u>	<u>\$ (1,636,217)</u>

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

	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligations</u>
NDHPRS			
2008	\$ 905,591	117%	\$ (724,722)
2009	1,025,737	109%	(829,104)
2010	1,312,591	91%	(721,539)
JSND			
2008	\$ 6,229	0%	\$ (1,648,603)
2009	6,205	0%	(1,642,398)
2010	6,181	0%	(1,636,217)

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E. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. The Defined Contribution Plan had 293 participants as of June 30, 2010.

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

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

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

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

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are established at 4%, and employer contributions are established at 4.12% of regular compensation. Employer and employee contributions totaled \$638,120 and \$619,544 respectively, for the fiscal year ended June 30, 2010.

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

F. TEACHERS' INSURANCE ANNUITY ASSOCIATION

The Teachers' Insurance and Annuity Association (TIAA-CREF), a privately-administered defined contribution retirement plan, provides individual retirement fund contracts for eligible employees as defined by the Board of

Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF, Denver Regional Office, 1700 Broadway, Suite 770, Denver, Colorado 80290 or by calling 800-842-2009.

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

Employment Class	Years Of Service	By The Participant	By The Institution	Total
I and III	0 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
II	0 thru 2	0.50%	4.50%	5.00%
	3 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
IV	0	1.00%	9.00%	10.00%
President/ Chancellor (additional employer contribution)	0 thru 12	0.00%	8.33%*	8.33%*
	or			
	less than 3	0.00%	0.00%	0.00%
	3 to less than 6	0.00%	4.00%	4.00%
	6 yrs and over	0.00%	8.00%	8.00%

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

Plan contributions are made on a tax-deferred basis in accordance with section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed \$26,512,291 to TIAA-CREF during the fiscal year ending June 30, 2010.

NOTE 6 - POST-RETIREMENT BENEFITS

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), and the Highway Patrolmen's Retirement System a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's

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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 non-teaching employees of the Office of the Superintendent of Public Instruction is 3.24 percent of covered compensation beginning in the month following the transfer under chapter 54-52-02.13 of the North Dakota Century Code and continuing thereafter for a period of eight years. The employer contribution for employees of the State Board of Career and Technical Education is 2.99 percent of covered compensation beginning in the month following the transfer under NDCC 54-52-02.14 and continuing thereafter for a period of eight years. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund.

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

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

Employer contributions totaling \$8,392,847 were made for the year ended June 30, 2010. The actuarially required employer contribution of \$7,199,033 for the year ended June 30, 2010, is 0.90 percent of the covered payroll and reflects the fact that the statutory rate of one percent is sufficient to cover future costs of the Fund. At June 30, 2010, the cost of benefits incurred for the fund was \$5,563,631.

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

Actuarial valuations of the Fund were done as of June 30, 2010. The actuarial cost method used is the Projected Unit Actuarial Credit Cost Method. The significant actuarial assumptions used to determine funding requirements are (a) a rate of return on the investment of present and future assets of 8.0 percent, (b) inflation at 3.50 percent per annum, (c) pre- and post-mortality life expectancies of participants based upon RP-2000 Combined Healthy Mortality, (d) rates of withdrawal from active service before retirement for reasons other than death, rates of disability, and expected retirement ages developed on the basis of actual plan experience, and (e) administrative expenses of \$97,000 per year. Plan assets are valued, for actuarial purposes, using a five-year smoothed market method.

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

As a Percentage of Covered Payroll	Dollar Effect
(0.06)%	\$ (476,180)
(0.05)%	(396,817)
(0.11)%	\$ (872,997)

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

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Schedule Of Funding Progress (Dollars In Millions)

Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liabilities AAL-Entry Age	Unfunded Value of Assets (UAA)	Ratio of Assets to AAL	Covered Payroll	UAA As A Percentage Of Covered Payroll
June 30, 2008	\$ 42.5	\$ 87.6	\$ 45.1	48.5%	\$ 660.9	6.8%
June 30, 2009	44.8	102.2	57.4	43.9%	719.8	8.0%
June 30, 2010	48.7	102.8	54.1	47.4%	793.6	6.8%

Employee membership is as follows:

Retirees receiving benefit	4,105
Active participants	21,047
Total Membership	25,152

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

The fair value of the net assets available for benefits at June 30, 2010, is \$45,778,797.

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

Another component of the Retiree Health Insurance Credit Fund provides health care coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under NDCC 54-52.1-02 as a percent of the active member single and family plan rates and are paid by the retiree. The premiums for this coverage are not age-rated. Currently, the premiums for their group do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. This subsidy is not funded in advance and there is no guarantee that the subsidy for the 2009-11 biennium will continue in the future. In the event the legislature does not fund the subsidy beyond the current biennium, the coverage would discontinue and the unfunded actuarial accrued liability displayed in the table below for the retiree health implicit subsidy would be reduced to zero.

Significant actuarial assumption for the implicit subsidy unfunded plan include; using the 1983 Group Annuity Maturity Table, applied on a gender-specific basis; health care cost trends of 10% for select and 6% for ultimate with select trends reduced 0.5% each year until reaching the ultimate trend; and retirement and termination probabilities have been developed from the assumptions for the NDPERS pension plans. The funded status of the plan as of the most recent actuarial valuation dates is as follows:

(Dollars in Millions)

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

JOB SERVICE NORTH DAKOTA

Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of June 30, 2010. The actuary determined the obligation the agency has to record as of June 30, 2010 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.

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.

Former employees receiving retirement benefits under the Retirement Plan for Employees of Job Service North Dakota are eligible to participate in the Retiree Health

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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, 2010, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	209	177
Terminated employees entitled to benefits but not yet receiving them	4	-
Current vested employees	32	56
Total	<u>245</u>	<u>233</u>

The funding policy of the plans thru June 30, 2010 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 the Segal Company.

Valuation Date	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	30-Year Amortization Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value

Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

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

	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	\$ 251,756	\$ 104,761	\$ 356,517
Interest on OPEB obligation	6,810	2,837	9,647
Adjustment to annual required contributions	(8,780)	(4,118)	(12,898)
Annual OPEB costs	249,786	103,480	353,266
Contributions made	<u>232,784</u>	<u>50,725</u>	<u>283,509</u>
Increase in net OPEB obligation	17,002	52,755	69,757
Net OPEB obligations, beginning of year	<u>129,947</u>	<u>84,439</u>	<u>214,386</u>
Net OPEB obligations, end of year	<u>\$ 146,949</u>	<u>\$ 137,194</u>	<u>\$ 284,143</u>

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
2008	\$ 282,723	\$ 93,786	\$ 222,801	\$ 52,078	\$ 101,630	73.0%
2009	282,723	93,786	212,698	51,055	112,756	70.1%
2010	249,460	103,806	232,784	50,725	69,757	80.3%

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Funded Status and Funding Progress – As of June 30, 2010 the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was \$5,482,756, and the actuarial value of assets was \$0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,482,756. The covered payroll (annual payroll of active employees covered by the plans) was \$3,199,800 and the ratio of the UAAL to the covered payroll was 171.34 percent.

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

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

NOTE 7 - DEFERRED COMPENSATION PLAN

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

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

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

Plan Participation By:	
State of North Dakota	\$ 24,212
Other Jurisdictions	3,730
Total Value	<u>\$ 27,942</u>

NOTE 8 - PERS UNIFORM GROUP INSURANCE PROGRAM

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium. In accordance with the contract for the 2005-2007 biennium, the system deposited a total of \$14,227,761 with BCBS. These surplus funds are to be used to pay any claims in excess of the premiums collected. At the end of the contract period, the system receives the remaining surplus funds plus interest of \$3,966,104. The system has entered into a similar contract with BCBS for the 2007-2009 biennium. The accumulated surplus and other invested funds in the amount of \$6,043,500 are shown as cash on the State's financial statements. These funds are being held by BCBS.

NOTE 9 - 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, 2010, was as follows (expressed in thousands):

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	Home-Ownership Bond Funds
Condensed Statement of Net Assets	
Current assets – other	\$ 273,187
Noncurrent assets – other	938,450
Total Assets	1,211,637
Current liabilities – other	142,203
Noncurrent liabilities – other	969,497
Total Liabilities	1,111,700
Net assets – restricted	99,937
Total Net Assets	\$ 99,937
Condensed Statement of Revenues, Expenses and Change in Fund Net Assets	
Operating revenues	\$ 50,284
Operating expenses	43,202
Operating income	7,082
Non-operating revenue	139
Change in net assets	
Total net assets, beginning of year	89,748
Equity transfer in	2,968
Total net assets, end of year	\$ 99,937
Condensed Statement of Cash Flows	
Net cash used for operating activities	\$ (54,118)
Net cash from noncapital financing activities	180,139
Net change in cash and cash equivalents	126,021
Cash and cash equivalents, beginning of year	124,585
Cash and cash equivalents, end of year	250,606

NOTE 10 - MAJOR COMPONENT UNIT TRANSACTIONS

NORTH DAKOTA DEVELOPMENT FUND

In 2010, the State appropriated funds to the North Dakota Development Fund to develop a child care loan program for the purpose of providing loans to new and expanding child care facilities within the State of North Dakota. The program has a sunset date of June 30, 2011. On that date, the appropriation amount is set to be returned to the State. As of June 30, 2010, \$1,299,700 is due back to the State.

BISMARCK STATE COLLEGE AND BISMARCK STATE COLLEGE FOUNDATION

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the debt

service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

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

DICKINSON STATE UNIVERSITY AND DICKINSON STATE UNIVERSITY FOUNDATION

DSU provides personnel and other services to the foundation at no charge as in-kind reimbursement for services provided by the foundation, including one-half salary and fringe benefits of foundation employees, payroll preparation services, postage, utilities and building and grounds services. For the year ended June 30, 2010, DSU has valued these services at approximately \$157,000.

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

\$5,000,000 bond at a fixed rate of 5.89%. The bond is amortized over 15 years with semi-annual payments due each January and July 20th. The payments in 2010 will be interest only, with the first principal payment due in January of 2011.

\$4,200,000 bond with a variable rate of interest, currently 1.65%. The bond is repriced every six months and has payments each January and July. The 2010 payments will be interest only, with the first principal payment due in January 2011. There are neither time limits nor prepayment penalties on this issue.

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

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

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

The audited financial statements of RTP for fiscal year 2010 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP. Since RTP 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 Research Buildings 1 and 2, a reclassification entry was made to ending balances in the component unit consolidation financial statements to show the appropriate due from primary institution.

NDSU and RTP have entered into an operating agreement, whereby NDSU leases Research Building #1 for an annual rent of \$628,943 and Research Building #2 for \$1,525,963 through July 2013, plus utilities and insurance. Total payments under these agreements in

fiscal year 2010 were approximately \$2.3 million. These agreements are subject to funding and legislative appropriations. The agreement automatically extends for one-year periods unless cancelled by either party to the agreement.

NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION

NDSU EQUINE SCIENCE CENTER

Effective January 1, 2003, NDSU and the NDSU Development Foundation entered into a ten-year lease agreement with an option for an additional ten-year term to facilitate the construction of an Equine Science Center. Under the agreement, NDSU will pay rent to NDSU Development Foundation for use of the premises. The amount of the rent is tied to the debt service retirement plus necessary insurance and taxes incurred by the Development Foundation. NDSU paid the Development Foundation \$331,935 in fiscal year 2010 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$3,415,000 as of June 30, 2010. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Equine Center, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

FARGODOME LEASE AND IMPROVEMENTS

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meeting rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. NDSU paid the Development Foundation \$338,240 in fiscal year 2010 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$2,701,216 as of June 30, 2010. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to

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ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

NDSU DOWNTOWN CAMPUS

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December 2001. During fiscal years 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. NDSU entered into an agreement with 650 NP Avenue, LLC and Kilbourne Design Group, LLC to lease the property for \$49,583 per month through August 12, 2011, with an option to renew for two five-year periods. During fiscal year 2005, the Foundation transferred nearly the entire ownership in 650 NP Avenue, LLC and Kilbourne Design, LLC; therefore, they are no longer consolidated in the financial statements of the foundation. When the sublease with NDSU expires, the intent is to transfer the property back to the Foundation, and a new lease between the Foundation and NDSU will be negotiated.

In fiscal years 2003 and 2004, the facility was reported on the financial statements of the NDSU Development Foundation as construction in progress and a short-term liability (for the construction loan). No asset or liability is reported in fiscal year 2005 or 2006 due to the transfer of ownership. The tax credits along with the deduction for donations bring the net cost to \$5.6 million, which is shown as a capital asset and capital lease liability on the books and financial statements of NDSU. The lease payments are recorded as interest only by NDSU until fiscal 2011, when the property is transferred back to the Development Foundation and lease revenue bonds will be issued to finance the acquisition.

AIRCRAFT

Effective June 28, 2007, NDSU and the NDSU Development Foundation entered into a \$2,348,000, ten-year, lease agreement for the purchase of an aircraft. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the aircraft. The amount of the rent is equal to the amount of the principal and interest payments on the loan, for the life of the loan. During fiscal year 2010, NDSU made \$322,919 of debt service to the NDSU Development Foundation on the aircraft lease. The University is responsible for all costs incurred in operation and maintenance of the aircraft. Upon completion of the loan payments, ownership of the aircraft will be transferred to NDSU. Since the Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the leased aircraft, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

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. During fiscal year 2010, NDSU paid \$853,379 to the NDSU Development Foundation for under the leases for debt service, property taxes and insurance on Barry Hall and Klai Hall. NDSU has an option to acquire the property upon full payment of the bonds. The bonds payable have a balance of \$13,651,323 at June 30, 2010.

PRESIDENT'S RESIDENCE

On September 15, 2008, the NDSU Development Foundation financed the construction of a new residence for the NDSU President through the sale of \$900,000 of 30 year University Facilities Bonds. The interest rate is a fixed rate of 4.20% with semi-annual principal and interest payments. The repayment source is private donations and pledges. The bonds payable have a balance of \$871,651 at June 30, 2010. The NDSU Development Foundation incurred a total \$1,498,998 of costs related to the construction of the President's House during fiscal years 2009 and 2010. NDSU incurred a total of \$703,837 during fiscal years 2009 and 2010. In addition, donated services of \$403,147 were contributed to the construction of the President's residence through June 30, 2010. The President's House was capitalized on NDSU's books for the sum of the foundation and NDSU costs, plus the donated services (\$2,605,983). In addition, during the construction period there were transition costs (i.e., rent, utilities) for the NDSU president paid by the NDSU Development Foundation (\$32,694) and NDSU

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(\$67,157). These costs were considered operating expenses, along with some minor completion costs of \$2,090 incurred in June 2010.

OTHER TRANSACTIONS

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid under these agreements in fiscal year 2010 were \$695,657. In addition, the Development Foundation may contract with NDSU for materials and personnel in the service and utility areas and will reimburse NDSU based on separate agreements.

UNIVERSITY OF NORTH DAKOTA AND UND AEROSPACE FOUNDATION

The Aerospace Foundation reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$15.0 million in fiscal year 2010. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. UND reimbursed the foundation for air service and hangar, CRJ, 360-degree tower, and aircraft rental of \$1.2 million. These expense reimbursements represent actual costs incurred.

In addition, the Aerospace Foundation may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate arrangements. As of June 30, 2010, the Foundation has recorded accounts payable to UND of \$190,334 for reimbursable costs and services under these arrangements.

The Aerospace Foundation entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the first 15 years of the sublease, UND will pay the Foundation monthly minimum payments 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 an interest rate adjustment or a refinancing of the debt incurred by the Foundation in the construction of the hangar. The audited financial statements of the Foundation report the capital assets and related debt for this lease. Since the Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for this transaction, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena, Inc. manages, operates and maintains an arena known as the Ralph Englestad Arena, which was constructed in 2001 for the benefit of UND athletics. UND and RE Arena, Inc. 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% of such ticket revenue and remits 48% to UND, and (ii) RE Arena, Inc. collects all sponsorship sales revenue from UND Athletic events, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs and remits 36% to UND. In addition, UND and RE Arena, Inc. jointly utilize UND and RE Arena, Inc. marketing staff to market and promote UND athletic events.

Revenue and expenses from all other UND events held at the arena will be negotiated on an event-by-event basis. Per this agreement, RE Arena, Inc. retained approximately \$1,887,365 in fiscal year 2010 in ticket revenue and \$621,798 in sponsorship revenue from UND athletic events. Additionally, under the agreement, RE Arena, Inc. makes annual deposits to a reserve for extraordinary repairs, maintenance, and building improvements. The amount reserved in fiscal year 2010 was \$500,000. On an annual basis, RE Arena, Inc. will remit to UND its net income after adding back depreciation and amortization, the funded reserve, equity retention and capital expenditures for the fiscal year. RE Arena, Inc. paid UND \$350,000 under this agreement in fiscal year 2010.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. As of June 30, 2010, RE Arena, Inc. has a payable to UND of \$147,825 for these expenditures.

UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

The University of North Dakota Foundation issued through Wells Fargo Brokerage Services, LLC, tax-exempt lease revenue bonds on October 24, 2003, of \$4,400,000 to finance the land purchase and construction of the Minot Family Practice Center. The center is a component of the School of Medicine & Health Sciences at UND. Interest only is due on a semi-annual basis at a variable rate of interest with a maturity date of December 15, 2018. The interest rate is 4.15 percent at June 30, 2010. The foundation may pay down principal in increments of \$100,000 on interest payment dates without penalty. Principal balance outstanding at June 30, 2010, is \$3,356,606. A receivable from UND and the bond payable is included on the financial reports

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of the foundation, and UND has recorded a capital asset and a capital lease payable as of June 30, 2010.

On July 24, 2002, UND Foundation issued lease revenue bonds of \$8,595,000 on behalf of UND to i) finance the construction of an office building for EERC, ii) renovate the current EERC building, iii) finance capitalized interest, and iv) pay cost of issuance of the bonds. UND and UND Foundation also entered into a lease agreement on July 1, 2002, whereby the foundation leases certain property to UND and UND will pay the foundation basic rents which will be sufficient to cover principal and interest on the lease revenue bonds when due. The bonds bear an interest rate of 2.5 to 5.0 percent and mature in 2027. The lease revenue bond has a balance of \$6,880,000 at June 30, 2010. The foundation's financial statements include this transaction as a receivable from UND and a long-term liability. UND's financial statements include the capitalized asset and a long-term liability due to UND Foundation.

On April 16, 2008, the UND Foundation issued bonds of \$2,200,000 to build a University Presidents Home and an addition to the Jodsaas Center Engineering building. Series B for the President's residence was \$900,000 and Series A for the Jodsaas Center Engineering Building was \$1,300,000. Semi-annual payments are required on Series A. Series B requires semi-annual payments with principal paid annually. The interest rate is fixed at 4.15%. Payments on both series are due through 2038. The bonds have a balance of \$2,039,159 at June 30, 2010. The UND Foundation incurred \$919,571 in costs related to the President's residence and also incurred \$424,080 in costs related to infrastructure and land improvements related to the President's residence.

On December 22, 2008, the UND Foundation issued bonds of \$1,200,000 to fund construction of the North Dakota Center for Human Safety. Annual payments of principal along with semi-annual payments of interest are required at a fixed interest rate of 3.5%. Payments are due through 2013. The bonds have a balance of \$976,221 at June 30, 2010.

UND leases office space to the UND Foundation at a cost of \$1 per year and provides some administrative services, computer services, utilities and maintenance at no cost as a partial in-kind reimbursement for services rendered by the Foundation. Lease on the office, dated November 1, 1979, has a remaining term of one year. At June 30, 2010, due to timing of receipts and payments, the UND Foundation recorded a payable of \$22,601 to UND.

NOTE 11 - 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.

	<u>Contract Amount (in thousands)</u>
Commitments to extend credit	\$ 585,960
Financial standby letters of credit	396,951
	<u>\$ 982,911</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 State evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained by the State upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

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

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 \$738,000 at December 31, 2009.

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

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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 \$40,479,000 at June 30, 2010. The Agency does not anticipate any material losses as a result of these commitments.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled \$19,097,000 at June 30, 2010.

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 \$116,947,000 at December 31, 2009.

NOTE 12 - INTEREST RATE SWAP

NORTH DAKOTA HOUSING FINANCE AGENCY

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series. The Agency cash flow hedges are pay-fixed. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate.

The 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. The Agency had optionally terminated two swaps with an aggregate notional amount of \$20,095,000 at par and entered into an additional swap with a \$50,530,000 notional amount.

As of June 30, 2010, the Agency is exposed to credit risk on the swaps that have a positive fair value, which total \$5,039,000. 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 AA+/AA-/AA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into a Credit Support Agreement with Citigroup Global Marketing 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, 2010, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$3,907,000 and the swap providers owed the Agency a variable rate on the notional amounts of \$453,000 making the net payment that the Agency owed the swap providers \$3,454,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of \$19,751,000 as of June 30, 2010. 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, 2010. 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, 2010. 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

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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.

1.	Bond Series	2002 B	2003 A
2.	Issuance Date	8/28/2002	5/14/2003
3	Maturity Date	7/1/2011	1/1/2012
4.	Notional Amount	\$ 900,000	\$ 2,060,000
5.	Variable-rate Bonds	\$ 900,000	\$ 2,060,000
6.	Fixed Rate	2.940%	2.463%
7.	LIBOR Percentage	70.60%	62.50%
8.	Additional Percentage	0.00%	0.44%
9.	Bonds Variable-rate	0.26000%	0.29000%
10.	Fair Value	\$ (20,000)	\$ (44,000)
11.	Percentage of LIBOR	0.22401%	0.65602%
12.	Synthetic Rate	2.95590%	2.09698%
13.	Actual Synthetic Rate	3.17828%	2.36406%
14.	Change in Fair Value	\$ 35,000	\$ 30,000
15.	Optional Termination Date	-	-

1.	Bond Series	2003 B	2003 B	2004 B	2004 B
2.	Issuance Date	8/27/2003	8/27/2003	4/1/2004	4/1/2004
3	Maturity Date	1/1/2012	7/1/2034	1/1/2013	7/1/2035
4.	Notional Amount	\$ 2,170,000	\$14,205,000	\$ 4,025,000	\$12,990,000
5.	Variable-rate Bonds	\$ 2,170,000	\$14,205,000	\$ 4,025,000	\$12,990,000
6.	Fixed Rate	3.155%	4.530%	2.620%	3.980%
7.	LIBOR Percentage	64.00%	64.00%	63.00%	63.00%
8.	Additional Percentage	0.37%	0.37%	0.34%	0.34%
9.	Bonds Variable-rate	0.29000%	0.29000%	0.29000%	0.29000%
10.	Fair Value	\$ (64,000)	\$ (738,000)	\$ (117,000)	\$ (1,046,000)
11.	Percentage of LIBOR	0.58620%	0.58620%	0.55775%	0.55775%
12.	Synthetic Rate	2.85880%	4.23380%	2.35225%	3.71225%
13.	Actual Synthetic Rate	3.08398%	4.44579%	2.60419%	3.95005%
14.	Change in Fair Value	\$ 57,000	\$ 37,000	\$ 52,000	\$ (333,000)
15.	Optional Termination Date	-	7/1/2011	-	7/1/2013

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1.	Bond Series	2004 C	2005 A	2005 C	2006 A
2.	Issuance Date	6/10/2004	4/13/2005	9/21/2005	5/4/2006
3.	Maturity Date	1/1/2035	7/1/2024	1/1/2036	7/1/2016
4.	Notional Amount	\$21,885,000	\$23,100,000	\$12,000,000	\$30,210,000
5.	Variable-rate Bonds	\$21,885,000	\$23,100,000	\$12,000,000	\$30,210,000
6.	Fixed Rate	4.095%	3.870%	3.889%	3.955%
7.	LIBOR Percentage	63.00%	62.90%	63.00%	63.00%
8.	Additional Percentage	0.34%	0.32%	0.31%	0.31%
9.	Bonds Variable-rate	0.26000%	0.27000%	0.27000%	0.27000%
10.	Fair Value	\$ (1,306,000)	\$ (1,667,000)	\$ (1,207,000)	\$ (4,341,000)
11.	Percentage of LIBOR	0.55775%	0.53740%	0.52775%	0.52775%
12.	Synthetic Rate	3.79725%	3.60260%	3.63125%	3.69725%
13.	Actual Synthetic Rate	4.06602%	3.84242%	3.86474%	3.92823%
14.	Change in Fair Value	\$ 143,000	\$ (286,000)	\$ (417,000)	\$ (880,000)
15.	Optional Termination Date	7/1/2011	7/1/2012	1/1/2016	7/1/2016

1.	Bond Series	2008 A	2008 B	2008 D	2009 B
2.	Issuance Date	2/26/2008	2/26/2008	8/5/2008	7/30/2009
3.	Maturity Date	1/1/2017	7/1/2038	7/1/2039	1/1/2025
4.	Notional Amount	\$13,700,000	\$14,310,000	\$21,850,000	\$50,005,000
5.	Variable-rate Bonds	\$13,700,000	\$14,310,000	\$21,850,000	\$50,005,000
6.	Fixed Rate	3.198%	4.725%	3.919%	3.108%
7.	LIBOR Percentage	63.00%	100.00%	63.70%	64.70%
8.	Additional Percentage	0.32%	0.00%	0.20%	0.23%
9.	Bonds Variable-rate	0.27000%	0.32000%	0.21000%	0.26000%
10.	Fair Value	\$ (1,338,000)	\$ (1,764,000)	\$ (2,750,000)	\$ (3,349,000)
11.	Percentage of LIBOR	0.53775%	0.34563%	0.42017%	0.45362%
12.	Synthetic Rate	2.93025%	4.69937%	3.70883%	2.91438%
13.	Actual Synthetic Rate	3.15313%	5.49327%	3.85625%	2.99969%
14.	Change in Fair Value	\$ (498,000)	\$ (482,000)	\$ (816,000)	\$ (3,349,000)
15.	Optional Termination Date	1/1/2017	1/1/2020	7/1/2018	7/1/2016

Using rates as of June 30, 2010, 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, 2010. 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		
2011	\$ 9,755	\$ 576	\$ 7,057	\$ 17,388
2012	9,725	549	6,781	17,055
2013	7,660	526	6,532	14,718
2014	6,230	508	6,327	13,065
2015	5,415	493	6,147	12,055
2016-2020	76,055	1,760	22,301	100,116
2021-2025	40,910	1,100	14,663	56,673
2026-2030	17,865	747	10,428	29,040
2031-2035	28,640	419	6,193	35,252
2036-2040	20,975	94	1,540	22,609
	<u>\$ 223,230</u>	<u>\$ 6,772</u>	<u>\$ 87,969</u>	<u>\$ 317,971</u>

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NOTE 13 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

NOTE 14 – 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 2010, a total of \$117,606,375 in claims was recognized. Incurred but not reported claims of \$772,095,000 have been accrued as a liability based primarily upon actuarial estimates.

RISK MANAGEMENT FUND

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

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

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

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2009, and June 30, 2010:

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Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2009	\$ 2,067,030	\$ 377,736	\$ 478,058	\$ 1,966,078
2010	1,966,078	728,583	858,680	1,835,981

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, thirteen claims exceeded coverage by \$1,462,394.

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

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

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2010:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2009	\$ 3,849,552	\$ 3,000,740	\$ 2,745,908	\$ 4,104,384
2010	4,104,384	3,330,692	4,189,013	3,246,063

NOTE 15 – 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 1,088 policies to participating entities for a total building and content coverage of \$9.5 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,971 policies to participating entities. The total coverage for the Bonding Fund is \$600.0 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

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

discounted. Investment income was not considered in determining the existence of premium deficiencies.

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

WORKFORCE SAFETY & INSURANCE

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2010, coverage extended to the following employers:

<u>Annual Premium</u>	
\$250 - \$5,000	15,629
\$5,001 - \$50,000	4,168
\$50,001 - \$100,000	345
Over \$100,000	286
Total Employers	<u>20,428</u>

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

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

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

For the year ended June 30, 2010, the actuary presented an estimate in the form of a range to emphasize the uncertainty for a "long-tailed" liability insurer such as workers' compensation. These ranges are as follows (expressed in thousands):

	Low	Expected Value	High
Full Value Basis (undiscounted)	\$1,206,339	\$ 1,313,946	\$ 1,450,670
Present Value Basis (discounted at 5% rate)	\$ 708,430	\$ 772,095	\$ 851,902

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$772,095,000 at June 30, 2010.

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

WSI did not incur any acquisition costs that should have been capitalized at June 30, 2010.

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	
	2010	2009	2010	2009	2010	2009
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 755	\$ 1,114	\$ 189	\$ 149	\$ 771,900	\$ 740,600
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	3,075	1,744	49	128	160,265	168,964
Change in provision for prior fiscal year	-	-	-	-	(26,657)	9,427
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(1,676)	(989)	148	61	(30,861)	(32,054)
Prior fiscal years' insured events	(755)	(1,114)	(189)	(149)	(82,601)	(81,137)
Total Payments	(2,431)	(2,103)	(41)	(88)	(113,462)	(113,191)
Change in provision for discount	-	-	-	-	(19,951)	(33,900)
Total unpaid claims and claims adjustment expenses at the end of the year	<u>\$ 1,399</u>	<u>\$ 755</u>	<u>\$ 197</u>	<u>\$ 189</u>	<u>\$ 772,095</u>	<u>\$ 771,900</u>

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NOTE 16 – SCHOOL PERMANENT TRUST FUND

On June 30, 2009, the Attorney General certified to the Secretary of State that recent amendments to two federal statutes, the 1889 Enabling Act and the 1862 Morrill Act, removed any inconsistencies between these two federal laws and sections 1 and 2 of Article IX of the North Dakota State Constitution. With that certification, the historic changes that were approved by North Dakota voters as Constitutional Measure No. 1 during the November 7, 2006, general election became effective on July 1, 2009. Effective July 1, 2009, biennial distributions from the perpetual trust funds will be ten percent of the five-year value of trust assets, excluding the value of lands and minerals. The average value of trust assets is determined by using the assets' ending value for the fiscal year that ends one year before the beginning of the biennium and the assets' ending value for the four preceding fiscal years. Equal amounts must be distributed during each year of the biennium.

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

S.B. 2332, Sections 8 and 9 – The Health Information Technology Office Director may request the Bank of North Dakota to transfer up to \$8,000,000 to the Health Information Technology Loan Fund to meet any required match for federal funds or to the Electronic Health Information Exchange Fund to meet any required match for federal funds or as directed, a portion to both funds to meet any required match for federal funds. The Health Information Technology Office Director shall request fund transfers from the Bank only as necessary to comply with federal requirements and to meet cash flow needs of the funds. The Health Information Technology Office Director may request the Bank of North Dakota to transfer up to \$5,000,000 to the Health Information

Technology Planning Loan Fund. The Health Information Technology Office Director shall request transfers from the Bank only as necessary to meet cash flow needs of the fund.

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

Chapter 6-09.7-09 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan to value ratio of 80% and further provided that no single loan exceeds \$400,000. The Bank may have no more than \$8,000,000 in outstanding loan guarantees under this program. The Bank may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed 5 years. As of December 31, 2009, the Bank has guarantees outstanding totaling \$1,342,000. The Bank had no guarantee commitments outstanding as of December 31, 2009.

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

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guarantee cannot exceed 5% of the Bank's tier one capital as defined by the Department of Financial Institutions. A lender may apply to the Bank for a loan guarantee for a loan of up to \$100,000. The term of the guarantee may not exceed five years. As of December 31, 2009, the Bank has guarantees outstanding totaling \$4,223,000 and had guarantee commitments outstanding of \$202,000 included in commitments to extend credit.

Chapter 6-09-41 of the North Dakota Century Code provides that the Bank of North Dakota establish and administer a loan guarantee program that is designed to expand livestock feeding and dairy farming in this state. This program was effective through June 30, 2009. The Bank may guarantee loans made by the bank, credit union, a savings and loan association, or any other lending institution in this state to the owner of a commercial livestock feeding operation or to the owner of a new or expanding dairy operation. In the event of a default, the Bank shall pay to the lender the amount agreed upon, provided that the amount may not exceed 85% of the principal due the lender at the time the claim is approved. As of December 31, 2009, the Bank has guarantees outstanding totaling \$1,466,000.

PUBLIC EMPLOYEE RETIREMENT SYSTEM

The system has entered into agreements with Sagitec Solutions, LLC and L.R. Wechsler, Ltd for the development of its new integrated benefits administration system. The contract with Sagitec is \$7.7 million and the contract with L.R. Wechsler is \$1 million, and the total appropriation for this project is approximately \$9.6 million, which is anticipated to be fully completed by September 2011. As of June 30, 2010, the system has paid \$7.0 million towards these contracts. The remaining \$2.6 million will be paid as the project is completed. It is anticipated that final payments to Sagitec, which are due upon completion of the warranty period, may be carried over to the 2011-2013 biennium.

RETIREMENT AND INVESTMENT OFFICE (RIO)

The State Investment Board has at June 30, 2010, committed to fund certain alternative private equity partnerships for an amount of \$957.5 million. Funding of \$751.3 million has been provided leaving an unfunded commitment of \$206.2 million.

MANDAN REMEDIATION TRUST

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

pursuant to the Mandan Remediation Trust Agreement. The master services agreement provides a fee schedule for consulting services and equipment use. LBG was reimbursed \$264,861 during 2009 for services rendered under the contract.

INDUSTRIAL COMMISSION

Under the Lignite Vision 21 Program, the Commission has entered into an amended contract for the amount of \$10,000,000 with American Lignite Energy. The purpose of the amended contract is for conducting the FEED process for a coal-to-liquids plant in McLean County. The balance outstanding at June 30, 2010, is \$8,649,998. In addition, the Commission has entered into a contract for conducting pre-FEED and FEED studies with Great Northern Power Development. The balance outstanding at June 30, 2010, is \$4,251,717.

The Commission also has various significant commitments at June 30, 2010, for the purchase of various types of research, services and other goods totaling \$9,258,120.

MILL AND ELEVATOR

As of June 30, 2010, the Mill had commitments to purchase 3,789,908 bushels of spring wheat and 105,917 bushels of durum.

STATE FAIR

The State Fair entered into agreements with contractors for the construction of the new grandstand and the demolition of the old grandstand. Commitments remaining on the demolition and subsequent construction total \$408,221.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2010, totaling \$1,414,000. In addition, the 2009 Legislature authorized the Authority to bond up to \$2,575,000 during the 2009-2011 biennium for the Veteran's Home construction project.

PUBLIC FINANCE AUTHORITY

On April 1, 1997, a Standby Bond Purchase Agreement was executed with the Central Dakota Irrigation District, a political subdivision. Should the District experience financial difficulties, the Finance Authority will purchase Central Dakota Irrigation District's Refunding Improvement Bonds (warrants) in an aggregate principal amount not less than the outstanding principal amount of the warrants plus accrued interest on the warrants. The original amount of the warrants issued April 1, 1997, was \$3,270,000.

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, 2009, \$4,271,000 of credit was available

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through these letters of credit and no funds have been advanced.

JOB SERVICE NORTH DAKOTA

As of June 30, 2010, Job Service has commitments to pay \$124,235 for purchase orders and contracts awarded for goods, services, software licenses, software support, and software server hosting to be provided in future periods.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2010, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$83,393,413.

STATE JUDICIARY

As of June 30, 2010, State Judiciary had significant commitments of \$1,028,534. The majority consists of contracts to provide various types of judicial services.

AERONAUTICS COMMISSION

As of June 30, 2010, the Aeronautics Commission had significant commitments of \$3,800,000. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2010, the Dairy Products Commission had significant commitments of \$170,000. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2010, the North Dakota Soybean Council had significant commitments of \$1,357,864. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2010, the State Water Commission had long-term commitments of \$153,608,858 for various water projects.

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2010, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$23.58 million of which \$19.76 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2010, totaled approximately \$273.87 million, of which \$207.0 million

represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

UNIVERSITY SYSTEMS

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

	Original Issue	Paid To Date	Amount To Be Paid
BSC	\$ 2,450	\$ 368	\$ 2,082
DCB	979	113	866
DSU	15,199	14,281	918
MASU	8,807	2,284	6,523
MiSU	11,870	9,327	2,543
NDSCS	5,642	4,791	851
NDSU	63,542	33,291	30,251
UND	16,994	6,683	10,311
VCSU	1,191	673	518
WSC	12,231	2,060	10,171

NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2010, for which funds have not been disbursed or written agreements entered into in the amount of \$1,843,313.

OTHER CONSTRUCTION COMMITMENTS

Legislative Assembly	\$ 2,456
Human Services	1,435
Adjutant General	8,960
State Historical Society	1,273
Department of Corrections	61,613
Transportation	115,574
Veterans Home	11,198
State Courts	1,960
Seed Department	367

B. LITIGATION

The estimated loss in all of the litigation against the State in which a loss to the State is probable is estimated at zero. Litigation that is reasonably possible to result in an unfavorable outcome is also estimated at zero.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at zero.

In November 1998, the North Dakota Attorney General joined forty-five other states and five territories in a settlement agreement against the nation's largest tobacco manufacturer. The Master Settlement Agreement includes base payments to states totaling \$220.6 billion for the next 25 years, and continues in perpetuity. North Dakota's share of the settlement is expected to be \$866 million over the next 25 years. The amount of the annual payment is subject to a number of

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modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), or other adjustments will likely cause decreases in the payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State had not settled any cases before June 30, 2010, in which the settlement had not been paid as of June 30, 2010.

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, 2008, was completed and issued in March of 2009. As a result of this audit, approximately \$1,634,000 of identifiable questioned costs was noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

The 2009-2010 single audit will be issued sometime in March 2011. It is anticipated there will be potential questioned costs against the State as a result of their audit. The State does not believe the results will have a material impact.

NOTE 19 - SUBSEQUENT EVENTS

In February 2009, the State was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company, the broker/dealer for the Westridge Capital management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The State was an investor along with numerous other public and private pensions funds whose investments totaled more than \$1.5 billion. Subsequent to the filing of a criminal complaint by federal prosecutors, a receiver was appointed by the court to reconstruct the alleged fraud and determine what recoverable assets exist. The receiver issued a report in May 2009, indicating that approximately \$893 million of recoverable assets were identified which equaled to 60% of the investors' account values. The State, through the State Investment Board, held three portfolios with Westridge/WG Trading at the time the fraud was discovered. The three portfolios had been valued at a combined \$161.3 million in the month prior to the court actions. \$23.3 million was recovered immediately through liquidation of futures and related

collateral positions at Westridge. The remaining assets were held for WG Trading and were frozen by the courts and remain frozen as of the balance sheet date. The market value reported on the balance sheet reflects a reduction of 40% of the last known fair value, based on the receiver's initial report.

Subsequent to June 30, 2010, additional information was made available by the receiver regarding the assets readily available for distribution. The amount was reduced from the original \$893 million in May 2009 to approximately \$800 million due to lack of liquidity. Therefore, the carrying value of these investments has been reduced by an additional 11% to reflect this new information. Due to the uncertainty of the distribution of assets between the parties as of the balance sheet date, this valuation is considered the best available.

MANDAN REMEDIATION TRUST

Subsequent contracts with Leggette, Brashears and Graham, Inc. for various remediation efforts have been signed totaling \$245,753.

JOB SERVICE NORTH DAKOTA

Subsequent to June 30, 2010, Job Service entered into a lease agreement with Key Government Finance, Inc. to replace the Unemployment Insurance mainframe system. The lease term is from October 1, 2010 thru September 30, 2015. Total lease amount is \$1,407,289 with quarterly payments of \$77,718.

VALLEY CITY STATE UNIVERSITY

Subsequent to June 30, 2010, VCSU issued \$3.4 million in revenue bonds for the renovation of the Snoeyenbos Residence Hall. Revenues from rental charges and other income from the operation of Snoeyenbos Hall are pledged to the bond issue. The bonds mature on July 1, 2040, with principal and interest payments due beginning July 1, 2012. The Recovery Zone Economic Development Bonds carry a 45% federal subsidy to offset the interest expense.

WILLISTON STATE COLLEGE

Subsequent to June 30, 2010, WSC issued \$9.375 million in revenue bonds for the construction of a new residence hall. Revenues from the new residence hall are pledged to the bond issue. The bonds mature on June 30, 2041, with interest due January 1, 2011 and principal and interest payments due beginning June 30, 2011.

HOUSING FINANCE

Subsequent to June 30, 2010, the agency issued the 2010 Series C and D Homeownership Revenue Bonds totaling \$40.0 million and the 2010 Series E and F Housing Finance Program Bonds totaling \$81.2 million.

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NOTE 20 – NEW PRONOUNCEMENTS

The State implemented the following new pronouncement for fiscal year 2010:

GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” was issued in June 2007. This statement establishes criteria that governments will use to establish accounting and financial reporting requirements for intangible assets. The provisions of this statement are effective for periods beginning after June 15, 2009.

GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments” was issued in June 2008. This statement requires that the fair value of financial arrangements called “derivatives” or “derivative instruments” be reported in the financial statements of state and local governments. Additional information about derivatives is disclosed in the notes to the financial statements, including identification of the risks to which hedging derivative instruments themselves expose the State. The provisions of this statement are effective for periods beginning after June 15, 2009.

GASB Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies,” was issued in December 2009. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009.

The State will implement the following new pronouncements for fiscal years ending after 2010:

GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, was issued in March 2009. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The provisions of this statement are effective for periods beginning after June 15, 2010.

GASB Statement No. 59, “Financial Instruments Omnibus”, was issued in June 2010. The statement’s objective is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. The provisions of this statement are effective for periods beginning after June 15, 2010.

Required Supplementary Information - Budgetary Schedule

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Required Supplemental Information Budgetary Comparison Schedule General Fund For the Fiscal Year Ended June 30, 2010

	Approved Budget 2009-2011 Biennium	Appropriation Adjustments 2009-2011 Biennium	Adjusted Budget 2009-2011 Biennium	Actual Biennium To Date Thru 6-30-10	Difference Uncollected/ Unspent Thru 6-30-10
Budgetary Fund Balance, July 1	\$ 321,091,738		\$ 321,091,738	\$ 490,412,895	\$ 169,321,157
Resources (Inflows):					
Sales and Use Tax	1,109,974,800		1,109,974,800	554,253,326	(555,721,474)
Income Tax	894,618,000		894,618,000	389,512,927	(505,105,073)
Financial Institutions Tax	9,500,000		9,500,000	2,830,665	(6,669,335)
Oil And Gas Production Tax	39,309,315		39,309,315	32,718,333	(6,590,982)
Oil Extraction Tax	31,690,685		31,690,685	38,281,667	6,590,982
Insurance Premium Tax	66,000,000		66,000,000	31,252,315	(34,747,685)
Cigarette, Cigar and Tobacco Tax	45,428,000		45,428,000	22,435,315	(22,992,685)
Wholesale Liquor Tax	13,644,000		13,644,000	7,367,872	(6,276,128)
Coal Conversion Tax	45,005,000		45,005,000	21,113,869	(23,891,131)
Gaming Tax	16,799,316		16,799,316	8,202,195	(8,597,121)
Lottery	11,155,000		11,155,000	5,100,000	(6,055,000)
Department Fees and Collections	60,961,920		60,961,920	33,191,948	(27,769,972)
Mineral Leasing Fees	22,715,000	-	22,715,000	8,033,904	(14,681,096)
Motor Vehicle Excise Tax	86,978,250		86,978,250	55,476,899	(31,501,351)
Interest on Public Funds	27,000,000		27,000,000	23,400,448	(3,599,552)
Gas Tax Administration	1,288,000		1,288,000	-	(1,288,000)
Transfers In	475,735,836		475,735,836	301,290,224	(174,445,612)
Total Revenue Inflows	2,957,803,122	-	2,957,803,122	1,534,461,907	(1,423,341,215)
Amounts Available for Appropriation	3,278,894,860	-	3,278,894,860	2,024,874,802	1,254,020,058
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	3,447,358	27,000	3,474,358	1,523,533	1,950,825
Secretary of State	5,774,588	68,421	5,843,009	3,256,462	2,586,547
Secretary of State Public Printing	337,000	-	337,000	236,722	100,278
Office of Management and Budget	41,107,196	30,810,270	71,917,466	15,299,951	56,617,515
Information Technology	19,105,785	562,718	19,668,503	9,173,981	10,494,522
State Auditor	6,662,229	100,000	6,762,229	3,345,326	3,416,903
State Treasurer	2,228,985	64,000	2,292,985	970,458	1,322,527
Attorney General	28,060,432	900,000	28,960,432	12,874,836	16,085,596
Tax Department	44,046,586	472,970	44,519,556	26,963,321	17,556,235
Legislative Assembly	16,014,554	2,182,417	18,196,971	5,976,007	12,220,964
Legislative Council	10,439,503	1,568,176	12,007,679	4,317,311	7,690,368
Supreme Court	82,590,015	-	82,590,015	38,060,506	44,529,509
Legal Counsel for Indigents	9,470,148	-	9,470,148	4,306,029	5,164,119
Public Employees Retirement System	13,000	-	13,000	-	13,000
Education:					
Public Instruction	1,109,405,590	50,000	1,109,455,590	526,683,391	582,772,199
Education Practices & Standards Board	-	-	-	-	-
State Library	4,601,028	50,000	4,651,028	2,206,389	2,444,639
School for the Deaf	7,099,896	305,219	7,405,115	3,110,747	4,294,368
School for the Blind	3,492,068	18,000	3,510,068	1,658,652	1,851,416
Vocational Education	25,941,008	40,000	25,981,008	12,229,335	13,751,673
Health & Human Services:					
Dept. of Health	27,081,665	152,600	27,234,265	9,889,809	17,344,456
Veteran's Home	16,751,722	91,901	16,843,623	13,245,474	3,598,149
Indian Affairs Commission	682,585	2,000	684,585	303,475	381,110
Veteran's Affairs	1,031,487	9,350	1,040,837	486,803	554,034
Dept. of Human Services-Management	26,332,259	1,102,703	27,434,962	12,504,019	14,930,943
Dept. of Human Services-Program and Policy	489,166,022	214,173	489,380,195	236,219,102	253,161,093
Dept. of Human Services-Centers	135,147,533	2,652,564	137,800,097	68,059,940	69,740,157
Protection and Advocacy	1,555,815	170,000	1,725,815	755,209	970,606
Job Service	1,565,442	2,090	1,567,532	576,495	991,037
Regulatory:					
Insurance Commission	-	-	-	-	-
Industrial Commission	13,800,254	475,000	14,275,254	8,461,076	5,814,178
Labor Commission	1,401,583	20,000	1,421,583	575,460	846,123
Public Service Commission	5,603,165	73,000	5,676,165	2,441,426	3,234,739
Securities Commissioner	1,788,362	10,000	1,798,362	851,531	946,831
Public Safety and Corrections:					
Highway Patrol	31,007,985	350,000	31,357,985	14,403,180	16,954,805
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	164,090,829	3,991,102	168,081,931	73,894,723	94,187,208
Adjutant General	40,725,214	(4,508,125)	36,217,089	16,499,774	19,717,315
Agriculture & Commerce:					
Department of Commerce	58,476,303	994,238	59,470,541	36,271,212	23,199,329
Department of Agriculture	7,467,383	80,000	7,547,383	3,217,195	4,330,188
State Fair	15,697,150	-	15,697,150	11,961,896	3,735,254
Racing Commission	295,000	-	295,000	167,982	127,018
Natural Resources:					
Historical Society	52,174,252	809,542	52,983,794	7,997,963	44,985,831
Council on the Arts	1,368,734	-	1,368,734	634,322	734,412
Parks and Recreation	15,333,959	1,071,159	16,405,118	7,970,183	8,434,935
Water Commission	13,823,899	300,324	14,124,223	6,347,480	7,776,743
Transportation:					
Aeronautics Commission	550,000	-	550,000	550,000	-
Department of Transportation	4,600,000	-	4,600,000	-	4,600,000
Transfers Out	702,009,910	17,934,626	719,944,536	339,707,979	380,236,557
Total Charges to Appropriations	3,249,365,481	63,217,439	3,312,582,920	1,546,186,665	1,766,396,255
Ending Budgetary Fund Balance	\$ 29,529,379	\$ (63,217,439)	\$ (33,688,060)	\$ 478,688,137	\$ 512,376,197

STATE OF NORTH DAKOTA

**Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
General Fund
For the Fiscal Year Ended June 30, 2010**

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	1,534,461,907
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	(14,443,621)
Repayment received on loans receivable are revenue for Budget not GAAP	5,630
Proceeds are recorded for new capital leases on GAAP, but not for Budget	105,791
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,520,129,707</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	1,546,186,665
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(6,176,480)
New capital leases are recorded as expenditures for GAAP, but not for Budget	105,791
Certain due to other funds are recorded under GAAP, but not for Budget	8,325,110
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,548,441,086</u>

STATE OF NORTH DAKOTA

Required Supplemental Information Budgetary Comparison Schedule Other Funds For the Fiscal Year Ended June 30, 2010

	Approved Budget 2009-2011 Biennium	Appropriation Adjustments 2009-2011 Biennium	Adjusted Budget 2009-2011 Biennium	Actual Biennium To Date Thru 6-30-10	Difference Uncollected/ Unspent Thru 6-30-10
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):					
Other Budgeted Income	6,062,595,220	469,735,467	6,532,330,687	2,700,874,715	(3,831,455,972)
Total Revenue Inflows	6,062,595,220	469,735,467	6,532,330,687	2,700,874,715	(3,831,455,972)
Amounts Available for Appropriation	6,062,595,220	469,735,467	6,532,330,687	2,700,874,715	3,831,455,972
Charges to Appropriations (Outflows):					
General Government:					
Governor's Office	104,699,679	685	104,700,364	92,194,223	12,506,141
Secretary of State	12,315,676	350,000	12,665,676	1,529,826	11,135,850
Office of Management & Budget	16,512,414	(6,319,459)	10,192,955	5,015,595	5,177,360
Information Technology	209,171,054	14,225,000	223,396,054	51,167,004	172,229,050
State Auditor	2,312,802	-	2,312,802	900,097	1,412,705
Attorney General	25,061,409	735,142	25,796,551	8,376,572	17,419,979
Tax Department	196,000	24,574	220,574	214,936	5,639
Administrative Hearings	1,498,712	-	1,498,712	807,968	690,744
Legislative Assembly	70,000	-	70,000	22,337	47,663
Supreme Court	2,044,807	40,000	2,084,807	1,006,610	1,078,197
Legal Counsel for Indigents	1,950,217	-	1,950,217	880,352	1,069,865
Public Employees Retirement System	6,133,488	4,734,726	10,868,214	5,150,965	5,717,249
Education:					
Public Instruction	513,621,154	267,958	513,889,112	284,764,374	229,124,738
State Library	1,927,836	207,500	2,135,336	883,608	1,251,728
School for the Deaf	2,166,450	2,100	2,168,550	456,797	1,711,753
School for the Blind	815,902	3,000	818,902	342,819	476,083
Vocational Education	10,762,882	-	10,762,882	4,723,187	6,039,695
Health & Human Services:					
Dept. of Health	177,856,531	12,571,371	190,427,902	69,035,255	121,392,647
Tobacco Prevention & Control	12,882,000	-	12,882,000	3,543,029	9,338,971
Veteran's Home	16,835,298	17,755,058	34,590,356	10,827,493	23,762,862
Indian Affairs	18,000	-	18,000	-	18,000
Dept. of Human Services-Management	34,525,970	29,500,120	64,026,090	20,832,447	43,193,643
Dept. of Human Services-Program and Policy	1,469,786,292	11,333,868	1,481,120,160	657,024,277	824,095,883
Dept. of Human Services-Centers	132,787,875	819,023	133,606,898	61,845,909	71,760,989
Protection and Advocacy	2,987,503	-	2,987,503	1,288,631	1,698,872
Job Service	69,804,844	487,087	70,291,931	27,981,497	42,310,434
Regulatory:					
Insurance Department	16,058,934	(342,134)	15,716,800	7,001,671	8,715,129
Industrial Commission	49,308,484	231,000	49,539,484	20,646,930	28,892,554
Labor Commission	412,751	-	412,751	229,730	183,021
Public Service Commission	10,627,242	801,350	11,428,592	3,125,001	8,303,591
Financial Institutions	6,086,488	100,000	6,186,488	2,742,233	3,444,255
Securities Commission	317,199	-	317,199	163,373	153,826
Public Safety and Corrections:					
Highway Patrol	10,893,730	-	10,893,730	4,698,116	6,195,614
Division of Emergency Management	-	-	-	-	-
Corrections & Rehab	71,511,745	2,160,781	73,672,526	11,894,440	61,778,086
Adjutant General	236,671,871	125,336,298	362,008,169	175,493,580	186,514,589
Agriculture & Commerce:					
Department of Commerce	138,261,105	1,312,142	139,573,247	36,884,603	102,688,644
Department of Agriculture	14,094,466	87,000	14,181,466	5,095,983	9,085,483
State Fair	3,000,000	-	3,000,000	-	3,000,000
Racing Commission	30,000	75,000	105,000	29,357	75,643
Natural Resources:					
Historical Society	16,343,837	202,678	16,546,515	983,611	15,562,904
Council on the Arts	1,735,486	209,029	1,944,515	1,056,203	888,312
Game and Fish	59,463,938	2,176,122	61,640,060	27,068,264	34,571,796
Parks and Recreation	12,948,054	186,984	13,135,038	3,714,053	9,420,984
Water Commission	312,055,809	(235,555)	311,820,254	66,734,594	245,085,660
Transportation:					
Aeronautics Commission	12,368,666	14,000	12,382,666	2,887,550	9,495,116
Department of Transportation	1,244,015,588	101,757,189	1,345,772,777	551,715,186	794,057,591
Total Charges to Appropriations	5,044,950,188	320,809,636	5,365,759,824	2,232,980,287	3,132,779,537
Ending Budgetary Fund Balance	\$ 1,017,645,032	\$ 148,925,831	\$ 1,166,570,863	\$ 467,894,428	\$ (698,676,435)

STATE OF NORTH DAKOTA

**Required Supplemental Information
Budgetary Comparison Schedule
Budget to GAAP Reconciliation
Federal Fund
For the Fiscal Year ended June 30, 2010**

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	2,700,874,715
Perspective difference: Non-Federal fund revenues	(979,211,842)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	24,460,278
Certain Due From other funds are recorded under GAAP, but not for Budget	(588,087)
Intrafund activity eliminated for GAAP	(95,696,420)
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,649,838,644</u>

Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	2,232,980,287
Perspective difference: Non-Federal fund expenditures	(511,317,414)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	16,988,062
New Loans issued are expenditures for Budget but not for GAAP	(393,426)
GAAP, but not Budget expenditures are reduced by year end inventory balances	6,394,187
Intrafund activity eliminated for GAAP	(95,696,420)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,648,955,276</u>

STATE OF NORTH DAKOTA

Note To Required Supplemental Information - Budgetary Reporting For the Fiscal Year Ended June 30, 2010

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, which is a major special revenue fund. These amounts are reported on the schedule entitled "Other Funds." Only the agencies with federal funds are listed here along with any of their non-federal fund budgeted amounts.

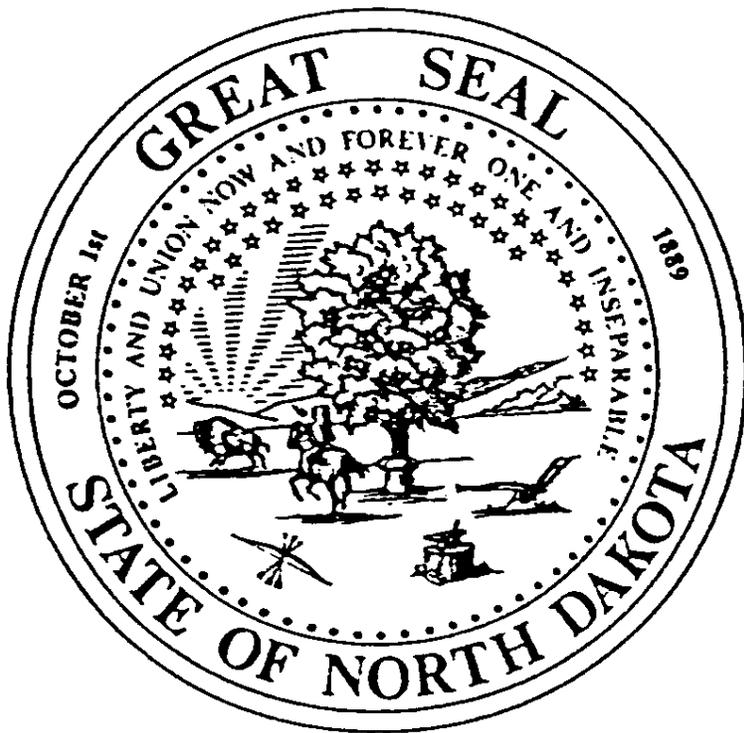
North Dakota's Appropriation Acts include a dual legal level of budgetary control - one at the General Fund versus Other Budget Income level for each agency and one at the line item level for each agency. Line items are not separate between General Fund and Other Budgeted Income so that control is not 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 2009-2011 Biennium Budget and Actual Detail (Budgetary Basis) For the Fiscal Year Ended June 30, 2010." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2009-2011 biennium there were general and federal fund supplemental appropriations of \$402,974,973.

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 two for the fiscal year ended June 30, 2010, for the General Fund and the Federal Fund is on the previous pages. On the reconciliation of Federal Fund, the non-federal fund amounts are also backed out.



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Combining Financial Statements



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STATE OF NORTH DAKOTA

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

AGRICULTURE

219 - Milk Marketing Fund

Accounts for revenues and expenditures associated with the general operation of the department.

224 - Alcohol Motor Vehicle Fuel Fund

Funds used for the enhancement of agricultural research, development, processing, and marketing.

260 - Minor Use Pesticide Fund

Accounts for registration and donations to the pesticide control board.

264 - Anhydrous Ammonia Storage Inspection Fund

Account for inspection fees collected which are related to the distribution of anhydrous ammonia.

306 - Stockmen's Association Fund

Accounts for revenues and expenditures associated with the general operation of the department.

308 - Agriculture Department Fund

Accounts for revenues and expenditures associated with the general operation of the department.

329 - Seed Department Fund

Accounts for revenues and expenditures associated with the general operation of the department.

376 - Environment and Rangeland Protection Fund

To be used for rangeland improvement projects.

447 - Ethanol Production Incentive Fund

Funds are used for paying ethanol production incentives.

972 - Home Quarter Purchase Fund

This fund is for the subsidy of interest rates on home-quarter purchases. "Home-quarter" serves as the base unit of a farm and upon which the farm residence and buildings are located.

COMMODITY PROMOTION

208 - Soybean Council Fund

To promote the sale of North Dakota soybean products.

220 - Spud Fund

To promote the sale of North Dakota potato products.

221 - Turkey Promotion Fund

To promote the sale of North Dakota turkey products.

223 - Honey Promotion Fund

To promote the sale of North Dakota honey products.

227 - Dry Pea and Lentil Council Fund

To promote the sale of North Dakota dry pea and lentil bean products.

228 - Wheat Commission Fund

To promote the sale of North Dakota wheat products.

229 - Beef Commission Fund

To promote the sale of North Dakota beef products.

231 - Barley Growers Check-Off

To promote the sale of North Dakota barley products.

241 - Edible Bean Fund

To promote the sale of North Dakota edible bean products.

245 - Oilseed Fund

To promote the sale of North Dakota oilseed products.

270 - Corn Fund

To promote the sale of North Dakota corn products.

273 - Ethanol Fund

To promote the use of North Dakota ethanol.

309 - Dairy Products Promotion Fund

To promote the sale of North Dakota dairy products.

COMMERCE

278 - Breeders Fund

Accounts for revenues that are used to award racehorse breeders.

290 - Purse Fund

Revenues are used to supplement and improve purses offered at racetracks within the state.

296 - Workforce Enhancement Fund

Provides grants to institutions of higher education assigned responsibility for workforce training in the state.

330 - Economic Development Commission Fund

Accounts for revenues and expenditures associated with the general operation of the economic development division.

STATE OF NORTH DAKOTA

334 - Horse Racing Operating Fund

Accounts for the revenues and expenditures for the general operation of the horse racing commission.

339 - Promotion Fund

Revenues are used for the promotion of racing and for the operating expenses of the Racing Commission.

342 - Community Services Fund

Accounts for revenues and expenditures associated with the general operation of the division of community services.

365 - Centers of Excellence Fund

Set up for the purpose of administering the centers of excellence program.

443 - Tourism Fund

Accounts for revenues and expenditures associated with the general operation of the tourism division.

CULTURAL AND NATURAL RESOURCES

216 - Non-Game Wildlife Fund

Funds used for the preservation, inventory, perpetuation, and conservation of non-game wildlife, natural areas, and nature preserves in this state.

234 - Fossil Excavation and Restoration Fund

Used for funds received by the geological survey for the excavation and restoration of fossils.

236 - State Waterbank Fund

Funds used for the purpose and implementation of wetland conservation and development plans.

243 - Renewable Energy Development Fund

Established to provide financial assistance to foster the development of renewable energy.

253 - Historical Impact Emergency Fund

Used for emergency mitigation of adverse effects on cultural resources and historical buildings, structures, or objects in the state.

267 - Water Development Trust Fund

To be used to address the long-term water development and management needs of the state.

286 - Pipeline Authority Administrative Fund

Funds are to be used for the administrative costs of the Pipeline Authority.

297 - Biomass Incentive and Research Fund

Funds to be used for various biomass projects.

314 - Lignite Research Fund

Funds used for contracts for land reclamation research projects and for research, development, and marketing of lignite and products derived from lignite.

317 - Oil and Gas Reservoir Data Fund

Funds used for defraying the costs of providing reservoir data compiled by the Industrial Commission to state, federal, and county departments and agencies, and members of the general public.

319 - Geologic Data Preservation Fund

Funds are used to defray the expenses of preserving geologic data and disseminating the data.

327 - State Historical Revolving Fund

Used for making investigations of permit applicants and for the management and analysis of records and artifacts.

381 - NAWS Operation and Maintenance Fund

Accounts for user fees and the maintenance and operation of the northwest area water supply project.

397 - Water Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department.

399 - Arts and Humanities Fund

Accounts for revenues and expenditures associated with the general operation of the department.

413 - NAWS Project Reserve Fund

To be used for the replacement and extraordinary maintenance of the northwest area water supply project.

415 - Historical Society Gift & Bequests Fund

All moneys coming into the hands of the State Historical Board as a grant, bequest, donation, etc., is deposited into this fund. Moneys must be paid out for the purposes prescribed by the donor and approved by the board.

428 - Geophysical, Geothermal, Subsurface Minerals and Coal Exploration Fund

Used to satisfy unfulfilled reclamation obligations incurred from mineral and coal exploration.

445 - Abandoned Mine Reclamation Setaside Fund

To defray the administrative expenses of the program.

448 - Abandoned Oil and Gas Reclamation Fund

Funds used for contracting the plugging of abandoned wells and for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and excess roads.

488 - Habitat and Depredation Fund

Funds used to improve private land habitats.

EDUCATION

206 (959) - Land Maintenance Fund

Ten percent of the income derived from state assets under control of the Board of University and School Lands to be used for the general operation of the department.

Nonmajor Governmental Funds

235 - Displaced Homemakers Fund

Funds for providing services for displaced homemakers.

271 - Vision Aids and Appliances Fund

Used by the School for the Blind to purchase and resell vision specific adaptive aids, devices and appliances to be used by blind and visually impaired persons resident in state.

274 - Independent Study Operating Fund

Accounts for the revenues and expenditures associated with the general operations of the Division of Independent Study.

353 - School for the Deaf Fund

Accounts for revenues and expenditures associated with the general operation of the department.

354 - School for the Blind Fund

Accounts for revenues and expenditures associated with the general operation of the department.

377 - National BD Certification Fund

Funds are used for grants to teachers pursuing National Board Certification.

390 - Library Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department.

391 - Public Instruction Fund

Accounts for revenues and expenditures associated with the general operation of the department.

393 - Career & Technical Education Fund

Accounts for revenues and expenditures associated with the general operation of the department.

440 - State Tuition Fund

Funds are to pay the amount apportioned among the several school districts of the state in proportion to the number of children of school age residing in each.

496 - Foundation Aid Stabilization Fund

Accounts for one-half of 20 percent of the revenue from oil extraction taxes collected and used to offset foundation aid reductions due to a revenue shortage.

702 - Department of Public Instruction-Printing Revolving Fund

Funds collected by the superintendent of public instruction as payment from schools for instructional materials developed and printed by the superintendent shall be paid into the printing revolving fund.

948 - School for the Blind - Federal Quota

Account for funds made available to buy text books from the American Printing House for the Blind Incorporated.

HEALTH AND HUMAN SERVICES

215 - Children's Services Coordinating Committee Fund

Accounts for revenues and expenditures associated with the general operation of the department.

254 - Employment of People With Disabilities Fund

This fund is for the development of job opportunities for disabled individuals in this state.

257 - Organ/Tissue Transplant Fund

To provide financial assistance to transplant patients.

258 - Quality Restoration Fund

Moneys recovered from parties responsible for an environmental emergency. Used for costs of environmental assessment, removal, corrective action, or monitoring as determined on a case-by-case basis.

285 - Compulsive Gambling Prevention and Treatment Fund

Funds are used for gambling prevention and treatment services.

313 - Environmental Health Practitioners License Administrators Fund

Accounts for revenues and expenditures associated with advisory board duties.

315 - ND Health Care Trust Fund

Funds to be used for long-term care reform.

316 - Community Health Trust Fund

To be used for community-based public health systems and other public health programs, including programs with emphasis on preventing or reducing tobacco usage in the state.

355 - Provider Assessment Fund

Accounts for an assessment on intermediate care facilities for the mentally retarded.

360 - Human Services Department Fund

Accounts for revenues and expenditures associated with the general operation of the department.

364 - Indian Affairs Printing Revolving Fund

Accounts for the revenues and expenses relating to the sale of publications produced and distributed by the Indian Affairs Commission.

369 - Tobacco Prevention and Control Fund

Fund consists of tobacco settlement dollars to be used for creating a comprehensive plan for the prevention and control of tobacco.

370 - Health and Consolidated Laboratories Fund

Accounts for revenues and expenditures associated with the general operation of the department.

STATE OF NORTH DAKOTA

371 - Wastewater Operators Certificate Fund

The health department shall regulate waste treatment plants, water distribution systems, and wastewater treatment plants and provide operator training to protect the public health and prevent pollution of the waters of the state.

419 - Children's Trust Fund

To aid in the prevention of child abuse and neglect and developing child abuse prevention programs.

462 - Domestic Violence Prevention Fund

Used for grants to private nonprofit organizations that are engaged in providing emergency housing for victims of domestic violence and their dependents.

931 - Human Services Donor Implied Trust Fund

Funds donated with informal requests to be used for the welfare of the patients the department serves.

938 - State Hospital - Special Revenue Fund

Accounts for funds donated for the patients' religious and welfare needs.

996 - Developmental Center Residents Welfare Fund

Accounts for funds donated for the residents' needs.

JUDICIAL AND LEGAL

204 - Attorney General Asset Forfeiture Fund

Funds obtained from the authorized sale of assets seized and forfeited from narcotics investigations and arrests.

237 - Indigent Civil Legal Services Fund

Funds to provide legal services to persons unable to afford private counsel.

250 - Attorney General Refund Fund

Accounts for financial resources of the consumer fraud division.

268 - Restitution Collection Assistance Fund

Accounts for restitution received and used for defraying expenses related to collection of restitution.

279 - Court Facilities Improvement Fund

Used to provide grants to counties for court facilities improvement and maintenance projects.

282 - Indigent Defense Administration Fund

Funds are used to contract for indigent defense services in the state.

312 - State Courts

Revenues are from a filing fee charged by the clerk of the Supreme Court. Moneys are used to procure the necessary records, supplies and furniture to be used by the Supreme Court.

322 - Attorney General Fund

Accounts for revenues and expenditures associated with the general operation of the department.

328 - Judicial Conduct Commission Fund

Funds to investigate complaints against any judge in the state and to conduct hearings concerning the discipline, removal, or retirement of any judge.

935 - Five State Judicial Council

Funds to provide an account for moneys related to the sponsoring of a judicial conference for justices and judges from the participating states.

LAND DEPARTMENT COAL AND MINERAL

493 (955) - Land and Minerals Trust:

Income derived from the sale, lease, and management of the mineral interests acquired by the Board of University and School Lands.

515 (956) - Coal Development Trust

Revenues are from severance tax on coal. The fund is held in trust and administered by the Board of University and School Lands for loans to coal impacted political subdivisions.

LOCAL GOVERNMENT

238 (925) - Energy Development Impact

Accounts for monies to be distributed through grants to coal impacted political subdivisions.

240 - Insurance Tax Distribution Fund

Accounts for financial resources for fire departments within the State.

255 - Senior Citizens Services & Programs

Accounts for a portion of sales, use and motor vehicle excise taxes to be granted to counties for senior citizens services and programs.

400 - Highway Tax Distribution Fund

Accounts for collections of motor vehicle registration and related fees, fuels taxes, special fuels taxes, use taxes, and special fuels excise taxes that are allocated to counties, cities, and other political subdivisions for the construction and maintenance of highways.

401 - State Aid Distribution Fund

Accounts for a portion of sales, use, and motor vehicle excise taxes that are deposited into this fund and are allocated to local political subdivisions.

405 - Financial Institution Tax Distribution

Accounts for a tax imposed on each financial institution for distribution to counties.

Nonmajor Governmental Funds

412 - Coal Severance Tax Distribution Fund

Accounts for a portion of the tax imposed upon all coal severed for sale or for industrial purposes by coal mines to be distributed to counties.

416 - Federal Tax Replacement Fund

Accounts for collecting federal funds and distributes those funds back to counties for Flood Control, Taylor Grazing and National Forests.

420 - Cigarette Tax Distribution Fund

Accounts for a tax on cigarettes distributed on a per capita basis to the incorporated cities.

424 - Telecommunications Carriers Tax Fund

Accounts for the telecommunications carriers' tax that is allocated to counties.

427 - Oil and Gas Production Tax Distribution Fund

Accounts for a portion of real property tax on oil and gas producing mineral estates and interests to be allocated to counties.

431 - Transmission Line Tax Distribution Fund

Accounts for tax of transmission lines and the allocation to counties in which such transmission lines are located.

444 - Township Road and Bridge Fund

Moneys from the Township Highway Aid Fund and fifty percent matching funds based on the length of township roads in each organized township compared to the length of all township roads in the county. Used for highway and bridge purposes.

446 - Gaming and Excise Tax Allocation Fund

Accounts for a portion of gaming and excise taxes that are deposited in this fund for distribution to cities and counties.

454 - Coal Conversion Tax Trust Fund

Accounts for a portion of the tax paid monthly for the privilege of producing products of such coal conversion facility to be allocated to counties.

468 - Estate Tax Distribution Fund

Monies collected from Estate Tax. Following the end of each calendar quarterly period the state treasurer shall pay over to the county treasurer of the appropriate county, for its general fund, the amount of tax collected on the transfer of the property in that county.

494 - Air Transportation Fund

Taxes imposed upon air transportation companies. Within ninety days after receipt the funds must be allocated and remitted by the state treasurer to the cities or municipal airport authorities where such transportation companies make regularly scheduled landings.

OIL TAX RESOURCES

469 - Oil Tax Resources Trust Fund

Funds to be used by the state water commission for planning for and construction of water-related projects, including rural water systems.

OTHER SPECIAL

212 - Statewide Conference

Accounts for revenues and expenditures for state agencies that have conferences.

246 - State Auditor's Operating Fund

Accounts for revenues and expenditures associated with the operations of the political subdivision of the Office.

249 - Firefighters Death Benefit Fund

Under certain circumstances, provides for payment to the estate of a firefighter.

251 - Capitol Grounds Planning Fund

Funds dedicated to implement the Capitol Grounds Master Plan for the development of the capitol grounds.

256 - Bicentennial Trust Fund

Fund to be used to commemorate and celebrate North Dakota's bicentennial.

259 - Legislative Services Fund

Accounts for fees received for providing legislative information services and copies of documents.

263 - Secretary of State General Services Fund

Accounts for revenues and expenditures relating to certain services provided by the department.

266 - Administrative Hearings Fund

Accounts for revenues and expenditures associated with the general operation of the department.

283 - Election Fund

Funds are to be used for the exclusive purpose of carrying out the activities of the Help America Vote Act of 2002.

287 - Integrated Tax System Fund

Accounts for the costs to establish an integrated tax processing system.

302 - Athletic Commission Fund

Accounts for revenues and expenditures associated with the athletic advisory board.

304 - Governor's Special Fund

Moneys that have become available during the biennium from federal funds and private funds.

307 - Veterinary Medical Exam Fund

Fund used by the North Dakota state board of veterinary medical examiners for the purpose of licensing and policing the requirements of their industry.

STATE OF NORTH DAKOTA

384 - Jobs Training Program Fund

Accounts for projects established by job service North Dakota to provide workers with education and training required for jobs in new or expanding primary sector businesses in the state.

392 - Insurance Recoveries Property Fund

Funds from insurance claims for damaged or destroyed property are deposited into this fund. Agencies are allowed to incur expenditures to replace this property, but are limited by the amount collected and deposited into the fund.

460 - Preliminary Planning Revolving Loan Fund

Used for the prepayment of consulting and planning fees for new capital improvements and major remodeling of existing facilities.

603 - Concession Fund - State Historical Society

Funds received in the normal course of business from concession operations actually carried on by the state as a proprietor. All moneys are expended in the course of carrying on the business activities of such concession operations.

701 - Postage Revolving Fund

Fund collections from the state offices, departments, and agencies, for postage, shall be paid into the fund.

730 - Central Personnel Training Fund

Fund used for the coordination of employee training and development programs to state departments and agencies.

902 - Capitol Renovation Fund

Funds dedicated and reserved for the exclusive use of renovations needed to the capitol buildings and grounds.

968 - Job Service - Special Revenue

Accounts for revenues and expenditures associated with the general operation of the department.

997 - Capitol Building Fund

Accounts for moneys accumulated from the sale or leasing of any lands granted in the Enabling Act for the purpose of erecting public buildings at the capital for legislative, executive and judicial purposes.

PARTNERSHIP IN ASSISTING COMMUNITY EXPANSION (PACE) FUNDS

916 - Partnership in Assisting Community Expansion Fund

Fund to buy down the interest rate on loans made by a lead financial institution in participation with the Bank of North Dakota.

917 - Agricultural PACE Fund

Fund to reduce the interest rate on loans made for a farm business (i.e. purchase of real property and equipment, expansions, working capital and purchase of inventory).

PERMANENT OIL TAX TRUST

432 - Permanent Oil Tax Trust Fund

Accounts for oil and gas tax revenues in excess of the amount specified for deposit in the general fund.

PUBLIC SAFETY AND CORRECTIONS

214 - National Guard Emergency Fund

Funds used for costs of the national guard in performing emergency State services.

310 - ND Sobriety Program Fund

Authorizes a pilot project using grants, gifts, and donations to cover the expenses necessary for the administration and operation of a sobriety program.

311 - Special Operations Team Reimbursement Fund

Funds are used to reimburse city and county governments that provide special operations team services to rural areas.

320 - Community Service Supervision

Accounts for a court imposed community service fee to be used to provide community service supervision grants.

321 - Probationer Violation Transportation Fund

Funds are used to defray the costs of returning to the state probationers who violate their conditions of supervision.

352 - State Disaster Relief Fund

To be used for defraying the expenses of state disasters.

361 - Highway Patrol Special Fund

Used for distributions from the state highway tax distribution fund to be used for the expenses of the department.

366 - Penitentiary - Land Replacement Fund

Fund used for the acquisition of additional land and facilities to maintain, expand, or relocate the state farm and the farming and ranching operations of the North Dakota state penitentiary and for penitentiary renovation.

367 - Multijurisdictional Drug Task Force Fund

Established to defray the expenses and operating costs incurred by a multijurisdictional drug task force.

372 - Crime Victims Gift Fund

All donations to the department of corrections and rehabilitation in the form of restitution funds, gifts, grants and bequests of property or money, and any interest accruing, must be placed in this fund.

373 - Radio Communications Fund

Accounts for revenues and expenditures associated with the general operation of the department.

Nonmajor Governmental Funds

375 - Emergency Management Fund

Accounts for revenues and expenditures associated with the general operation of the department.

378 - State Hazardous Chemicals Fund

Account for revenue collected from the state hazardous chemical fee system.

379 - Department of Corrections Operating

Accounts for revenues and expenditures associated with the general operation of the department.

383 - National Guard Fund

Accounts for revenues and expenditures associated with the general operation of the department.

385 - National Guard Military Grounds Fund

Funds used for the improvement of the properties for military uses.

386 - Fire Prevention & Public Safety

Penalties from non-compliance with cigarette ignition propensity standards are deposited in this fund. Revenues used for inspection of compliance with standards.

RECREATION

222 - Game and Fish Department Fund

Accounts for the revenues and expenditures associated with the operation of the game and fish department.

261 - Snowmobile Fund

Fund for administering snowmobile safety programs and establishing and maintaining snowmobile facilities.

265 - State Parks Gift Fund

All donations to the state parks and recreation department in the form of gifts, trusts, and bequests of property or money, and any interest accruing thereon, must be placed in the fund.

398 - Parks and Recreation Fund

Accounts for revenues and expenditures associated with the general operation of the parks and recreation department.

441 - Trail Tax Transfer Fund

Fund used for all-terrain vehicle safety education and promotion.

602 - State Parks Concession Fund

Fund used for the procurement of supplies of a suitable nature for the operation of concession stands at the state parks. Also for repair, replacement construction, and maintenance of concession buildings, facilities, and properties.

REGULATORY

209 - Unsatisfied Judgment Fund

Funds to pay for damages occurring from a motor vehicle accident when a judgment has been rendered and the judgment debtor is unable to satisfy the claim.

233 - Petroleum Release Compensation Fund

Funds to provide for cleanup of petroleum spills through the establishment of a petroleum release compensation fund.

239 - Insurance Regulatory Trust Fund

Funds to defray the expenses of the insurance department in the discharge of its administrative and regulatory powers and duties.

242 - Financial Institution Regulatory Fund

Accounts for revenues and expenditures associated with the general operation of the department.

244 - Investor Education and Technology Fund

Funds provide education services to the public regarding the financial services industry and for the technology needs of the Securities Department.

247 - Oil and Gas Research Fund

Funds are to be used for oil and gas research activities.

248 - Public Service Commission Valuation Fund

Accounts for revenues and expenditures associated with rate hearings, investigations and proceedings. The utility being investigated pays these expenses.

252 - Carbon Dioxide Storage Facility Trust Fund

Fees from storage operators are deposited and expenses relating to processing permit applications, regulation storage facilities, and making storage amount determinations.

262 - Securities Protection Fund

Accounts for revenues and expenditures from civil penalties collected from securities enforcement actions.

280 - Performance Assurance Fund

Revenues received under the performance assurance plan are to be used to monitor the operation and effect of the plan.

281 - Carbon Dioxide Storage Facility Trust Fund

Fees from storage operations for use in the long-term monitoring and management of closed storage facilities.

301 - Siting Process Recovery Fund

Deposits in this fund are to pay for expenses incurred in the energy conversion facility siting process.

305 - Industrial Commission Fund

Accounts for revenues and expenditures associated with the general operation of the department.

STATE OF NORTH DAKOTA

395 - Credit Sale Contract Indemnity Fund

Accounts for an assessment on grain sold under a credit-sale contract to be used to reimburse persons selling grain under a credit sale contract upon insolvency of a grain buyer.

TRANSPORTATION

200,201,277 - Highway Fund

Accounts for revenues and expenditures associated with the general operation of the department.

202 - Abandoned Vehicle Fund

Funds used to dispose abandoned motor vehicles and other forms of scrap metal.

203 - Highway Rail Grade Crossing Safety

Special fuels excise taxes collected on the sale of diesel fuel to a railroad are deposited in this fund and used for highway rail grade crossing safety projects.

205 - Motorcycle Safety Fund

Motorcycle safety education fees used for promoting motorcycle safety.

217 - Dealer Enforcement Fund

Fees from dealer registrations are to be deposited in this fund.

225 - State Infrastructure Bank (SIB)

Funds for funding eligible projects as determined by agreement of the members of the multi-state infrastructure bank.

230 - Special Road Fund

Used for the construction and maintenance of access roads to and roads within recreational, tourist, and historical areas.

232 - Public Transportation Fund

A fee for each motor vehicle registered is deposited in this fund and is used to establish and maintain public transportation, especially for the elderly and handicapped.

324 - Aeronautics Commission Special Fund

This fund is unclaimed refund revenue collected by the aeronautics commissioner and shall be administered and expended by the aeronautics commission for construction, reconstruction, repair, maintenance, and operation of airports near communities, recreational areas, or parks and for necessary expenses and for the purchase of land and easements for such facilities.

VETERANS

368 - Veterans Aid Fund

The sum of seven hundred thousand dollars is a permanent revolving fund of the veterans' aid fund and is used solely for the purpose of making loans to veterans.

380 - Soldiers Home Fund

Accounts for revenues and expenditures associated with the general operation of the department.

410 - Veterans Postwar Trust Fund

Fund is utilized for programs of benefit and service to veterans or their dependents.

433 - Veterans Cemetery Fund

Funds used for the maintenance and operation of the Veteran's Cemetery.

491 - Veterans' Cemetery Trust Fund

Accounts for distinctive motor license plates fees for the operation of the Veterans' Cemetery.

941 - Commandant's Fund

A conglomerate of funds from interest, sales of crafts, bus charges, cable television, and donations to the home from the many organizations that donate to the home. These donations are earmarked for a specific use or purpose.

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, 2010

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
ASSETS						
Cash Deposits at the Bank of ND	\$ 8,619,428	\$ 10,482,400	\$ 37,298,021	\$ 50,105,161	\$ 100,467,963	\$ 87,737,256
Cash and Cash Equivalents	69,314	110,758	5,806	900	374,075	1,399,756
Investments at the Bank of ND	2,731,662	750,000	1,100,000	3,138,019	-	474,000
Investments	134,000	4,767,000	-	228,322	-	-
Accounts Receivable - Net	755,162	2,657,052	117,587	5,233,176	1,712,919	15,621,860
Taxes Receivable - Net	13,532	-	41,278	135,044	2,828,993	143,813
Interest Receivable - Net	140	3,793	155,988	-	-	181,907
Intergovernmental Receivable - Net	-	-	-	1,376,178	-	1,596,248
Due from Other Funds	316,626	-	31,884	207,016	-	3,764,678
Prepaid Items	-	-	-	162,490	-	27,628
Inventory	-	-	39,876	-	183,851	-
Loans and Notes Receivable - Net	-	-	6,985,591	1,410,058	-	8,476,075
Total Assets	\$ 12,639,864	\$ 18,771,003	\$ 45,776,031	\$ 61,996,364	\$ 105,567,801	\$ 119,423,221
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 2,621,709	\$ 864,070	\$ 113,602	\$ 6,936,872	\$ 85,338	\$ 2,229,664
Accrued Payroll	217,645	120,847	26,244	67,804	138,266	1,027,963
Securities Lending Collateral	-	-	-	1,715	-	-
Interest Payable	-	-	-	-	-	-
Intergovernmental Payable	5,063	-	-	-	-	8,564
Tax Refunds Payable	-	-	-	-	-	-
Due to Other Funds	12,960	279,775	250,759	108,626	3,816,200	26,556,964
Contracts Payable	-	-	-	1,109,325	-	-
Deferred Revenue	168,078	-	-	-	984,065	-
Total Liabilities	3,025,455	1,264,692	390,605	8,224,342	5,023,869	29,823,155
Fund Balances:						
Reserved For:						
Inventory	-	-	39,876	-	183,851	-
Long - Term Receivables	-	-	5,486,844	1,410,058	-	8,038,723
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	162,490	-	27,628
Legal Requirements	-	-	-	-	-	-
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	-
Patients Welfare	-	-	-	-	-	36,712
Other	-	-	-	-	-	3,482
Unreserved, Reported in:						
Special Revenue Funds	9,614,409	17,506,311	39,858,706	52,199,474	100,360,081	81,493,521
Total Fund Balances	9,614,409	17,506,311	45,385,426	53,772,022	100,543,932	89,600,066
Total Liabilities and Fund Balances	\$ 12,639,864	\$ 18,771,003	\$ 45,776,031	\$ 61,996,364	\$ 105,567,801	\$ 119,423,221

Special Revenue Funds							
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust	
\$ 12,333,571	\$ 67,166,129	\$ 39,085,240	\$ 6,564,671	\$ 4,436,957	\$ 26,230,305	\$ 493,928,400	
216,334	-	518,211	-	34,311	-	-	
18,644	-	-	96,250,000	423,780	-	-	
-	116,163,117	-	-	2,775,000	-	-	
550,270	3,987,205	560,685	-	317,810	-	-	
-	278,214	49,084,163	5,657,986	895,213	-	44,049,990	
-	616,510	-	25,007	282,512	-	-	
-	-	-	170,668	117,187	-	-	
172,863	1,201,271	-	32,564	175,605	-	8,806	
-	-	-	-	-	1,386,408	-	
-	-	-	-	347,006	-	-	
-	33,856,922	-	2,933,875	-	-	-	
\$ 13,291,682	\$ 223,269,368	\$ 89,248,299	\$ 111,634,771	\$ 9,805,381	\$ 27,616,713	\$ 537,987,196	
\$ 231,997	\$ 9,293	\$ -	\$ -	\$ 145,965	\$ -	\$ 16,728	
147,838	-	-	-	140,022	-	1,574	
-	11,441,463	-	-	-	-	-	
-	-	-	-	-	290,764	-	
14,470	-	51,864,512	-	-	-	-	
-	-	1,061	-	895,213	-	-	
76,573	533,102	-	-	44,407	-	27,479	
-	-	-	-	-	-	-	
319,242	-	27,080,574	25,007	194,116	-	-	
790,120	11,983,858	78,946,147	25,007	1,419,723	290,764	45,781	
-	-	-	-	347,006	-	-	
-	30,774,738	-	2,603,247	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	1,386,408	-	
-	-	-	-	-	15,696,600	-	
18,688	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	21,026,092	-	-	-	10,242,941	-	
12,482,874	159,484,680	10,302,152	109,006,517	8,038,652	-	537,941,415	
12,501,562	211,285,510	10,302,152	111,609,764	8,385,658	27,325,949	537,941,415	
\$ 13,291,682	\$ 223,269,368	\$ 89,248,299	\$ 111,634,771	\$ 9,805,381	\$ 27,616,713	\$ 537,987,196	

STATE OF NORTH DAKOTA

Combining Balance Sheet Nonmajor Governmental Funds (Continued) June 30, 2010

	Special Revenue Funds					
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 88,376,306	\$ 11,083,254	\$ 15,147,961	\$ 201,450,846	\$ 6,384,576	\$ 1,266,898,445
Cash and Cash Equivalents	10,624	123,396	237,078	130,383	398,262	3,629,208
Investments at the Bank of ND	-	24,000,000	4,392,000	-	-	133,278,105
Investments	-	-	7,905,135	-	4,093,856	136,066,430
Accounts Receivable - Net	1,479,695	44,139	100,566	923,659	231,167	34,292,952
Taxes Receivable - Net	230,226	-	59,942	9,534,324	-	112,952,718
Interest Receivable - Net	-	-	65,763	194,375	30,172	1,556,167
Intergovernmental Receivable - Net	532,617	18,650	-	8,825,703	425,201	13,062,452
Due from Other Funds	1,025,613	12,626	3,712	9,718,230	216,511	16,888,005
Prepaid Items	-	-	-	242,500	-	1,819,026
Inventory	-	183,324	139,093	4,887,722	46,014	5,826,886
Loans and Notes Receivable - Net	-	-	-	7,277,608	85,053	61,025,182
Total Assets	\$ 91,655,081	\$ 35,465,389	\$ 28,051,250	\$ 243,185,350	\$ 11,910,812	\$ 1,787,295,576
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts Payable	\$ 4,924,420	\$ 312,392	\$ 79,823	\$ 12,700,337	\$ 112,801	\$ 31,385,011
Accrued Payroll	132,461	1,064,519	386,149	5,137,135	439,020	9,047,487
Securities Lending Collateral	-	-	52,279	-	-	11,495,457
Interest Payable	-	-	-	-	-	290,764
Intergovernmental Payable	209,204	-	-	19,570	-	52,121,383
Tax Refunds Payable	-	-	-	179,252	-	1,075,526
Due to Other Funds	3,211,025	605,888	3,936,540	2,281,757	51,609	41,793,664
Contracts Payable	-	-	-	1,604,457	-	2,713,782
Deferred Revenue	364,281	-	59,512	124,119	16,466	29,335,460
Total Liabilities	8,841,391	1,982,799	4,514,303	22,046,627	619,896	179,258,534
Fund Balances:						
Reserved For:						
Inventory	-	183,324	139,093	4,887,722	46,014	5,826,886
Long - Term Receivables	-	-	-	6,140,816	21,019	54,475,445
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	242,500	-	1,819,026
Legal Requirements	-	-	-	-	-	15,696,600
Unreserved:						
Designated for:						
Fund Activities	-	-	-	-	-	18,688
Patients Welfare	-	-	-	-	63,689	100,401
Other	-	-	-	-	-	31,272,515
Unreserved, Reported in:						
Special Revenue Funds	82,813,690	33,299,266	23,397,854	209,867,685	11,160,194	1,498,827,481
Total Fund Balances	82,813,690	33,482,590	23,536,947	221,138,723	11,290,916	1,608,037,042
Total Liabilities and Fund Balances	\$ 91,655,081	\$ 35,465,389	\$ 28,051,250	\$ 243,185,350	\$ 11,910,812	\$ 1,787,295,576

Debt Service Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Water Commission	Total	Building Authority	Total	
\$ 130,000	\$ 86,277	\$ 2,967,484	\$ 3,183,761	\$ 3,148,000	\$ 3,148,000	\$ 1,273,230,206
-	-	2,228,320	2,228,320	-	-	5,857,528
10,005,000	-	5,826,875	15,831,875	-	-	149,109,980
-	-	-	-	-	-	136,066,430
-	-	-	-	-	-	34,292,952
-	-	-	-	-	-	112,952,718
-	-	180,696	180,696	-	-	1,736,863
-	-	-	-	-	-	13,062,452
42,000	-	-	42,000	-	-	16,930,005
-	-	-	-	-	-	1,819,026
-	-	-	-	-	-	5,826,886
-	-	-	-	-	-	61,025,182
<u>\$ 10,177,000</u>	<u>\$ 86,277</u>	<u>\$ 11,203,375</u>	<u>\$ 21,466,652</u>	<u>\$ 3,148,000</u>	<u>\$ 3,148,000</u>	<u>\$ 1,811,910,228</u>
\$ 3,000	\$ -	\$ -	\$ 3,000	\$ -	\$ -	\$ 31,388,011
-	-	-	-	-	-	9,047,487
-	-	-	-	-	-	11,495,457
-	-	-	-	-	-	290,764
-	-	-	-	-	-	52,121,383
-	-	-	-	-	-	1,075,526
-	-	-	-	108,000	108,000	41,901,664
-	-	-	-	-	-	2,713,782
-	-	-	-	-	-	29,335,460
<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>108,000</u>	<u>108,000</u>	<u>179,369,534</u>
-	-	-	-	-	-	5,826,886
-	-	-	-	-	-	54,475,445
-	-	-	-	3,040,000	3,040,000	3,040,000
10,174,000	86,277	11,203,375	21,463,652	-	-	21,463,652
-	-	-	-	-	-	1,819,026
-	-	-	-	-	-	15,696,600
-	-	-	-	-	-	18,688
-	-	-	-	-	-	100,401
-	-	-	-	-	-	31,272,515
-	-	-	-	-	-	1,498,827,481
<u>10,174,000</u>	<u>86,277</u>	<u>11,203,375</u>	<u>21,463,652</u>	<u>3,040,000</u>	<u>3,040,000</u>	<u>1,632,540,694</u>
<u>\$ 10,177,000</u>	<u>\$ 86,277</u>	<u>\$ 11,203,375</u>	<u>\$ 21,466,652</u>	<u>\$ 3,148,000</u>	<u>\$ 3,148,000</u>	<u>\$ 1,811,910,228</u>

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds					
	Agriculture	Commodity Promotion	Commerce	Cultural and Natural Resources	Education	Health and Human Services
REVENUES						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,907
Sales and Use Taxes	2,225,006	-	570	-	-	-
Oil, Gas, and Coal Taxes	-	-	-	1,777,739	28,339,136	-
Business and Other Taxes	256,236	-	316,426	-	-	4,181,590
Licenses, Permits and Fees	4,946,102	20,609	53,835	2,086,869	14,000	2,602,501
Intergovernmental	-	-	-	8,485,027	1,000	2,503,185
Sales and Services	2,544,479	8,449	192,517	251,832	4,925,508	21,114,986
Royalties and Rents	5,720	6,000	-	-	264,468	350,028
Fines and Forfeits	-	1,131	-	7,167	4,723,879	14,164
Interest and Investment Income	32,683	133,923	348,155	540,343	604	197,863
Tobacco Settlement	-	-	-	9,279,966	-	14,279,418
Commodity Assessments	4,267	19,554,325	-	-	-	-
Miscellaneous	178,831	13,240	590,744	269,899	188,490	890,204
Total Revenues	10,193,324	19,737,677	1,502,247	22,698,842	38,457,085	46,145,846
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Education	-	-	-	-	48,762,486	-
Health and Human Services	144,332	-	-	-	-	39,859,481
Regulatory	-	-	-	294,127	-	-
Public Safety and Corrections	-	-	-	-	-	-
Agriculture and Commerce	7,602,438	14,563,089	1,538,634	6,488,024	-	-
Natural Resources	-	-	-	24,460,493	-	-
Transportation	-	-	-	-	-	-
Intergovernmental - Revenue Sharing	-	-	-	-	-	-
Capital Outlay	265,525	11,622	-	24,233,204	-	415,990
Debt Service:						
Principal	1,685	3,113	-	-	-	5,313
Interest and Other Charges	439	687	-	-	-	1,015
Total Expenditures	8,014,419	14,578,511	1,538,634	55,475,848	48,762,486	40,281,799
Revenues over (under) Expenditures	2,178,905	5,159,166	(36,387)	(32,777,006)	(10,305,401)	5,864,047
OTHER FINANCING SOURCES (USES)						
Capital Lease Acquisitions	-	11,622	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-
Transfers In	694,575	-	25,550,000	49,316,922	39,385,999	15,629,869
Transfers Out	(41,300)	(1,906,581)	(4,349,006)	(8,936,705)	(19,474)	(82,696)
Total Other Financing Sources (Uses)	653,275	(1,894,959)	21,200,994	40,380,217	39,366,525	15,547,173
Net Change in Fund Balances	2,832,180	3,264,207	21,164,607	7,603,211	29,061,124	21,411,220
Fund Balances - Beginning of Year, as Adjusted	6,782,229	14,242,104	24,220,819	46,168,811	71,482,808	68,188,846
Fund Balances - End of Year	\$ 9,614,409	\$ 17,506,311	\$ 45,385,426	\$ 53,772,022	\$ 100,543,932	\$ 89,600,066

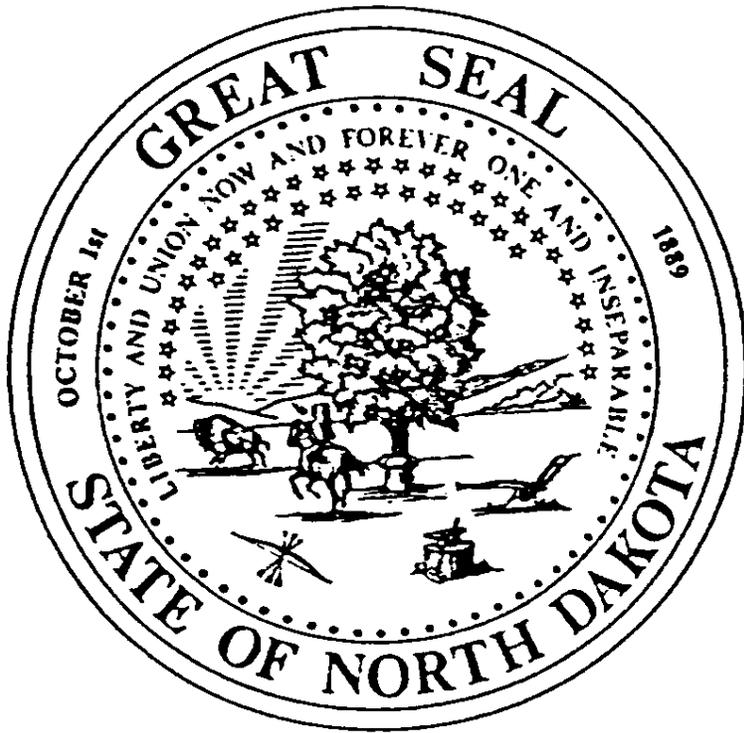
Special Revenue Funds						
Judicial and Legal	Land Department Coal and Mineral	Local Government	Oil Tax Resources	Other Special	PACE Fund	Permanent Oil Tax Trust
\$ -	\$ -	\$ 6,741,117	\$ -	\$ 2,614,771	\$ -	\$ -
-	-	107,668,160	-	-	-	-
-	3,306,257	89,759,637	56,678,271	-	-	355,291,366
-	-	13,984,386	-	10,000	-	-
404,708	-	30,088,539	-	43,893	-	-
-	-	22,330,490	1,587,661	-	-	-
1,738,707	-	-	-	2,528,928	-	-
-	116,537,927	-	3,911	1,633,738	-	-
2,692,325	-	791	-	-	-	-
118	2,682,034	8,000,000	1,231,847	444,747	294,299	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
73,849	-	-	-	1,219,967	-	-
4,909,707	122,526,218	278,573,120	59,501,690	8,496,044	294,299	355,291,366
3,399,542	655,495	-	-	4,575,089	-	1,008,100
-	-	-	-	228,578	-	-
-	-	-	-	403,275	-	753,556
367,453	-	-	-	-	-	-
857,917	-	-	-	163,124	-	-
-	-	-	-	30,090	4,105,407	-
-	-	-	-	657,437	-	-
-	-	-	-	342,246	-	-
-	-	273,118,310	-	-	-	-
229,512	629,320	-	-	63,335	-	-
12,175	-	-	-	-	-	358
1,075	-	-	-	-	-	64
4,867,674	1,284,815	273,118,310	-	6,463,174	4,105,407	1,762,078
42,033	121,241,403	5,454,810	59,501,690	2,032,870	(3,811,108)	353,529,288
10,912	-	-	-	-	-	-
-	-	-	-	-	-	-
15,909	-	-	-	146,122	10,100,000	-
-	(3,819,552)	-	(42,475,000)	(148,698)	-	(298,786,830)
26,821	(3,819,552)	-	(42,475,000)	(2,576)	10,100,000	(298,786,830)
68,854	117,421,851	5,454,810	17,026,690	2,030,294	6,288,892	54,742,458
12,432,708	93,863,659	4,847,342	94,583,074	6,355,364	21,037,057	483,198,957
\$ 12,501,562	\$ 211,285,510	\$ 10,302,152	\$ 111,609,764	\$ 8,385,658	\$ 27,325,949	\$ 537,941,415

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds (Continued) For the Fiscal Year Ended June 30, 2010

	Special Revenue Funds					Total
	Public Safety and Corrections	Recreation	Regulatory	Transportation	Veterans	
REVENUES						
Individual and Corporate Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,367,795
Sales and Use Taxes	2,068,270	3,484	-	118,662,318	-	230,627,808
Oil, Gas, and Coal Taxes	-	-	3,402,968	-	-	538,555,374
Business and Other Taxes	-	-	399	-	-	18,749,037
Licenses, Permits and Fees	2,393,409	13,786,627	7,501,080	64,960,281	31,815	128,934,268
Intergovernmental	1,032,243	3,560	14,156	1,045,364	1,954,720	38,957,406
Sales and Services	317,821	2,594,875	3,217,025	550,234	3,164,475	43,149,836
Royalties and Rents	227,846	535,228	-	123,497	259,429	119,947,792
Fines and Forfeits	35,334	14,385	250,648	-	-	7,739,824
Interest and Investment Income	267,969	5,521	852,283	926,688	426,709	16,385,786
Tobacco Settlement	-	-	-	-	-	23,559,384
Commodity Assessments	-	-	-	-	-	19,558,592
Miscellaneous	1,215,934	112,160	58,016	1,545,563	126,040	6,482,937
Total Revenues	7,558,826	17,055,840	15,296,575	187,813,945	5,963,188	1,202,015,839
EXPENDITURES						
Current:						
General Government	30,148	-	22,337	-	46,818	9,737,529
Education	-	-	-	-	-	48,991,064
Health and Human Services	-	-	-	3,555	3,329,180	44,493,379
Regulatory	-	-	7,680,538	-	-	8,342,118
Public Safety and Corrections	10,069,845	-	193,622	-	58,958	11,343,466
Agriculture and Commerce	-	-	-	-	-	34,327,682
Natural Resources	-	12,058,052	-	-	-	37,175,982
Transportation	-	-	-	137,597,110	-	137,939,356
Intergovernmental - Revenue Sharing	-	-	-	-	-	273,118,311
Capital Outlay	-	2,806,435	17,995	16,521,310	23,983	45,218,231
Debt Service:						
Principal	-	-	-	125,201	-	147,845
Interest and Other Charges	-	-	-	95,566	-	98,846
Total Expenditures	10,099,993	14,864,487	7,914,492	154,342,742	3,458,939	650,933,809
Revenues over (under) Expenditures	(2,541,167)	2,191,353	7,382,083	33,471,203	2,504,249	551,082,030
OTHER FINANCING SOURCES (USES)						
Capital Lease Acquisitions	-	-	-	-	-	22,534
Sale of Capital Assets	-	32,100	-	25,790	3,000	60,890
Transfers In	945,166	256,367	281,934	196,173	316,289	142,835,325
Transfers Out	(919,769)	(1,141,508)	(4,489,045)	(2,101,196)	(14,360)	(369,231,720)
Total Other Financing Sources (Uses)	25,397	(853,041)	(4,207,111)	(1,879,233)	304,929	(226,312,971)
Net Change in Fund Balances	(2,515,770)	1,338,312	3,174,972	31,591,970	2,809,178	324,769,060
Fund Balances - Beginning of Year, as Adjusted	85,329,460	32,144,278	20,361,975	189,546,753	8,481,738	1,283,267,982
Fund Balances - End of Year	\$ 82,813,690	\$ 33,482,590	\$ 23,536,947	\$ 221,138,723	\$ 11,290,916	\$ 1,608,037,042

Debt Service Funds				Capital Projects Funds		Total Nonmajor Governmental Funds
Building Authority	Department of Transportation	Water Commission	Total	Building Authority	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,367,795
-	-	-	-	-	-	230,627,808
-	-	-	-	-	-	538,555,374
-	-	-	-	-	-	18,749,037
-	-	-	-	-	-	128,934,268
-	4,300,573	-	4,300,573	-	-	43,257,979
-	-	1,674,460	1,674,460	-	-	44,824,296
-	-	-	-	-	-	119,947,792
-	-	-	-	-	-	7,739,824
375,000	1,585	459,160	835,745	127,000	127,000	17,348,531
-	-	-	-	-	-	23,559,384
-	-	-	-	-	-	19,558,592
-	-	-	-	-	-	6,482,937
<u>375,000</u>	<u>4,302,158</u>	<u>2,133,620</u>	<u>6,810,778</u>	<u>127,000</u>	<u>127,000</u>	<u>1,208,953,617</u>
-	-	-	-	-	-	9,737,529
-	-	-	-	-	-	48,991,064
-	-	-	-	-	-	44,493,379
-	-	-	-	-	-	8,342,118
-	-	-	-	-	-	11,343,466
-	-	-	-	-	-	34,327,682
-	-	-	-	-	-	37,175,982
-	-	-	-	-	-	137,939,356
-	-	-	-	-	-	273,118,310
-	-	-	-	-	-	45,218,231
10,360,000	3,355,000	5,055,000	18,770,000	-	-	18,917,845
4,005,000	2,397,783	5,019,143	11,421,926	-	-	11,520,772
<u>14,365,000</u>	<u>5,752,783</u>	<u>10,074,143</u>	<u>30,191,926</u>	<u>-</u>	<u>-</u>	<u>681,125,734</u>
<u>(13,990,000)</u>	<u>(1,450,625)</u>	<u>(7,940,523)</u>	<u>(23,381,148)</u>	<u>127,000</u>	<u>127,000</u>	<u>527,827,883</u>
-	-	-	-	-	-	22,534
-	-	-	-	-	-	60,890
10,651,000	1,448,322	7,524,580	19,623,902	-	-	162,459,227
-	-	-	-	(427,000)	(427,000)	(369,658,720)
<u>10,651,000</u>	<u>1,448,322</u>	<u>7,524,580</u>	<u>19,623,902</u>	<u>(427,000)</u>	<u>(427,000)</u>	<u>(207,116,069)</u>
<u>(3,339,000)</u>	<u>(2,303)</u>	<u>(415,943)</u>	<u>(3,757,246)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>320,711,814</u>
13,513,000	88,580	11,619,318	25,220,898	3,340,000	3,340,000	1,311,828,880
<u>\$ 10,174,000</u>	<u>\$ 86,277</u>	<u>\$ 11,203,375</u>	<u>\$ 21,463,652</u>	<u>\$ 3,040,000</u>	<u>\$ 3,040,000</u>	<u>\$ 1,632,540,694</u>



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STATE OF NORTH DAKOTA

Nonmajor Enterprise Funds

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

BEGINNING FARMER REVOLVING LOAN

973 - Beginning Farmer Revolving Loan Fund

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

BONDING

210 (924) - State Bonding Fund

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

COMMUNITY WATER FACILITY LOAN

974 - Community Water Facility Loan Fund

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

DEVELOPMENTALLY DISABLED FACILITY LOAN

971 - Developmentally Disabled Facility Loan Fund

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

FIRE AND TORNADO

211 (923) - State Fire and Tornado Fund

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

GUARANTEED STUDENT LOAN

969 - North Dakota Guaranteed Student Loan

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

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 Assets Nonmajor Enterprise Funds June 30, 2010

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
ASSETS						
Current Assets:						
Cash Deposits at the Bank of ND	\$ 2,619,189	\$ 1,231,225	\$ 3,635,968	\$ 11,138	\$ 2,823,336	\$ 4,398,013
Cash and Cash Equivalents	-	-	-	-	-	-
Investments at the Bank of ND	-	-	-	-	-	6,150,000
Investments	-	1,557,818	-	-	23,809,179	-
Accounts Receivable - Net	-	44,533	-	-	59,205	-
Interest Receivable - Net	232,141	27,149	193,734	3,750	128,508	-
Intergovernmental Receivable - Net	-	-	-	-	-	2,906,222
Due from Other Funds	-	-	-	-	984	728,566
Due from Fiduciary Funds	-	-	-	-	-	-
Prepaid Items	1,071,831	-	-	-	197,446	-
Inventory	-	-	-	-	-	-
Loans and Notes Receivable - Net	1,687,356	-	672,978	191,104	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	4,442,952
Restricted Investments at the Bank of ND	-	-	-	-	-	4,000,000
Total Current Assets	5,610,517	2,860,725	4,502,680	205,992	27,018,658	22,625,753
Noncurrent Assets:						
Restricted Cash at the Bank of ND	-	-	-	-	-	-
Restricted Investments	-	-	-	-	-	-
Loans and Notes Receivable - Net	6,709,767	-	16,764,599	626,139	-	-
Restricted Loans Receivable - Net	-	-	-	-	-	-
Unamortized Bond Issuance Costs	-	-	-	-	-	-
Other Noncurrent Assets	2,249,021	-	-	-	-	-
Capital Assets:						
Nondepreciable	-	-	-	-	-	-
Depreciable, Net	-	-	-	-	-	-
Total Noncurrent Assets	8,958,788	-	16,764,599	626,139	-	-
Total Assets	14,569,305	2,860,725	21,267,279	832,131	27,018,658	22,625,753
LIABILITIES						
Current Liabilities:						
Accounts Payable	-	26	-	-	53,252	519,707
Accrued Payroll	-	1,160	-	-	38,887	-
Securities Lending Collateral	-	12,902	-	-	201,574	-
Interest Payable	-	1,034	-	-	42,317	-
Intergovernmental Payable	-	-	-	-	-	890,751
Due to Other Funds	11,180	75	22,261	832,131	27,874	1,508,055
Amounts Held in Custody for Others	-	-	-	-	-	-
Claims/Judgments Payable	-	165,998	-	-	649,180	-
Compensated Absences Payable	-	1,998	-	-	2,659	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	879,000
Other Current Liabilities	-	-	-	-	-	-
Total Current Liabilities	11,180	183,193	22,261	832,131	1,015,743	3,797,513
Noncurrent Liabilities:						
Intergovernmental Payable	-	-	-	-	-	6,332,635
Claims/Judgments Payable	-	30,767	-	-	750,000	-
Compensated Absences Payable	-	-	-	-	49,376	-
Capital Leases Payable	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-	-	7,275,830
Total Noncurrent Liabilities	-	30,767	-	-	799,376	13,608,465
Total Liabilities	11,180	213,960	22,261	832,131	1,815,119	17,405,978
Net Assets						
Invested in Capital Assets, Net of Related Debt	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	611,278
Unemployment Compensation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Unrestricted	14,558,125	2,646,765	21,245,018	-	25,203,539	4,608,497
Total Net Assets	\$ 14,558,125	\$ 2,646,765	\$ 21,245,018	\$ -	\$ 25,203,539	\$ 5,219,775

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 5,082,984	\$ 423,671	\$ 2,951,326	\$ 6,021,710	\$ 781,000	\$ 47,907	\$ 30,027,467
6,043,500	900	-	-	-	78,522,564	84,566,964
-	-	-	-	8,074,000	-	14,224,000
-	-	-	-	-	-	25,366,997
5,664	584,655	37,500	192,449	-	23,871,230	24,795,236
-	-	-	-	671,000	788,820	2,045,102
-	-	-	-	61,000	975,792	3,943,014
-	169,015	-	155,625	9,000	5,932	1,069,122
69,352	-	-	-	-	-	69,352
-	12,763	43,121	4,960	7,000	-	1,337,121
-	1,401,669	-	-	-	-	1,401,669
-	-	-	-	6,334,000	-	8,885,438
-	-	-	-	-	-	4,442,952
-	-	-	-	1,000,000	-	5,000,000
11,201,500	2,592,673	3,031,947	6,374,744	16,937,000	104,212,245	207,174,434
-	-	252,223	-	-	-	252,223
-	-	220,996	-	-	-	220,996
-	-	-	-	29,863,000	-	53,963,505
-	-	-	-	14,200,000	-	14,200,000
-	-	7,226	-	76,000	-	83,226
-	-	-	1,046,583	-	-	3,295,604
2,449,576	-	1,611,182	-	-	-	4,060,758
-	1,272,322	9,232,009	34,461	-	-	10,538,792
2,449,576	1,272,322	11,323,636	1,081,044	44,139,000	-	86,615,104
13,651,076	3,864,995	14,355,583	7,455,788	61,076,000	104,212,245	293,789,538
486,038	176,258	31,446	619,264	13,000	1,422,867	3,321,858
53,576	149,772	-	52,950	-	-	296,345
-	-	-	-	-	-	214,476
-	411	12,000	-	44,000	-	99,762
-	-	-	-	-	3,081,195	3,971,946
10,064	440,627	-	5,163,704	1,400,000	189,928	9,605,899
8,526,067	-	-	-	-	-	8,526,067
-	-	-	-	-	-	815,178
3,037	5,462	20,000	6,239	-	-	39,395
-	26,087	-	-	-	-	26,087
-	-	190,000	-	-	-	190,000
3,687,046	-	-	272,606	-	-	4,838,652
-	564	-	-	-	-	564
12,765,828	799,181	253,446	6,114,763	1,457,000	4,693,990	31,946,229
-	-	-	-	-	-	6,332,635
-	-	-	-	-	-	780,767
56,395	152,947	37,134	36,580	-	-	332,432
-	156,451	-	-	-	-	156,451
-	-	586,031	-	14,200,000	-	14,786,031
-	-	-	-	-	-	7,275,830
56,395	309,398	623,165	36,580	14,200,000	-	29,664,146
12,822,223	1,108,579	876,611	6,151,343	15,657,000	4,693,990	61,610,375
2,449,576	954,821	10,067,160	34,461	-	-	13,506,018
-	-	473,219	-	766,000	-	1,239,219
-	-	-	-	-	-	611,278
-	-	-	-	-	99,518,255	99,518,255
-	-	-	1,046,583	-	-	1,046,583
(1,620,723)	1,801,595	2,938,593	223,401	44,653,000	-	116,257,810
\$ 828,853	\$ 2,756,416	\$ 13,478,972	\$ 1,304,445	\$ 45,419,000	\$ 99,518,255	\$ 232,179,163

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2010

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Developmentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
OPERATING REVENUES						
Sales and Services	\$ -	\$ -	\$ -	\$ -	\$ 6,667,984	\$ 3,522,428
Royalties and Rents	-	-	-	-	-	-
Interest and Investment Income	366,149	-	502,680	50,801	-	-
Miscellaneous	-	-	-	-	-	-
Total Operating Revenues	366,149	-	502,680	50,801	6,667,984	3,522,428
OPERATING EXPENSES						
Cost of Sales and Services	-	-	-	-	-	-
Salaries and Benefits	-	12,241	-	-	474,527	-
Operating	1,016,675	20,392	91,097	8,874	2,919,361	3,669,191
Claims	-	48,845	-	-	3,075,205	-
Interest	-	-	-	42,015	-	-
Depreciation	-	-	-	-	-	-
Miscellaneous	4,000	-	-	-	-	-
Total Operating Expenses	1,020,675	81,478	91,097	50,889	6,469,093	3,669,191
Operating Income (Loss)	(654,526)	(81,478)	411,583	(88)	198,891	(146,763)
NONOPERATING REVENUES (EXPENSES)						
Grants and Contracts	-	-	-	-	-	-
Interest and Investment Income	18,759	217,667	17,073	88	3,561,416	274,690
Interest Expense	-	(4,477)	-	-	(91,596)	-
Loss on Sale of Capital Assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Nonoperating Revenues (Expenses)	18,759	213,190	17,073	88	3,469,820	274,690
Income (Loss) Before Contributions and Transfers	(635,767)	131,712	428,656	-	3,668,711	127,927
Transfers In	-	-	-	-	30,000	-
Transfer Out	(110,000)	-	-	-	-	(321,007)
Change in Net Assets	(745,767)	131,712	428,656	-	3,698,711	(193,080)
Total Net Assets - Beginning of Year	15,303,892	2,515,053	20,816,362	-	21,504,828	5,412,855
Total Net Assets - End of Year	\$ 14,558,125	\$ 2,646,765	\$ 21,245,018	\$ -	\$ 25,203,539	\$ 5,219,775

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 948,810	\$ 4,863,936	\$ 5,198,962	\$ 24,498,988	\$ -	\$ 115,951,800	\$ 161,652,908
-	116,651	-	-	-	-	116,651
-	-	-	-	1,571,000	-	2,490,630
-	1,374	-	-	-	-	1,374
<u>948,810</u>	<u>4,981,961</u>	<u>5,198,962</u>	<u>24,498,988</u>	<u>1,571,000</u>	<u>115,951,800</u>	<u>164,261,563</u>
-	2,474,987	-	-	-	-	2,474,987
516,802	1,684,200	1,276,161	657,920	-	-	4,621,851
431,553	223,974	3,791,501	17,509,514	925,000	-	30,607,132
-	-	-	-	-	137,473,630	140,597,680
-	-	-	-	559,000	-	601,015
-	99,300	930,201	10,290	-	-	1,039,791
-	-	-	-	-	-	4,000
<u>948,355</u>	<u>4,482,461</u>	<u>5,997,863</u>	<u>18,177,724</u>	<u>1,484,000</u>	<u>137,473,630</u>	<u>179,946,456</u>
455	499,500	(798,901)	6,321,264	87,000	(21,521,830)	(15,684,893)
-	-	545,080	-	-	-	545,080
26,663	-	14,549	10,934	59,000	4,094,375	8,295,214
-	(13,722)	(32,136)	-	-	-	(141,931)
-	-	(1,522)	-	-	-	(1,522)
(206,811)	-	(12,089)	-	-	-	(218,900)
<u>(180,148)</u>	<u>(13,722)</u>	<u>513,882</u>	<u>10,934</u>	<u>59,000</u>	<u>4,094,375</u>	<u>8,477,941</u>
<u>(179,693)</u>	<u>485,778</u>	<u>(285,019)</u>	<u>6,332,198</u>	<u>146,000</u>	<u>(17,427,455)</u>	<u>(7,206,952)</u>
-	-	1,360,154	-	-	-	1,390,154
-	-	-	(5,722,500)	(2,090,000)	-	(8,243,507)
<u>(179,693)</u>	<u>485,778</u>	<u>1,075,135</u>	<u>609,698</u>	<u>(1,944,000)</u>	<u>(17,427,455)</u>	<u>(14,060,305)</u>
<u>1,008,546</u>	<u>2,270,638</u>	<u>12,403,837</u>	<u>694,747</u>	<u>47,363,000</u>	<u>116,945,710</u>	<u>246,239,468</u>
<u>\$ 828,853</u>	<u>\$ 2,756,416</u>	<u>\$ 13,478,972</u>	<u>\$ 1,304,445</u>	<u>\$ 45,419,000</u>	<u>\$ 99,518,255</u>	<u>\$ 232,179,163</u>

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2010

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
Cash Flows from Operating Activities:						
Receipts from Customers and Users	\$ 184	\$ 24,211	\$ -	\$ -	\$ 6,616,727	\$ 4,475,822
Interest Income on Loans	404,897	-	-	-	-	-
Receipts from Loan Principal Repayments	1,886,970	-	-	-	-	11,072,869
Receipts from Other Funds	-	-	-	-	3,073	-
Receipts from Others	-	-	-	-	-	-
Payments to Other Funds	-	66	-	-	11,766	-
Payments for Loan Funds	(2,423,427)	-	-	-	-	(10,477,942)
Payments to Suppliers	(1,641,213)	(17,267)	(89,175)	(9,291)	(2,716,629)	(2,402,935)
Payments to Employees	-	(13,978)	-	-	(465,395)	-
Claim Payments	-	(40,930)	-	-	(2,431,362)	-
Payments to Others	(4,000)	-	-	-	(277,711)	-
Other	-	-	-	-	-	-
Net Cash Provided by (Used for) Operating Activities	(1,776,589)	(47,898)	(89,175)	(9,291)	740,469	2,667,814
Cash Flows from Noncapital Financing Activities:						
Principal Payments - Bonds	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	(41,905)	30,000	-
Transfers In	-	-	-	-	-	-
Transfers Out	(110,000)	-	-	-	-	(321,007)
Principal Payments on Due To Other Funds	-	-	-	(334,916)	-	-
Grants Received	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(110,000)	-	-	(376,821)	30,000	(321,007)
Cash Flows from Capital and Related Financing Activities:						
Acquisition and Construction of Capital Assets	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-
Principal Payments - Bonds	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-
Interest Payments - Capital Leases	-	-	-	-	-	-
Payment on Capital Leases	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	-
Cash Flows from Investing Activities:						
Proceeds from Sale and Maturities of Investment Securities	-	-	-	-	-	16,755,000
Purchase of Investment Securities	-	(175,716)	-	-	(1,530,044)	(15,800,000)
Interest and Dividends on Investments	18,759	69,266	17,073	88	1,412,939	450,116
Net Increase In Loans	-	-	(1,924,000)	-	-	-
Receipt of Loan Principal Repayments	-	-	622,202	312,467	-	-
Loan Income Received	-	-	467,716	52,771	-	-
Net Cash Provided by (Used for) Investing Activities	18,759	(106,450)	(817,009)	365,326	(117,105)	1,405,116
Net Change in Cash:						
Net Increase (Decrease) in Cash and Cash Equivalents	(1,867,830)	(154,348)	(906,184)	(20,786)	653,364	3,751,923
Cash and Cash Equivalents at June 30, 2009	4,487,019	1,385,573	4,542,152	31,924	2,169,972	5,089,042
Cash and Cash Equivalents at June 30, 2010	\$ 2,619,189	\$ 1,231,225	\$ 3,635,968	\$ 11,138	\$ 2,823,336	\$ 8,840,965
Reconciliation:						
Current:						
Cash Deposits at the Bank of North Dakota	\$ 2,619,189	\$ 1,231,225	\$ 3,635,968	\$ 11,138	\$ 2,823,336	\$ 4,398,013
Cash and Cash Equivalents	-	-	-	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	4,442,952
Cash and Cash Equivalents	\$ 2,619,189	\$ 1,231,225	\$ 3,635,968	\$ 11,138	\$ 2,823,336	\$ 8,840,965

	PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$	210,360,379	\$ 4,984,087	\$ 5,429,676	\$ 17,589,397	\$ 8,257,000	\$ 68,975,135	\$ 326,712,618
	-	-	-	-	-	-	404,897
	-	-	-	-	-	-	12,959,839
	-	(132,818)	-	-	-	-	(129,745)
	-	-	-	-	-	85,391	85,391
	-	(5,975)	-	-	-	-	5,857
	-	-	-	-	-	-	(12,901,369)
	(209,045,034)	(3,125,603)	(3,995,581)	(10,935,191)	(1,010,000)	(14,046,369)	(249,034,288)
	(504,590)	(1,660,244)	(1,267,080)	(655,845)	-	-	(4,567,132)
	-	-	-	-	-	(85,122,796)	(87,595,088)
	-	-	-	(51,908)	-	-	(333,619)
	(206,811)	-	-	-	-	-	(206,811)
	603,944	59,447	167,015	5,946,453	7,247,000	(30,108,639)	(14,599,450)
	-	-	-	-	(1,000,000)	-	(1,000,000)
	-	-	-	-	(535,000)	-	(535,000)
	-	-	-	-	-	-	(11,905)
	-	-	1,360,154	-	-	-	1,360,154
	-	-	-	(6,533,125)	(913,000)	-	(7,877,132)
	-	-	-	-	-	-	(334,916)
	-	-	545,080	-	-	-	545,080
	-	-	1,905,234	(6,533,125)	(2,448,000)	-	(7,853,719)
	(572,722)	(510,196)	(1,290,882)	(28,200)	-	-	(2,402,000)
	-	-	10,600	-	-	-	10,600
	-	301,371	-	-	-	-	301,371
	-	-	(190,000)	-	-	-	(190,000)
	-	(24,927)	-	-	-	-	(24,927)
	-	-	(34,861)	-	-	-	(34,861)
	-	(3,182)	-	-	-	-	(3,182)
	-	(10,540)	-	-	-	-	(10,540)
	-	(26,087)	-	-	-	-	(26,087)
	-	(61)	-	-	-	-	(61)
	(572,722)	(273,622)	(1,505,143)	(28,200)	-	-	(2,379,687)
	-	-	443,989	-	11,384,000	-	28,582,989
	-	-	(438,681)	-	(15,937,000)	-	(33,881,441)
	26,663	-	3,933	10,840	54,000	4,536,236	6,599,913
	-	-	-	-	-	-	(1,924,000)
	-	-	-	-	-	-	934,669
	-	-	-	-	-	-	520,487
	26,663	-	9,241	10,840	(4,499,000)	4,536,236	832,617
	57,885	(214,175)	576,347	(604,032)	300,000	(25,572,403)	(24,000,239)
	11,068,599	638,746	2,627,202	6,625,742	481,000	104,142,874	143,289,845
\$	11,126,484	\$ 424,571	\$ 3,203,549	\$ 6,021,710	\$ 781,000	\$ 78,570,471	\$ 119,289,606
\$	5,082,984	\$ 423,671	\$ 2,951,326	\$ 6,021,710	\$ 781,000	\$ 47,907	\$ 30,027,467
	6,043,500	900	-	-	-	78,522,564	84,566,964
	-	-	252,223	-	-	-	4,695,175
\$	11,126,484	\$ 424,571	\$ 3,203,549	\$ 6,021,710	\$ 781,000	\$ 78,570,471	\$ 119,289,606

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2010

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop- mentally Disabled Facility Loan	Fire and Tornado	Guaranteed Student Loan
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:						
Operating Income (Loss)	\$ (654,526)	\$ (81,478)	\$ 411,583	\$ (88)	\$ 198,891	\$ (146,763)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	-	-	-	-	-	-
Amortization\Accretion	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(502,680)	(8,786)	-	-
Interest Received on Program Loans	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-
Provision for Losses	-	-	-	-	-	1,139,000
Other	-	-	-	-	-	55,000
Change in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	-	27,384	-	-	(51,257)	27,368
Decrease in Interest Receivable	38,931	-	-	-	-	-
(Increase) Decrease in Due From	-	-	-	-	3,073	(59,772)
Increase in Due From Fiduciary Funds	-	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	(538,325)
Increase in Notes Receivable	(536,457)	-	-	-	-	-
(Increase) Decrease in Prepaid Items	(624,889)	-	-	-	(51,937)	-
Increase in inventories	-	-	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	(48)	-	-	(23,042)	440,651
Decrease in Interest Payable	-	-	-	-	-	-
Increase in Claims\Judgments Payable	-	7,915	-	-	643,843	-
Increase (Decrease) in Intergovernmental Payable	-	-	-	-	-	1,355,864
Increase (Decrease) in Accrued Payroll	-	(53)	-	-	1,366	-
Increase (Decrease) in Compensated Absences Payable	-	(1,684)	-	-	7,766	-
Increase (Decrease) in Amounts Held for Others	-	-	-	-	-	-
Increase (Decrease) in Due To	352	66	1,922	(417)	11,766	70,858
Increase (Decrease) in Deferred Revenue	-	-	-	-	-	323,933
Total Adjustments	(1,122,063)	33,580	(500,758)	(9,203)	541,578	2,814,577
Net Cash Provided by (Used for) Operating Activities	\$ (1,776,589)	\$ (47,898)	\$ (89,175)	\$ (9,291)	\$ 740,469	\$ 2,667,814
Noncash Transactions:						
Net Increase in Fair Value of investments	\$ -	\$ 143,238	\$ -	\$ -	\$ 2,036,987	\$ -
Change in Securities Lending Collateral	-	(24,616)	-	-	(218,486)	-
Amortization of Bond Discount	-	-	-	-	-	-
Amortization of Bond Issuance Costs	-	-	-	-	-	-
Interest Revenue on Prize Reserves	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ 118,622	\$ -	\$ -	\$ 1,818,501	\$ -

PERS Uniform Group Insurance	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 455	\$ 499,500	\$ (798,901)	\$ 6,321,264	\$ 87,000	\$ (21,521,830)	\$ (15,684,893)
-	99,300	930,201	10,290	-	-	1,039,791
-	-	-	-	48,000	-	48,000
-	-	-	-	535,000	-	23,534
-	-	-	-	441,000	-	441,000
-	-	-	-	6,229,000	-	6,229,000
-	-	-	-	(11,000)	-	1,128,000
(206,811)	-	-	-	-	-	(151,811)
391,315	101,341	230,714	(64,364)	-	(6,968,835)	(6,306,334)
-	-	-	-	-	-	38,931
-	(132,818)	-	-	-	(5,932)	(195,449)
(47)	-	-	-	-	-	(47)
2,165	-	-	-	-	802,328	266,168
-	-	-	-	-	-	(536,457)
-	(8,324)	(9,591)	2,789	-	-	(691,952)
-	(389,608)	-	-	-	-	(389,608)
-	564	-	(48,509)	-	-	(47,945)
63,849	(29,275)	(194,489)	(234,018)	-	(537,285)	(513,657)
-	-	-	-	(1,000)	-	(1,000)
-	-	-	-	-	-	651,758
(24,535)	-	-	-	(93,000)	612	1,238,941
2,876	11,983	-	297	-	-	16,469
9,336	11,973	9,081	1,778	-	-	38,250
146,029	(5,975)	-	-	-	-	140,054
-	-	-	32,422	12,000	(1,877,697)	(1,748,728)
219,312	(99,214)	-	(75,496)	-	-	368,535
603,489	(440,053)	965,916	(374,811)	7,160,000	(8,586,809)	1,085,443
\$ 603,944	\$ 59,447	\$ 167,015	\$ 5,946,453	\$ 7,247,000	\$ (30,108,639)	\$ (14,599,450)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,180,225
-	-	-	-	-	-	(243,102)
-	-	8,754	-	-	-	8,754
-	-	3,335	-	-	-	3,335
-	-	-	620	-	-	620
\$ -	\$ -	\$ 12,089	\$ 620	\$ -	\$ -	\$ 1,949,832

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 Assets Internal Service Funds June 30, 2010

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
ASSETS					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 633,081	\$ 1,986,191	\$ 9,319,860	\$ 4,144,888	\$ 16,084,020
Cash and Cash Equivalents	5,919	-	-	1,019	6,938
Investments	-	-	-	6,700,705	6,700,705
Accounts Receivable - Net	110,884	55,836	173,417	-	340,137
Interest Receivable - Net	-	-	-	55,807	55,807
Intergovernmental Receivable - Net	37,598	-	200,413	-	238,011
Due from Other Funds	183,084	1,330,582	4,256,825	13,823	5,784,314
Prepaid Items	3,361	46,246	2,122,568	35,190	2,207,365
Inventory	94,086	-	-	-	94,086
Restricted Cash at the Bank of ND	-	-	3,972,854	-	3,972,854
Total Current Assets	1,068,013	3,418,855	20,045,937	10,951,432	35,484,237
Noncurrent Assets:					
Unamortized Bond Issuance Costs	-	-	33,247	-	33,247
Capital Assets:					
Depreciable, Net	311,838	71,058,844	13,644,333	65,638	85,080,653
Total Noncurrent Assets	311,838	71,058,844	13,677,580	65,638	85,113,900
Total Assets	1,379,851	74,477,699	33,723,517	11,017,070	120,598,137
LIABILITIES					
Current Liabilities:					
Accounts Payable	102,686	581,587	2,065,651	250,695	3,000,619
Accrued Payroll	65,330	143,420	1,600,844	31,657	1,841,251
Securities Lending Collateral	-	-	-	52,463	52,463
Interest Payable	-	-	28,455	6,418	34,873
Intergovernmental Payable	-	-	24,321	-	24,321
Due to Other Funds	6,922	7,095,608	9,669	8,684	7,120,883
Claims/Judgments Payable	-	-	-	1,337,671	1,337,671
Compensated Absences Payable	3,204	66,157	79,916	1,787	151,064
Notes Payable	-	-	1,918,382	-	1,918,382
Capital Leases Payable	185,639	-	-	1,461	187,100
Bonds Payable	-	-	681,658	-	681,658
Total Current Liabilities	363,781	7,886,772	6,408,896	1,690,836	16,350,285
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	3,744,373	3,744,373
Compensated Absences Payable	60,880	-	1,480,945	33,114	1,574,939
Notes Payable	-	-	7,953,247	-	7,953,247
Capital Leases Payable	121,807	-	-	1,680	123,487
Bonds Payable	-	-	2,240,880	-	2,240,880
Total Noncurrent Liabilities	182,687	-	11,675,072	3,779,167	15,636,926
Total Liabilities	546,468	7,886,772	18,083,968	5,470,003	31,987,211
NET ASSETS					
Invested in Capital Assets, Net of					
Related Debt	4,392	71,058,844	3,772,705	62,665	74,898,606
Unrestricted	828,991	(4,467,917)	11,866,844	5,484,402	13,712,320
Total Net Assets	\$ 833,383	\$ 66,590,927	\$ 15,639,549	\$ 5,547,067	\$ 88,610,926

STATE OF NORTH DAKOTA

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets Internal Service Funds For the Fiscal Year Ended June 30, 2010

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
OPERATING REVENUES					
Sales and Services	\$ 2,693,422	\$ 23,103,406	\$ 48,633,238	\$ 6,528,452	\$ 80,958,518
Total Operating Revenues	2,693,422	23,103,406	48,633,238	6,528,452	80,958,518
OPERATING EXPENSES					
Cost of Sales and Services	1,122,704	-	-	-	1,122,704
Salaries and Benefits	836,499	1,809,376	19,131,773	383,172	22,160,820
Operating	374,312	14,462,820	19,321,839	228,454	34,387,425
Claims	-	-	-	4,058,645	4,058,645
Depreciation	166,553	7,554,570	4,997,892	16,902	12,735,917
Total Operating Expenses	2,500,068	23,826,766	43,451,504	4,687,173	74,465,511
Operating Income (Loss)	193,354	(723,360)	5,181,734	1,841,279	6,493,007
NONOPERATING REVENUES (EXPENSES)					
Interest and Investment Income	-	-	35,407	902,960	938,367
Interest Expense	(30,161)	-	(516,182)	(24,291)	(570,634)
Gain on Sale of Capital Assets	-	54,399	-	-	54,399
Other	6,312	-	16,108	-	22,420
Total Nonoperating Revenues (Expenses)	(23,849)	54,399	(464,667)	878,669	444,552
Income (Loss) Before Contributions and Transfers	169,505	(668,961)	4,717,067	2,719,948	6,937,559
Capital Grants and Contributions	-	66,285	-	-	66,285
Changes in Net Assets	169,505	(602,676)	4,717,067	2,719,948	7,003,844
Total Net Assets - Beginning of Year	663,878	67,193,603	10,922,482	2,827,119	81,607,082
Total Net Assets - End of Year	\$ 833,383	\$ 66,590,927	\$ 15,639,549	\$ 5,547,067	\$ 88,610,926

STATE OF NORTH DAKOTA

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2010

	Central Services	Fleet Services	Information Technology	Risk Management	Total
Cash Flows from Operating Activities:					
Receipts from Customers and Users	\$ 2,662,276	\$ 23,292,776	\$ 49,199,036	\$ 6,528,452	\$ 81,682,540
Receipts from Other Funds	-	12,810	-	-	12,810
Payments to Other Funds	-	143,325	-	-	143,325
Payments to Suppliers	(1,443,398)	(14,667,260)	(18,758,715)	(164,945)	(35,034,318)
Payments to Employees	(832,238)	(1,782,888)	(19,010,319)	(378,694)	(22,004,139)
Claim Payments	-	-	-	(852,875)	(852,875)
Payments to Others	-	-	-	(3,977,309)	(3,977,309)
Other	6,312	-	-	-	6,312
Net Cash Provided by (Used for) Operating Activities	392,952	6,998,763	11,430,002	1,154,629	19,976,346
Cash Flows from Noncapital Financing Activities:					
Interest Payments - Notes and Other Borrowings	(1,606)	-	-	-	(1,606)
Collection of Advances to Other Funds	-	7,000,000	-	-	7,000,000
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,606)	7,000,000	-	-	6,998,394
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	-	(19,761,851)	(5,011,950)	-	(24,773,801)
Proceeds from Sale of Capital Assets	-	2,430,846	-	-	2,430,846
Proceeds from Sale of Notes and Other Borrowings	-	-	4,950,000	-	4,950,000
Principal Payments - Notes and Other Borrowings	-	-	(1,716,372)	-	(1,716,372)
Interest Payments - Notes and Other Borrowings	-	-	(790,686)	-	(790,686)
Payment on Capital Leases	(146,261)	-	-	(1,191)	(147,452)
Interest Payments - Capital Leases	(28,380)	-	-	(309)	(28,689)
Net Cash Used for Capital and Related Financing Activities	(174,641)	(17,331,005)	(2,569,008)	(1,500)	(20,076,154)
Cash Flows from Investing Activities:					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	(1,276,691)	(1,276,691)
Interest and Dividends on Investments	-	-	35,407	365,645	401,052
Net Cash Provided by Investing Activities	-	-	35,407	(911,046)	(875,639)
Net Change in Cash:					
Net Increase (Decrease) in Cash and Cash Equivalents	216,705	(3,332,242)	8,896,401	242,083	6,022,947
Cash and Cash Equivalents at June 30, 2009	422,295	5,318,433	4,396,313	3,903,824	14,040,865
Cash and Cash Equivalents at June 30, 2010	\$ 639,000	\$ 1,986,191	\$ 13,292,714	\$ 4,145,907	\$ 20,063,812
Reconciliation:					
Cash Deposits at the Bank of North Dakota	\$ 633,081	\$ 1,986,191	\$ 9,319,860	\$ 4,144,888	\$ 16,084,020
Cash and Cash Equivalents	5,919	-	-	1,019	6,938
Restricted Cash Deposits at the Bank of North Dakota	-	-	3,972,854	-	3,972,854
Cash and Cash Equivalents	\$ 639,000	\$ 1,986,191	\$ 13,292,714	\$ 4,145,907	\$ 20,063,812
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:					
Operating Income	\$ 193,354	\$ (723,360)	\$ 5,181,734	\$ 1,841,279	\$ 6,493,007
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	166,553	7,554,570	4,991,243	16,902	12,729,268
Amortization/Accretion	-	-	6,649	-	6,649
Other	6,312	-	-	-	6,312
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(65,152)	189,371	61,729	-	185,948
Decrease in Due From	55,323	-	548,934	7,457	611,714
(Increase) Decrease in Intergovernmental Receivable	(21,317)	143,325	(44,865)	-	77,143
(Increase) Decrease in Prepaid Items	2,951	(46,246)	(598,160)	45,204	(596,251)
Decrease in Inventories	12,219	-	-	-	12,219
(Decrease) In Other Assets	(174)	-	-	-	(174)
Increase (Decrease) in Accounts Payable	43,139	(158,195)	1,145,391	234,613	1,264,948
Decrease in Claims/Judgments Payable	-	-	-	(986,892)	(986,892)
Increase In Intergovernmental Payable	-	12,810	24,286	-	37,096
Increase in Accrued Payroll	1,259	319	26,912	2,269	30,759
Increase in Compensated Absences Payable	3,002	26,169	94,542	2,209	125,922
(Decrease) in Due To	(4,517)	-	(8,393)	(8,412)	(21,322)
Total Adjustments	199,598	7,722,123	6,248,268	(686,650)	13,483,339
Net Cash Provided by (Used For) Operating Activities	\$ 392,952	\$ 6,998,763	\$ 11,430,002	\$ 1,154,629	\$ 19,976,346
Noncash Transactions:					
Net Increase in Fair Value of investments	\$ -	\$ -	\$ -	\$ 510,056	\$ 510,056
Change in Securities Lending Collateral	-	-	-	(57,500)	(57,500)
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ 452,556	\$ 452,556

STATE OF NORTH DAKOTA

Fiduciary Funds

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

Pension and Other Employee-Related Benefit Trust Funds

DEFERRED COMPENSATION

981 - Deferred Compensation Fund

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

PERS FLEXCOMP

932 - Flex Program

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

HIGHWAY PATROLMEN'S RETIREMENT

982 - Highway Patrolmen's Retirement Fund

A single employer defined benefit pension plan covering officers of the State Highway Patrol.

JOB SERVICE RETIREMENT

920 - Job Service Retirement Fund

A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980.

PREFUNDED RETIREE HEALTH PROGRAM

933 - Prefunded Retiree Health Program

Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan.

PUBLIC EMPLOYEES' RETIREMENT

470 (983) - Public Employees Retirement System

Accounts for the financial resources associated with the Public Employees Retirement System.

DEFINED CONTRIBUTION RETIREMENT

930 - Defined Contribution Retirement Plan

Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education.

TEACHERS' RETIREMENT

964 - North Dakota Teachers' Fund For Retirement

Accounts for the financial resources of the Teachers' Retirement Fund.

Investment Trust Funds

911 - ND Association of Counties RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties.

913 - City of Bismarck RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck.

936 - City of Grand Forks RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Grand Forks.

950 - City of Fargo RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo.

Private Purpose Trust Funds

STUDENT AND CULTURAL DONATIONS

928 - Indian Cultural Education Trust Fund

Trust accounts for donations provided for the purpose of generating income to benefit Indian Culture.

937 - Department of Public Instruction Thordarson Scholarship Trust Fund

Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division.

988 - School for the Deaf Scholarship Trust Fund

Account for funds donated to provide scholarships to deaf students.

989 - School for the Deaf Student Trust Funds

Accounts for funds donated to the School for the Deaf for the benefit of the students.

COLLEGE SAVE

940 - College SAVE

Program established by the State of North Dakota to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education.

MANDAN REMEDIATION TRUST

943 - Mandan Remediation Trust

Accounts for the funds obtained from a lawsuit settlement for the remediation efforts of the North Dakota Health Department and the City of Mandan.

Agency Funds

BONDING

402 - Sales and Use Tax Deposit Fund

Accounts for cash received in lieu of a surety bond for sales tax permit holders.

403 - Motor Fuel Cash Bond Deposit Fund

Accounts for cash received in lieu of a surety bond for motor vehicle fuel dealers.

939 - Public Service Commission Trustee Account

Accounts for savings certificates posted in lieu of performance bonds for surface mining activities and grain elevator insolvency cases.

942 - Agriculture Cash and Investment

Accounts for securities or bonds in lieu of a surety bond relating to the operation of livestock dealers, auction markets and dairy plants.

944 - Cash Bonds

Accounts for the financial resources for the plugging of abandoned oil and gas wells and the reclamation of abandoned oil and gas well sites.

945 - Insurance Company Deposits

Accounts for securities of domestic insurance companies required by the NDCC to keep on deposit with the Insurance Commissioner securities in a value equal to the policies they have in force.

947 - District Court Bond Fund

Accounts for bail bonds posted for civil and criminal court cases.

PAYROLL

461 - OMB Unemployment/Payroll Clearing Fund

Accounts for employers and employees payroll taxes and other deductions such as, insurance and credit union deductions, etc.

CHILD SUPPORT

463 - Child Support Disbursement Unit Fund

Accounts for all child support payments received by the state disbursement unit.

STUDENT AND OTHER

406 - Drivers License Trust Fund

Accounts for cash received from a motor vehicle operator involved in an accident and has no automobile liability policy and the driver was negligent.

946 - District Court Collection Fund

Accounts for collections for third parties.

986 - Developmental Center Residents' Funds

Accounts for funds belonging to patients of the State Developmental Center.

990 - Veteran's Home-Custodial

Accounts for resident's personal funds.

991 - State Hospital Patients

Accounts for patient's personal funds.

992 - Prisoner Accounts

Accounts for prisoner's personal fund.

993 - Youth Correctional Center Student Accounts

Account for the student's personal funds.

994 - School for the Deaf Students

Account for the students personal funds.

TAX COLLECTION

434 - City Lodging Tax Suspense

Accounts for city lodging tax collected by the State Tax Commissioner.

435 - City Sales Tax Suspense

Accounts for city sales and use taxes collected by the State Tax Commission.

437 - City Motor Vehicle Rental Tax

Accounts for city motor vehicle rental tax collected by the state tax commissioner.

438 - City Restaurant and Lodge Tax Suspense

A city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the leasing or renting of hotel, motel, or tourist court accommodations within the city and gross receipts of a restaurant from any sales of prepared food or beverages, not including alcoholic beverages for consumption off the premises where purchased is collected by the State Tax Commissioner. Proceeds, net of a 3% administrative fee which is deposited into the general fund, are remitted quarterly to each city collecting the tax.

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds June 30, 2010

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ASSETS						
Cash Deposits at the Bank of ND	\$ 110,149	\$ 1,104	\$ -	\$ 2,504	\$ 193,927	\$ 110,678
Cash and Cash Equivalents	-	-	-	-	-	-
Receivables:						
Contributions Receivable	-	103,713	174,168	9,323	541,973	615,944
Interest Receivable - Net	-	-	73,757	156,782	-	64,413
Due from Other Funds	-	-	-	-	-	-
Due from Fiduciary Funds	36,047	-	-	-	20,342	-
Total Receivables	36,047	103,713	247,925	166,105	562,315	680,357
Investments, at Fair Value:						
Investments at the Bank of ND	-	-	-	-	-	-
Equity Pool	-	-	22,212,347	29,873,970	-	25,388,750
Fixed Income	-	2,218,657	-	-	-	-
Fixed Income Pool	-	-	17,747,892	47,629,114	-	19,519,126
Cash and Cash Pool	-	-	585,849	86,685	-	-
Real Estate Pool	-	-	2,175,128	-	-	-
Alternative Investments	-	-	1,872,282	-	-	-
Annuities	94,200	-	-	-	-	-
Mutual Funds	27,847,283	14,263,760	-	-	-	-
Total Investments	27,941,483	16,482,417	44,593,498	77,589,769	-	44,907,876
Invested Securities Lending Collateral	-	-	278,611	484,406	-	-
Capital Assets (Net of Depreciation)	1,633,050	22,606	27,820	19,532	816,525	309,670
Total Assets	29,720,729	16,609,840	45,147,854	78,262,316	1,572,767	46,008,581
LIABILITIES						
Accounts Payable	265,966	-	-	100,365	135,365	29,335
Accrued Payroll	30,815	-	-	-	19,521	-
Securities Lending Collateral	-	-	278,611	484,406	-	-
Due to Other Funds	2,656	12,383	-	3,134	1,486	62,467
Due to Fiduciary Funds	-	-	31,087	10,516	-	115,011
Claims/Judgments Payable	-	-	-	-	-	-
Deferred Revenue	43,460	-	-	-	-	-
Compensated Absences Payable	39,829	-	-	-	24,836	-
Total Liabilities	382,726	12,383	309,698	598,421	181,208	206,813
NET ASSETS						
Net Assets Held in Trust for:						
Pension Benefits	29,338,003	16,597,457	44,838,156	77,663,895	-	45,801,768
Other Employee Benefits	-	-	-	-	1,391,559	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Total Net Assets	\$ 29,338,003	\$ 16,597,457	\$ 44,838,156	\$ 77,663,895	\$ 1,391,559	\$ 45,801,768

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
\$ 13,668,999	\$ 32,983,269	\$ 47,070,630	\$ 409,423	\$ 95,702	\$ 2,697,796	\$ 501,758	\$ 3,704,679
-	-	-	-	-	-	-	-
4,483,815	9,810,871	15,739,807	-	-	-	-	-
2,422,345	6,724,760	9,442,057	80,493	1,986	3,122	-	85,601
13,457	-	13,457	-	-	-	-	-
108,859	-	165,248	-	-	-	-	-
7,028,476	16,535,631	25,360,569	80,493	1,986	3,122	-	85,601
-	-	-	-	-	-	-	-
729,505,050	796,430,612	1,603,410,729	28,360,826	916,315	18,893,375	24,837,350	73,007,866
-	-	2,218,657	-	-	-	-	-
582,881,959	384,369,567	1,052,147,658	29,479,881	861,606	12,585,539	21,621,954	64,548,980
7,597,774	10,954,686	19,224,994	105,429	-	800,177	74,066	979,672
71,436,241	135,503,973	209,115,342	6,160,841	-	1,710,385	1,373,010	9,244,236
61,490,084	63,465,615	126,827,981	1,119,019	-	1,835,800	1,326,969	4,281,788
-	-	94,200	-	-	-	-	-
-	-	42,111,043	-	-	-	-	-
1,452,911,108	1,390,724,453	3,055,150,604	65,225,996	1,777,921	35,825,276	49,233,349	152,062,542
9,150,222	7,710,609	17,623,848	373,543	14,718	240,380	338,712	967,353
3,244,472	66,013	6,139,688	-	-	-	-	-
1,486,003,277	1,448,019,975	3,151,345,339	66,089,455	1,890,327	38,766,574	50,073,819	156,820,175
2,479,238	2,351,626	5,361,895	80,325	4,679	40,683	107,805	233,492
68,298	-	118,634	-	-	-	-	-
9,150,222	7,710,609	17,623,848	373,543	14,718	240,380	338,712	967,353
19,981	7,897	110,004	-	-	-	-	-
-	-	156,614	-	-	-	-	-
23,534	-	23,534	-	-	-	-	-
-	-	43,460	-	-	-	-	-
77,022	-	141,687	-	-	-	-	-
11,818,295	10,070,132	23,579,676	453,868	19,397	281,063	446,517	1,200,845
1,474,184,982	1,437,949,843	3,126,374,104	-	-	-	-	-
-	-	1,391,559	-	-	-	-	-
-	-	-	65,635,587	1,870,930	38,485,511	49,627,302	155,619,330
-	-	-	-	-	-	-	-
\$ 1,474,184,982	\$ 1,437,949,843	\$ 3,127,765,663	\$ 65,635,587	\$ 1,870,930	\$ 38,485,511	\$ 49,627,302	\$ 155,619,330

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) June 30, 2010

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
ASSETS				
Cash Deposits at the Bank of ND	\$ 122,645	\$ 8,968,055	\$ -	\$ 9,090,700
Cash and Cash Equivalents	11,768	54,697	354,286	420,751
Receivables:				
Contributions Receivable	-	-	-	-
Interest Receivable - Net	1,183	1,432	-	2,615
Due from Other Funds	14	-	-	14
Due from Fiduciary Funds	-	-	-	-
Total Receivables	1,197	1,432	-	2,629
Investments, at Fair Value:				
Investments at the Bank of ND	21,327	-	-	21,327
Equity Pool	-	-	-	-
Fixed Income	-	-	-	-
Fixed Income Pool	592,504	1,500,000	-	2,092,504
Cash and Cash Pool	-	-	-	-
Real Estate Pool	-	-	-	-
Alternative Investments	-	-	-	-
Annuities	-	-	-	-
Mutual Funds	-	-	285,254,032	285,254,032
Total Investments	613,831	1,500,000	285,254,032	287,367,863
Invested Securities Lending Collateral	48,575	-	-	48,575
Capital Assets (Net of Depreciation)	-	-	-	-
Total Assets	798,016	10,524,184	285,608,318	296,930,518
LIABILITIES				
Accounts Payable	342	70,008	429,890	500,240
Accrued Payroll	-	-	-	-
Securities Lending Collateral	48,575	-	-	48,575
Due to Other Funds	-	-	-	-
Due to Fiduciary Funds	-	-	-	-
Claims/Judgments Payable	-	-	-	-
Deferred Revenue	-	-	-	-
Compensated Absences Payable	-	-	-	-
Total Liabilities	48,917	70,008	429,890	548,815
NET ASSETS				
Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	749,099	10,454,176	285,178,428	296,381,703
Total Net Assets	\$ 749,099	\$ 10,454,176	\$ 285,178,428	\$ 296,381,703



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STATE OF NORTH DAKOTA

Combining Statement of Changes in Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2010

Pension and Other Employee Benefit Trust Funds

	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
ADDITIONS						
Contributions:						
Employer	\$ -	\$ 638,120	\$ 1,196,562	\$ -	\$ -	\$ 8,392,847
Employee	3,743,725	619,544	741,271	114,626	6,002,296	6,673,673
From Participants	-	-	-	-	-	-
Transfers from Other Funds	534,030	3,828	-	-	-	-
Transfers from Other Plans	225,582	-	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	4,503,337	1,261,492	1,937,833	114,626	6,002,296	15,066,520
Investment Income:						
Net Change in Fair Value of Investments	2,456,429	1,374,425	4,571,849	7,565,552	-	4,928,103
Interest and Dividends	654,692	324,712	963,042	2,042,811	1,957	1,830,840
Less Investment Expense	86,747	11,936	191,670	305,699	-	100,256
Net Investment Income	3,024,374	1,687,201	5,343,221	9,302,664	1,957	6,658,687
Securities Lending Activity:						
Securities Lending Income	-	-	1,146	1,814	-	-
Less Securities Lending Expense	-	-	(2,310)	(3,070)	-	-
Net Securities Lending Income	-	-	3,456	4,884	-	-
Repurchase Service Credit	-	-	-	-	-	237,735
Miscellaneous Income	207,700	9,677	25	-	632,632	-
Total Additions	7,735,411	2,958,370	7,284,535	9,422,174	6,636,885	21,962,942
DEDUCTIONS						
Benefits Paid to Participants	729,024	358,872	3,402,021	3,896,011	5,947,421	6,665,443
Refunds	-	-	131	-	-	3,932
Prefunded Credit Applied	-	-	-	-	-	5,563,631
Transfer to Other Plans	-	-	-	-	327,220	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	416,407	27,098	18,154	24,318	266,327	102,353
Total Deductions	1,145,431	385,970	3,420,306	3,920,329	6,540,968	12,335,359
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Assets Held in Trust for:						
Pension Benefits	6,589,980	2,572,400	3,864,229	5,501,845	-	9,627,583
Other Employee Benefits	-	-	-	-	95,917	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Assets - Beginning of Year	22,748,023	14,025,057	40,973,927	72,162,050	1,295,642	36,174,185
Net Assets - End of Year	\$ 29,338,003	\$ 16,597,457	\$ 44,838,156	\$ 77,663,895	\$ 1,391,559	\$ 45,801,768

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
\$ 30,253,093	\$ 39,836,646	\$ 80,317,268	\$ -	\$ -	\$ -	\$ -	\$ -
28,579,338	36,848,481	83,322,954	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	537,858	-	-	-	-	-
-	-	225,582	-	-	-	-	-
-	-	-	-	-	-	-	-
58,832,431	76,685,127	164,403,662	-	-	-	-	-
148,432,811	152,525,484	321,854,653	5,829,029	196,977	3,488,272	5,145,502	14,659,780
31,269,171	32,645,257	69,732,482	1,632,066	64,365	705,557	1,333,981	3,735,969
6,221,408	6,234,267	13,151,983	281,638	9,513	148,991	208,623	648,765
173,480,574	178,936,474	378,435,152	7,179,457	251,829	4,044,838	6,270,860	17,746,984
37,196	35,000	75,156	1,830	240	931	3,721	6,722
(74,993)	(87,999)	(168,372)	(2,500)	(113)	(2,390)	(2,268)	(7,271)
112,189	122,999	243,528	4,330	353	3,321	5,989	13,993
4,005,571	1,413,481	5,656,787	-	-	-	-	-
3,406	7,222	860,662	-	-	-	-	-
236,434,171	257,165,303	549,599,791	7,183,787	252,182	4,048,159	6,276,849	17,760,977
76,884,950	124,472,154	222,355,896	-	-	-	-	-
3,942,154	2,557,240	6,503,457	-	-	-	-	-
-	-	5,563,631	-	-	-	-	-
210,638	-	537,858	-	-	-	-	-
-	-	-	-	-	-	-	-
1,214,733	1,902,796	3,972,186	-	-	-	-	-
82,252,475	128,932,190	238,933,028	-	-	-	-	-
-	-	-	-	-	4,430,391	3,900,000	8,330,391
154,181,696	128,233,113	310,570,846	-	-	-	-	-
-	-	95,917	-	-	-	-	-
-	-	-	7,183,787	252,182	8,478,550	10,176,849	26,091,368
-	-	-	-	-	-	-	-
1,320,003,286	1,309,716,730	2,817,098,900	58,451,800	1,618,748	30,006,961	39,450,453	129,527,962
\$ 1,474,184,982	\$ 1,437,949,843	\$ 3,127,765,663	\$ 65,635,587	\$ 1,870,930	\$ 38,485,511	\$ 49,627,302	\$ 155,619,330

STATE OF NORTH DAKOTA

Combining Statement of Changes in Fiduciary Net Assets Pension, Investment and Private-Purpose Trust Funds (Continued) For the Fiscal Year Ended June 30, 2010

	Private-Purpose Trust Funds			Total
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	
ADDITIONS				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	21,998,892	21,998,892
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	7,710	-	-	7,710
Total Contributions	7,710	-	21,998,892	22,006,602
Investment Income:				
Net Change in Fair Value of Investments	-	-	31,870,182	31,870,182
Interest and Dividends	24,316	84,729	7,682,851	7,791,896
Less Investment Expense	-	-	-	-
Net Investment Income	24,316	84,729	39,553,033	39,662,078
Securities Lending Activity:				
Securities Lending Income	-	-	-	-
Less Securities Lending Expense	-	-	-	-
Net Securities Lending Income	-	-	-	-
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	3,900	-	-	3,900
Total Additions	35,926	84,729	61,551,925	61,672,580
DEDUCTIONS				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	3,443	359,889	37,281,840	37,645,172
Administrative Expenses	1,785	18,816	2,013,597	2,034,198
Total Deductions	5,228	378,705	39,295,437	39,679,370
Purchase of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-
Change in Net Assets Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	30,698	(293,976)	22,256,488	21,993,210
Net Assets - Beginning of Year	718,401	10,748,152	262,921,940	274,388,493
Net Assets - End of Year	\$ 749,099	\$ 10,454,176	\$ 285,178,428	\$ 296,381,703

STATE OF NORTH DAKOTA

Combining Statement of Fiduciary Assets and Liabilities
 Agency Funds
 June 30, 2010

	Bonding	Payroll	Child Support	Student and Other	Tax Collection	Total
ASSETS						
Cash Deposits at the Bank of ND	\$ 2,509,147	\$ 155,010	\$ 1,750,393	\$ 1,070,654	\$ 11,199,989	\$ 16,685,193
Cash and Cash Equivalents	3,754,346	-	279,142	349,298	3,240,365	7,623,151
Investments at the Bank of ND	20,450,043	-	-	50,000	-	20,500,043
Investments	273,627	-	-	12,757	-	286,384
Accounts Receivable - Net	-	22,766	-	-	-	22,766
Taxes Receivable - Net	13,000	-	-	-	17,025,558	17,038,558
Interest Receivable - Net	-	-	-	211	-	211
Other Assets	-	-	-	1,419	-	1,419
Total Assets	<u>\$ 27,000,163</u>	<u>\$ 177,776</u>	<u>\$ 2,029,535</u>	<u>\$ 1,484,339</u>	<u>\$ 31,465,912</u>	<u>\$ 62,157,725</u>
LIABILITIES						
Intergovernmental Payable	\$ -	\$ 60,933	\$ -	\$ -	\$ 31,464,959	\$ 31,525,892
Tax Refunds Payable	6,100	-	-	-	953	7,053
Amounts Held in Custody for Others	26,994,063	116,843	2,029,535	1,484,339	-	30,624,780
Total Liabilities	<u>\$ 27,000,163</u>	<u>\$ 177,776</u>	<u>\$ 2,029,535</u>	<u>\$ 1,484,339</u>	<u>\$ 31,465,912</u>	<u>\$ 62,157,725</u>

STATE OF NORTH DAKOTA

Combining Statement of Changes in Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2010

	June 30 2009	Additions	Deductions	June 30 2010
Bonding				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,955,178	\$ 741,438	\$ 187,470	\$ 2,509,146
Cash and Cash Equivalents	1,772,602	7,760,639	5,778,895	3,754,346
Investments at the Bank of ND	19,807,655	1,919,404	1,277,016	20,450,043
Investments	214,755	63,872	5,000	273,627
Taxes Receivable - Net	19,599	13,282	19,881	13,000
Due from Other Funds	-	-	-	-
Total Assets	\$ 23,769,789	\$ 10,498,635	\$ 7,268,262	\$ 27,000,162
LIABILITIES				
Tax Refunds Payable	\$ 41,800	\$ 6,100	\$ 41,800	\$ 6,100
Amounts Held in Custody for Others	23,727,989	10,479,135	7,213,062	26,994,062
Total Liabilities	\$ 23,769,789	\$ 10,485,235	\$ 7,254,862	\$ 27,000,162
Payroll				
ASSETS				
Cash Deposits at the Bank of ND	\$ 185,853	\$ 98,106,025	\$ 98,136,868	\$ 155,010
Accounts Receivable - Net	6,223,561	22,766	6,223,561	22,766
Total Assets	\$ 6,409,414	\$ 98,128,791	\$ 104,360,429	\$ 177,776
LIABILITIES				
Accounts Payable	-	-	-	-
Intergovernmental Payable	\$ 6,409,414	\$ 966,898	\$ 7,315,379	\$ 60,933
Amounts Held in Custody for Others	-	91,905,230	91,788,387	116,843
Total Liabilities	\$ 6,409,414	\$ 92,872,128	\$ 99,103,766	\$ 177,776
Child Support				
ASSETS				
Cash Deposits at the Bank of ND	\$ 3,160,124	\$ 112,085,915	\$ 113,495,646	\$ 1,750,393
Cash and Cash Equivalents	262,231	16,911	-	279,142
Total Assets	\$ 3,422,355	\$ 112,102,826	\$ 113,495,646	\$ 2,029,535
LIABILITIES				
Amounts Held in Custody for Others	\$ 3,422,355	\$ 112,326,526	\$ 113,719,346	\$ 2,029,535
Total Liabilities	\$ 3,422,355	\$ 112,326,526	\$ 113,719,346	\$ 2,029,535

	June 30 2009	Additions	Deductions	June 30 2010
Student and Other				
ASSETS				
Cash Deposits at the Bank of ND	\$ 1,007,394	\$ 1,599,774	\$ 1,536,514	\$ 1,070,654
Cash and Cash Equivalents	335,727	2,905,701	2,892,129	349,299
Investments at the Bank of ND	50,000	-	-	50,000
Investments	16,019	-	3,262	12,757
Interest Receivable - Net	310	211	310	211
Other Assets	-	784,500	783,081	1,419
Total Assets	<u>\$ 1,409,450</u>	<u>\$ 5,290,186</u>	<u>\$ 5,215,296</u>	<u>\$ 1,484,340</u>
LIABILITIES				
Amounts Held in Custody for Others	\$ 1,409,450	\$ 5,290,186	\$ 5,215,296	\$ 1,484,340
Total Liabilities	<u>\$ 1,409,450</u>	<u>\$ 5,290,186</u>	<u>\$ 5,215,296</u>	<u>\$ 1,484,340</u>
Tax Collection				
ASSETS				
Cash Deposits at the Bank of ND	\$ 8,940,611	\$ 139,573,361	\$ 137,313,983	\$ 11,199,989
Cash and Cash Equivalents	1,524,279	1,706,317	(9,769)	3,240,365
Taxes Receivable - Net	14,160,061	21,524,763	18,659,266	17,025,558
Total Assets	<u>\$ 24,624,951</u>	<u>\$ 162,804,441</u>	<u>\$ 155,963,480</u>	<u>\$ 31,465,912</u>
LIABILITIES				
Intergovernmental Payable	\$ 24,624,086	\$ 171,766,016	\$ 164,925,143	\$ 31,464,959
Tax Refunds Payable	865	953	865	953
Total Liabilities	<u>\$ 24,624,951</u>	<u>\$ 171,766,969</u>	<u>\$ 164,926,008</u>	<u>\$ 31,465,912</u>
Total -All Agency Funds				
ASSETS				
Cash Deposits at the Bank of ND	\$ 15,249,160	\$ 352,106,513	\$ 350,670,481	\$ 16,685,192
Cash and Cash Equivalents	3,894,839	12,389,568	8,661,255	7,623,152
Investments at the Bank of ND	19,857,655	1,919,404	1,277,016	20,500,043
Investments	230,774	63,872	8,262	286,384
Accounts Receivable - Net	6,223,561	22,766	6,223,561	22,766
Taxes Receivable - Net	14,179,660	21,538,045	18,679,147	17,038,558
Interest Receivable - Net	310	211	310	211
Other Assets	-	784,500	783,081	1,419
Total Assets	<u>\$ 59,635,959</u>	<u>\$ 388,824,879</u>	<u>\$ 386,303,113</u>	<u>\$ 62,157,725</u>
LIABILITIES				
Intergovernmental Payable	31,033,500	172,732,914	172,240,522	31,525,892
Tax Refunds Payable	42,665	7,053	42,665	7,053
Amounts Held in Custody for Others	28,559,794	220,001,077	217,936,091	30,624,780
Total Liabilities	<u>\$ 59,635,959</u>	<u>\$ 392,741,044</u>	<u>\$ 390,219,278</u>	<u>\$ 62,157,725</u>



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Nonmajor Component Units

The Component Units are organizations which are legally separate from the State of North Dakota for which the State is financially accountable, or 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.

904 - University of North Dakota Foundation

Includes the UND Center for Innovation, the UND Research Foundation, and the Fellows of UND.

906 - Lake Region Community College Foundation

Established in 1959 to provide a permanent, nonprofit structure through which support for Lake Region State College could be channeled.

907 - Mayville State University Foundation

Established to act primarily as a fund-raising organization to supplement the resources that are available to Mayville State University (MaSU). The Comet Athletic Club, a legally separate nonprofit organization, operates as an entity within the Foundation. The Club's purpose is to promote, support, and encourage interest and participation in MaSU sports.

908 - Dakota College of Bottineau Foundation

The Foundation was established to act primarily as fund-raising organization to supplement the resources that are available to Dakota College of Bottineau.

909 - North Dakota State College of Science Development Foundation

A nonprofit organization established to act primarily as a fund-raising organization to supplement the resources that are available to NDSCS.

914 - Valley City State University Foundation

Established to support Valley City State University by involving alumni and friends of the university in activities and private giving that meet the university's needs and advance its welfare.

951 - Williston State College Foundation

A nonprofit organization established to act primarily as a fund-raising organization to supplement the resources that are available to WSC.

958 - Minot State Development Foundation

Established to promote financial support for the benefit of the university.

984 - NDSU Foundations

Consists of three non-profit organizations created to support NDSU: NDSU 4-H Foundation, NDSU Research Foundation, NDSU Research Foundation and NDSU Team Makers Club.

STATE OF NORTH DAKOTA

Combining Statement of Net Assets
Nonmajor Component Units - Proprietary Funds
 June 30, 2010

	DC-Bottineau Foundation	Lake Region Community College Foundation	MaSU Alumni Foundation	MISU Development Foundation	NDSCS Development Foundation
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ 81,013	\$ -	\$ -	\$ 400,658	\$ 2,811,899
Investments	1,744,814	-	-	-	-
Accounts Receivable - Net	-	253,932	22,176	27,910	-
Inventory	-	-	-	-	-
Other Assets	-	-	758	3,971	-
Total Current Assets	1,825,827	253,932	22,934	432,539	2,811,899
Noncurrent Assets:					
Restricted Cash and Cash Equivalents	-	-	198,476	-	-
Restricted Investments	-	3,886,133	2,588,143	9,840,009	6,033,589
Investments	37,013	-	-	922,647	-
Other Noncurrent Assets	-	-	17,549	356,801	-
Capital Assets:					
Nondepreciable	-	-	-	-	198,550
Depreciable, Net	-	-	67,127	-	-
Total Noncurrent Assets	37,013	3,886,133	2,871,295	11,119,457	6,232,139
Total Assets	1,862,840	4,140,065	2,894,229	11,551,996	9,044,038
LIABILITIES					
Current Liabilities:					
Accounts Payable	-	-	2,763	22,559	12,198
Due to Primary Government	-	-	28,069	468,691	-
Notes Payable	-	-	30,705	-	4,000
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Total Current Liabilities	-	-	61,537	491,250	16,198
Noncurrent Liabilities:					
Notes Payable	-	-	-	-	4,000
Capital Leases Payable	-	-	-	-	-
Bonds Payable	-	-	-	-	-
Other Noncurrent Liabilities	-	-	-	178,140	-
Total Noncurrent Liabilities	-	-	-	178,140	4,000
Total Liabilities	-	-	61,537	669,390	20,198
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	-	-	36,422	922,647	190,550
Restricted for:					
Other	1,740,978	3,501,314	3,208,490	8,643,261	8,254,108
Unrestricted	121,862	638,751	(412,220)	1,316,698	579,182
Total Net Assets	\$ 1,862,840	\$ 4,140,065	\$ 2,832,692	\$ 10,882,606	\$ 9,023,840

	NDSU Foundations	UND Foundations	VCSU Foundation	WSC Foundation	Total
\$	1,570,233	\$ 1,039,743	\$ 854,880	\$ 2,464,596	\$ 9,223,022
	-	4,665,355	-	-	6,410,169
	56,796	338,583	172,575	86,066	958,038
	10,837	-	-	-	10,837
	11,457	12,571	4,023	2,155	34,935
	1,649,323	6,056,252	1,031,478	2,552,817	16,637,001
	1,981,503	-	-	-	2,179,979
	2,530,922	1,074,919	3,838,713	7,930,003	37,722,431
	-	-	-	-	959,660
	-	1,324,968	149,647	183,650	2,032,615
	-	1,859,784	-	7,890	2,066,224
	8,643	19,214,958	414	364,673	19,655,815
	4,521,068	23,474,629	3,988,774	8,486,216	64,616,724
	6,170,391	29,530,881	5,020,252	11,039,033	81,253,725
	339,965	297,668	2,045	34,210	711,408
	1,785,957	514,265	25,252	223,397	3,045,631
	25,000	99,135	-	-	158,840
	-	41,260	-	-	41,260
	-	39,715	-	-	39,715
	40,000	-	-	-	40,000
	2,190,922	992,043	27,297	257,607	4,036,854
	119,237	7,063,034	-	-	7,186,271
	-	194,498	-	-	194,498
	-	2,399,567	-	-	2,399,567
	-	116,224	41,756	13,379	349,499
	119,237	9,773,323	41,756	13,379	10,129,835
	2,310,159	10,765,366	69,053	270,986	14,166,689
	8,643	11,237,533	414	372,563	12,768,772
	2,450,124	5,844,343	4,972,579	9,136,486	47,751,683
	1,401,465	1,683,639	(21,794)	1,258,998	6,566,581
\$	3,860,232	\$ 18,765,515	\$ 4,951,199	\$ 10,768,047	\$ 67,087,036

STATE OF NORTH DAKOTA

Combining Statement of Activities Nonmajor Component Units - Proprietary Funds For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net Revenue	Adds to Permanent Endowments	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
		Charges for Services	Operating Grants and Contributions					
DC-Bottineau Foundation	\$ 185,392	\$ 118,096	\$ 82,905	\$ 15,609	\$ 33,894	\$ 49,503	\$ 1,813,337	\$ 1,862,840
Lake Region Community College	448,778	88,165	824,563	463,950	273,990	737,940	3,402,125	4,140,065
MaSU Alumni Foundation	808,228	308,350	566,099	66,221	50,336	116,557	2,716,135	2,832,692
MiSU Development Foundation	906,893	50,254	1,004,093	147,454	617,195	764,649	10,117,957	10,882,606
NDSUS Development Foundation	900,556	151,107	999,248	249,799	172,634	422,433	8,601,407	9,023,840
NDSU Foundations	4,571,568	2,209,479	2,706,900	344,811	-	344,811	3,515,421	3,860,232
UND Foundations	4,804,116	1,101,709	4,783,397	1,080,990	57,397	1,138,387	17,627,128	18,765,515
VCSU Foundation	1,056,184	164,949	1,085,772	194,537	130,151	324,688	4,626,511	4,951,199
WSC Foundation	5,437,904	4,615,187	1,743,396	920,679	274,993	1,195,672	9,572,375	10,768,047
Total Nonmajor Component Units	\$ 19,119,619	\$ 8,807,296	\$ 13,796,373	\$ 3,484,050	\$ 1,610,590	\$ 5,094,640	\$ 61,992,396	\$ 67,087,036

Statistical Information



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STATE OF NORTH DAKOTA

Schedule 1 -- Net Assets by Component
Last Nine Fiscal Years
(accrual basis of accounting)

	2002	2003	2004	2005
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 1,066,084,756	\$ 1,049,297,664	\$ 1,027,252,008	\$ 1,094,550,779
Restricted	833,944,103	856,159,519	927,324,320	1,046,115,113
Unrestricted	318,778,093	291,089,526	353,193,506	437,010,686
Total Governmental Activities Net Assets	\$ 2,218,806,952	\$ 2,196,546,709	\$ 2,307,769,834	\$ 2,577,676,578
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt	\$ 459,592,422	\$ 462,653,314	\$ 499,222,000	\$ 505,915,735
Restricted	310,456,870	336,630,733	366,936,437	393,237,729
Unrestricted	688,828,021	670,890,468	711,777,176	737,348,941
Total Business-Type Activities Net Assets	\$ 1,458,877,313	\$ 1,470,174,515	\$ 1,577,935,613	\$ 1,636,502,405
Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 1,525,677,178	\$ 1,511,950,978	\$ 1,526,474,008	\$ 1,600,466,514
Restricted	1,144,400,973	1,192,790,252	1,294,260,757	1,439,352,842
Unrestricted	1,007,606,114	961,979,994	1,064,970,682	1,174,359,627
Total Primary Government Net Assets	\$ 3,677,684,265	\$ 3,666,721,224	\$ 3,885,705,447	\$ 4,214,178,983

NOTE: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

Statistical Section

	2006	2007	2008	2009	2010
\$	1,077,843,107	\$ 1,151,716,486	\$ 1,400,535,033	\$ 1,323,476,716	\$ 1,450,350,320
	1,281,416,598	1,384,212,299	1,458,565,511	1,502,237,251	1,984,324,201
	538,891,416	894,967,295	1,119,875,688	1,562,969,653	1,772,441,595
\$	2,898,151,121	\$ 3,430,896,080	\$ 3,978,976,232	\$ 4,388,683,620	\$ 5,207,116,116
\$	516,243,464	\$ 527,402,572	\$ 546,699,435	\$ 578,827,822	\$ 644,108,459
	391,312,218	478,219,512	532,954,637	500,433,232	445,609,412
	820,268,283	745,972,838	653,004,847	563,679,410	749,258,206
\$	1,727,823,965	\$ 1,751,594,922	\$ 1,732,658,919	\$ 1,642,940,464	\$ 1,838,976,077
\$	1,594,086,571	\$ 1,679,119,058	\$ 1,947,234,468	\$ 1,902,304,538	\$ 2,094,458,779
	1,672,728,816	1,862,431,811	1,991,520,148	2,011,110,394	2,429,933,613
	1,359,159,699	1,640,940,133	1,772,880,535	2,118,209,152	2,521,699,801
\$	4,625,975,086	\$ 5,182,491,002	\$ 5,711,635,151	\$ 6,031,624,084	\$ 7,046,092,193

STATE OF NORTH DAKOTA

Schedule 2 -- Changes in Net Assets

Last Nine Fiscal Years

(accrual basis of accounting)

	2002	2003	2004	2005
Expenses				
Governmental Activities:				
General Governmental	\$ 212,412,396	\$ 226,150,473	\$ 233,633,735	\$ 243,437,116
Education	421,031,864	453,869,441	469,333,531	486,221,447
Health and Human Services	730,285,413	776,275,467	803,600,511	826,832,059
Regulatory	17,757,644	18,141,782	17,756,651	17,966,367
Public Safety and Corrections	129,220,216	99,876,170	107,036,068	132,996,669
Agriculture and Commerce	51,344,782	53,050,858	57,532,612	55,795,473
Natural Resources	44,326,140	58,940,584	63,117,591	53,440,349
Transportation	320,773,349	352,535,072	360,231,121	300,321,693
Interest on Long Term Debt	8,335,096	7,602,467	7,372,042	8,103,849
Total Governmental Activities Expenses	<u>1,935,486,900</u>	<u>2,046,442,314</u>	<u>2,119,613,862</u>	<u>2,125,115,022</u>
Business-Type Activities:				
Bank of North Dakota	90,103,458	67,919,991	58,865,964	57,501,500
Housing Finance	59,502,532	55,744,846	49,646,082	45,922,148
Loan Programs	13,768,752	12,708,660	13,846,154	13,889,079
Mill and Elevator	79,009,119	90,834,520	92,261,275	95,222,870
State Lottery	-	-	5,943,739	18,917,023
Unemployment Compensation	50,485,399	56,753,361	49,327,620	43,393,675
University System	587,778,460	614,871,996	656,811,533	696,918,168
Workers Compensation	78,051,165	171,406,004	125,727,859	183,465,747
Other	15,667,981	10,959,458	9,511,724	6,436,187
Total Business-Type Activities Expenses	<u>974,366,866</u>	<u>1,081,198,836</u>	<u>1,061,941,950</u>	<u>1,161,666,397</u>
Total Primary Government Expenses	\$ <u>2,909,853,766</u>	\$ <u>3,127,641,150</u>	\$ <u>3,181,555,812</u>	\$ <u>3,286,781,419</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Governmental	\$ 20,113,433	\$ 19,420,980	\$ 21,798,406	\$ 24,128,539
Education	2,890,417	2,727,406	3,443,449	4,082,785
Health and Human Services	19,868,736	11,491,268	19,339,252	18,744,551
Regulatory	14,309,927	14,567,967	19,476,543	16,700,094
Public Safety and Corrections	2,626,650	2,834,399	5,460,128	6,931,898
Agriculture and Commerce	17,223,430	20,349,207	20,260,986	16,234,145
Natural Resources	14,728,718	19,966,065	20,873,885	23,899,425
Transportation	60,347,992	60,534,100	64,565,890	61,057,805
Operating Grants and Contributions	838,814,709	917,576,293	1,050,657,720	1,084,731,432
Capital Grants and Contributions	103,012,904	102,682,160	73,412,734	81,850,194
Total Governmental Activities Program Revenues	<u>1,093,936,916</u>	<u>1,172,149,845</u>	<u>1,299,288,993</u>	<u>1,338,360,868</u>
Business-Type Activities:				
Charges for Services:				
Bank of North Dakota	123,315,000	100,995,000	88,549,000	90,838,000
Housing Finance	51,350,000	46,837,000	39,327,000	36,643,000
Loan Programs	10,724,770	14,054,083	16,980,295	17,051,963
Mill and Elevator	80,960,600	92,785,165	97,914,279	101,050,302
State Lottery	-	-	6,039,180	19,283,424
Unemployment Compensation	48,361,519	60,058,581	64,644,433	60,969,669
University System	229,915,020	237,138,708	270,650,811	296,896,978
Workers Compensation	94,167,427	90,747,299	99,083,053	106,195,254
Other	10,702,036	12,215,700	12,432,831	12,242,970
Operating Grants and Contributions	180,077,823	285,158,222	309,148,951	304,001,326
Capital Grants and Contributions	6,483,747	7,929,417	9,405,153	5,997,781
Total Business-Type Activities Program Revenues	<u>836,057,942</u>	<u>947,919,175</u>	<u>1,014,174,986</u>	<u>1,051,170,667</u>
Total Primary Government Program Revenues	\$ <u>1,929,994,858</u>	\$ <u>2,120,069,020</u>	\$ <u>2,313,463,979</u>	\$ <u>2,389,531,535</u>
Net (Expense)/Revenue				
Governmental Activities	\$ (841,549,984)	\$ (874,292,469)	\$ (820,324,869)	\$ (786,754,154)
Business-Type Activities	(138,308,924)	(133,279,661)	(47,766,964)	(110,495,730)
Total Primary Government Net Expense	\$ <u>(979,858,908)</u>	\$ <u>(1,007,572,130)</u>	\$ <u>(868,091,833)</u>	\$ <u>(897,249,884)</u>
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual and Corporate Income Taxes	\$ 233,288,277	\$ 248,068,344	\$ 266,252,580	\$ 320,048,741
Sales and Use Taxes	567,901,369	550,220,785	599,064,637	630,178,563
Oil, Gas and Coal Taxes	90,976,331	107,448,761	112,454,541	162,919,498
Business and Other Taxes	59,284,332	62,991,361	61,395,792	57,831,733
Unrestricted Investment Earnings	5,213,490	2,539,604	1,103,625	4,105,864
Tobacco Settlement	14,729,391	14,770,608	12,640,791	12,829,714
Miscellaneous	6,858,007	9,646,690	10,528,733	22,337,630
Contributions to Permanent Fund Principal	13,665,257	13,126,756	11,262,038	13,635,693
Special Item - Loss on Discontinuance of Computer Project	-	-	-	-
Transfers	(170,233,044)	(159,389,462)	(152,421,836)	(170,925,314)
Total Governmental Activities	<u>821,683,410</u>	<u>849,423,447</u>	<u>922,280,901</u>	<u>1,052,962,122</u>
Business-Type Activities:				
Transfers	188,309,895	155,306,013	155,342,786	167,349,759
Total Primary Government	<u>1,009,993,305</u>	<u>1,004,729,460</u>	<u>1,077,623,687</u>	<u>1,220,311,881</u>
Change in Net Assets				
Governmental Activities	(19,866,574)	(24,869,022)	101,956,032	266,207,968
Business-Type Activities	50,000,971	22,026,352	107,575,822	56,854,029
Total Primary Government	\$ <u>30,134,397</u>	\$ <u>(2,842,670)</u>	\$ <u>209,531,854</u>	\$ <u>323,061,997</u>

NOTE: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.
The State Lottery became effective beginning in fiscal year 2004.

	2006	2007	2008	2009	2010
\$	264,911,163	\$ 275,242,149	\$ 313,329,720	\$ 418,220,944	\$ 393,432,224
	496,821,495	507,384,841	537,756,698	564,818,600	849,337,255
	854,450,025	874,003,750	960,439,610	1,005,299,226	1,149,201,916
	19,676,826	21,180,817	28,265,610	26,581,606	26,187,266
	145,479,620	135,581,887	135,067,907	194,263,845	284,846,465
	54,457,817	58,591,473	67,941,955	68,057,495	85,327,633
	62,430,892	57,850,544	64,090,113	64,816,773	81,304,271
	372,245,432	321,278,940	318,241,207	382,619,328	463,845,880
	12,880,933	14,438,858	13,293,248	12,683,901	11,773,684
	2,283,354,203	2,265,553,259	2,438,426,068	2,737,361,718	3,345,256,594
\$	71,263,587	\$ 91,261,449	\$ 108,077,704	\$ 99,089,692	\$ 80,132,606
	46,579,809	51,178,023	58,815,920	59,769,233	62,931,910
	17,235,546	9,453,454	9,657,603	6,776,733	6,315,852
	101,198,217	126,968,527	242,924,564	233,792,242	170,075,842
	15,622,027	16,068,060	16,205,287	16,122,996	18,177,724
	43,314,505	47,524,928	46,911,958	106,475,262	137,473,630
	743,271,216	775,600,118	835,873,088	894,733,624	963,820,452
	116,020,938	231,787,346	246,581,569	168,527,183	218,185,899
	14,922,322	16,621,718	23,268,976	15,809,783	18,330,675
	1,169,428,167	1,366,463,623	1,588,316,669	1,601,096,748	1,675,444,590
	\$ 3,452,782,370	\$ 3,632,016,882	\$ 4,026,742,737	\$ 4,338,458,466	\$ 5,020,701,184
\$	23,186,427	\$ 22,288,219	\$ 18,874,082	\$ 24,085,311	\$ 20,683,111
	3,675,283	3,616,003	3,994,400	4,325,036	5,440,633
	29,134,050	24,970,751	31,576,197	34,200,110	31,858,461
	17,072,857	20,267,416	21,266,588	19,418,470	23,963,949
	7,189,302	7,307,975	9,451,217	10,572,514	12,310,270
	22,935,699	19,593,774	28,180,590	22,749,832	29,530,575
	20,685,820	22,678,382	26,030,413	26,553,195	30,854,355
	77,967,969	74,146,958	71,469,872	87,100,993	90,768,728
	1,144,749,200	1,148,061,678	1,041,410,981	1,131,838,131	2,025,395,367
	56,556,872	71,115,382	68,471,590	57,064,724	63,034,991
	1,403,153,479	1,414,046,538	1,320,725,930	1,417,908,316	2,333,840,440
	107,518,000	135,843,000	158,993,000	155,951,000	138,081,000
	39,209,000	45,137,000	53,106,863	53,438,021	48,814,007
	17,406,328	12,535,071	10,522,025	6,941,602	6,013,058
	107,379,916	132,056,652	242,025,576	224,127,818	183,287,534
	22,413,359	22,772,976	22,219,058	21,815,381	24,498,988
	60,709,015	56,855,823	51,993,327	75,137,232	115,951,800
	331,584,391	351,789,074	369,469,634	400,638,083	418,085,075
	94,383,040	130,586,004	145,487,917	163,857,781	157,710,330
	13,467,869	13,370,412	19,959,736	14,303,486	17,797,890
	283,315,181	368,697,788	258,218,249	114,158,181	412,398,322
	577,251	7,314,326	9,244,575	10,820,227	19,762,204
	1,077,963,350	1,276,958,126	1,341,239,960	1,241,188,812	1,542,400,208
	\$ 2,481,116,829	\$ 2,691,004,664	\$ 2,661,965,890	\$ 2,659,097,128	\$ 3,876,240,648
\$	(880,200,724)	\$ (851,506,721)	\$ (1,117,700,138)	\$ (1,319,453,402)	\$ (1,011,416,154)
	(91,464,817)	(89,505,497)	(247,076,709)	(359,907,936)	(133,044,382)
	\$ (971,665,541)	\$ (941,012,218)	\$ (1,364,776,847)	\$ (1,679,361,338)	\$ (1,144,460,536)
\$	432,071,872	\$ 449,064,105	\$ 473,235,378	\$ 503,975,529	\$ 379,938,009
	678,820,618	726,913,003	797,614,476	857,770,891	885,445,674
	210,169,616	230,118,178	469,244,783	428,669,882	633,445,059
	66,601,785	54,780,147	65,487,361	60,813,632	62,075,915
	12,408,573	25,822,610	25,149,527	12,830,321	33,925,667
	11,712,175	16,097,938	20,062,331	30,990,193	23,559,384
	23,696,003	27,836,295	42,051,636	54,636,981	150,818,789
	11,156,063	15,995,440	19,181,247	11,573,541	11,203,425
	-	-	-	(3,314,057)	-
	(215,088,572)	(167,116,902)	(254,648,266)	(229,267,859)	(350,496,669)
	1,231,548,133	1,379,510,814	1,657,378,473	1,728,679,054	1,829,915,253
	188,108,694	185,840,985	228,140,706	270,189,481	324,785,928
	1,419,656,827	1,565,351,799	1,885,519,179	1,998,868,535	2,154,701,181
	351,347,409	528,004,093	539,678,335	409,225,652	818,499,099
	96,643,877	96,335,488	(18,936,003)	(89,718,455)	191,741,546
	\$ 447,991,286	\$ 624,339,581	\$ 520,742,332	\$ 319,507,197	\$ 1,010,240,645

STATE OF NORTH DAKOTA

Schedule 3 -- Fund Balances, Governmental Funds Last Nine Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004	2005
General Fund				
Reserved	\$ 770,922	\$ 1,202,632	\$ 1,108,857	\$ 1,532,133
Unreserved	114,717,188	125,713,572	195,646,056	280,287,601
Total General Fund	115,488,110	126,916,204	196,754,913	281,819,734
All Other Governmental Funds				
Reserved	675,669,784	699,229,225	772,703,412	846,154,741
Unreserved, Reported in:				
Special Revenue Funds	392,936,521	365,135,360	344,890,456	440,941,175
Total All Other Governmental Funds	1,068,606,305	1,064,364,585	1,117,593,868	1,287,095,916
Total Fund Balances, Governmental Funds	\$ 1,184,094,415	\$ 1,191,280,789	\$ 1,314,348,781	\$ 1,568,915,650

NOTE: Due to changes in the State's fund structure initiated when Governmental Accounting Standards Board Statement No. 34 was implemented; the fund balance information is available only beginning in fiscal year 2002.

2006	2007	2008	2009	2010
\$ 2,050,599	\$ 1,690,187	\$ 2,479,613	\$ 4,123,554	\$ 4,990,240
412,886,296	636,773,228	785,459,751	863,093,388	834,021,114
414,936,895	638,463,415	787,939,364	867,216,942	839,011,354
999,818,758	1,094,599,293	1,102,476,731	1,021,911,207	2,201,584,878
475,496,357	576,408,347	870,164,282	1,195,606,640	1,525,108,012
1,475,315,115	1,671,007,640	1,972,641,013	2,217,517,847	3,726,692,890
\$ 1,890,252,010	\$ 2,309,471,055	\$ 2,760,580,377	\$ 3,084,734,789	\$ 4,565,704,244

STATE OF NORTH DAKOTA

Schedule 4 -- Changes in Fund Balances, Governmental Funds

Last Nine Fiscal Years

(modified accrual basis of accounting)

	2002	2003	2004
Revenues			
Individual and Corporate Income Taxes	\$ 234,812,455	\$ 248,810,178	\$ 265,907,357
Sales and Use Taxes	567,465,059	550,220,785	599,407,365
Oil, Gas, and Coal Taxes	90,976,331	107,448,761	112,454,541
Business and Other Taxes	59,284,332	62,959,218	61,395,792
Licenses, Permits and Fees	90,297,704	89,763,132	100,502,495
Intergovernmental	918,931,998	969,097,381	1,011,333,930
Sales and Services	39,297,051	38,360,653	44,429,465
Royalties and Rents	17,917,887	21,203,780	25,480,076
Fines and Forfeits	10,892,091	10,745,861	15,355,746
Interest and Investment Income	4,289,399	32,457,723	84,295,367
Tobacco Settlement	26,780,711	26,855,651	22,983,256
Commodity Assessments	9,443,805	10,221,202	11,897,001
Miscellaneous	3,091,525	4,190,226	5,411,013
Total Revenues	2,073,480,348	2,172,334,551	2,360,853,404
Expenditures			
Current:			
General Government	70,248,362	76,538,930	74,212,740
Education	413,416,472	446,273,895	461,791,383
Health and Human Services	728,510,901	771,907,427	795,012,587
Regulatory	14,662,032	16,180,944	14,948,304
Public Safety and Corrections	135,591,016	95,264,315	102,275,243
Agriculture and Commerce	51,263,030	52,921,944	57,476,139
Natural Resources	46,958,824	52,405,276	57,536,974
Transportation	324,821,384	233,089,215	240,043,640
Intergovernmental - Revenue Sharing	142,778,046	148,181,078	157,200,675
Capital Outlay	9,147,424	115,190,590	125,531,217
Debt Service:			
Principal	6,374,010	7,738,353	8,381,770
Interest and Other Charges	7,327,477	8,403,267	6,962,225
Total Expenditures	1,951,098,978	2,024,095,234	2,101,372,897
Revenue over (under) Expenditures	122,381,370	148,239,317	259,480,507
Other Financing Sources (Uses)			
Bonds and Notes Issued	11,368,445	16,121,023	5,871,011
Refunding Bonds Issued	-	43,374,000	187,283
Payment to Refund Bond Escrow Agent	-	(16,224,000)	-
Payment on Refunded Bonds	-	(28,100,000)	-
Capital Lease Acquisitions	160,415	1,775,805	-
Sale of Capital Assets	439,396	234,029	581,050
Other	3,813	(14,621)	(7,862)
Transfers In	132,083,095	177,213,969	207,479,994
Transfers Out	(302,916,415)	(336,603,431)	(360,337,994)
Total Other Financing Sources (Uses)	(158,861,251)	(142,223,226)	(146,226,518)
Net Changes in Fund Balances	\$ (36,479,881)	\$ 6,016,091	\$ 113,253,989
Debt Service as a Percentage of Noncapital Expenditures	<1%	<1%	<1%

NOTE: Due to changes in the State's fund structure initiated when Governmental Accounting Standards Board Statement No. 34 was implemented; the fund balance information is available only beginning in fiscal year 2002.

	2005	2006	2007	2008	2009	2010
\$	319,862,263	\$ 409,691,305	\$ 443,215,760	\$ 469,177,140	\$ 505,011,491	\$ 380,068,970
	630,178,563	674,235,802	725,523,596	795,575,768	857,400,779	883,265,443
	162,919,498	210,157,778	230,124,520	469,231,373	428,629,782	633,497,612
	57,286,643	57,386,606	54,742,121	63,575,524	61,017,632	62,344,622
	99,655,471	122,528,304	116,236,397	123,469,151	133,219,868	143,516,524
	1,060,896,574	1,079,689,531	1,061,075,404	1,088,706,508	1,252,165,449	1,692,074,692
	39,036,704	45,603,895	41,134,852	49,459,036	48,871,700	47,993,528
	54,937,603	64,279,399	64,580,931	96,037,810	125,251,686	407,051,277
	14,460,365	12,396,632	14,834,336	10,903,234	15,774,414	13,282,502
	69,224,302	82,674,439	147,584,215	(1,522,383)	(110,353,157)	181,825,499
	23,326,753	21,348,506	29,215,336	36,478,816	39,327,032	32,839,602
	10,820,676	12,673,677	13,801,240	18,152,847	16,502,864	19,558,592
	5,728,587	6,115,395	10,327,474	10,178,935	5,863,644	11,870,275
	2,548,334,002	2,798,781,269	2,952,396,182	3,229,423,759	3,378,683,184	4,509,189,138
	84,287,121	92,726,091	94,139,748	93,444,373	165,062,399	118,135,852
	478,725,082	489,130,108	506,528,869	536,359,840	564,579,714	849,104,680
	822,941,681	843,779,436	873,992,858	956,031,462	1,002,699,816	1,147,503,138
	15,364,493	16,039,593	16,987,513	19,696,747	22,284,389	22,114,812
	128,185,075	139,043,860	129,458,229	127,347,181	187,059,227	276,719,107
	55,747,507	54,658,099	58,249,503	67,675,838	67,987,832	85,141,016
	49,843,758	55,557,993	52,990,134	58,128,187	58,433,165	73,359,931
	234,262,747	342,590,896	290,317,792	283,717,240	353,240,413	425,930,371
	157,867,895	171,942,576	181,498,302	224,406,911	253,363,580	273,118,311
	156,323,725	121,433,926	143,672,671	139,215,060	113,879,585	155,148,376
	9,586,080	11,235,110	10,215,343	16,215,727	20,207,193	30,513,501
	7,836,683	11,799,333	13,341,252	13,264,977	12,280,656	12,318,072
	2,200,971,847	2,349,937,021	2,371,392,214	2,535,503,543	2,821,077,969	3,469,107,167
	347,362,155	448,844,248	581,003,968	693,920,216	557,605,215	1,040,081,971
	69,013,223	115,130,668	1,828,225	1,426,000	3,005,000	-
	21,630,000	10,516,000	23,775,068	-	-	-
	(22,281,509)	(10,388,000)	(24,588,018)	-	-	-
	-	-	-	-	-	-
	5,211,960	1,946,086	202,754	370,888	88,245	166,951
	1,313,753	1,248,797	230,528	1,052,750	86,625	471,890
	-	-	-	-	-	-
	303,157,108	195,454,840	241,687,946	302,221,706	278,233,887	474,985,111
	(474,082,423)	(410,543,412)	(408,804,848)	(556,869,970)	(507,501,746)	(825,481,779)
	(96,037,888)	(96,635,021)	(165,668,345)	(251,798,626)	(226,087,989)	(349,857,827)
\$	251,324,267	\$ 352,209,227	\$ 415,335,623	\$ 442,121,590	\$ 331,517,226	\$ 690,224,144
	<1%	<1%	<1%	<1%	<1%	<1%

STATE OF NORTH DAKOTA

Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	2000	2001	2002	2003
Mining and Oil Extraction	\$ 43,752,876	\$ 47,349,516	\$ 50,329,809	\$ 58,538,788
Construction	223,613,918	178,134,203	180,975,424	193,399,184
Manufacturing	312,269,137	324,493,651	301,919,383	307,802,595
Transportation, Communications, And Public Utilities	557,613,208	663,599,972	597,154,517	721,601,734
Wholesale	1,395,500,133	1,486,187,871	1,338,621,392	1,293,684,071
Retail	3,562,239,018	3,678,040,583	3,804,865,413	3,963,823,988
Services	686,301,315	709,196,225	709,805,170	744,082,659
Accommodation and Food Service (1)	-	-	-	-
Miscellaneous (1)	45,098,067	60,126,069	61,072,167	64,525,223
Total	\$6,826,387,672	\$ 7,147,128,090	\$ 7,044,743,275	\$ 7,347,458,242
Effective Tax Rate	4.91%	4.84%	4.98%	4.95%

(1) Information was from SIC prior to 2007, when a switch was made to NAICS. There is no miscellaneous category under NAICS but there is an Accommodation and Food Service category, which was pulled from the SIC Services and Retail category.

Source: ND State Tax Department

Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 2000 and 2009 (Dollars are in Millions)

	Calendar Year 2000			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	12,530	45.7%	212.85	55.8%
Wholesale Trade	4,916	17.9%	60.95	16.0%
Services	6,873	25.1%	38.91	10.2%
Transportation, Communications, And Public Utilities	542	2.0%	23.70	6.2%
Manufacturing	498	1.8%	18.85	4.9%
Construction	1,397	5.1%	20.39	5.3%
Miscellaneous	499	1.8%	4.38	1.1%
Mining and Oil Extraction	150	0.5%	1.43	0.4%
Total	27,405	100.0%	381.44	100.0%

Source: ND State Tax Department

Calendar Year					
2004	2005	2006	2007	2008	2009
\$ 97,973,056	\$ 131,849,866	\$ 191,615,942	\$ 374,201,247	\$ 951,773,654	\$ 704,397,852
240,018,916	294,678,543	352,454,828	401,485,208	452,093,539	429,559,387
341,688,027	494,987,751	543,692,333	589,463,741	697,482,110	649,627,740
790,441,560	915,437,434	954,523,004	442,079,107	654,070,303	489,144,528
1,455,025,213	1,446,044,209	1,612,369,604	1,844,174,252	2,645,755,217	2,413,689,772
4,221,825,146	3,677,485,817	3,892,914,208	4,128,221,158	4,366,831,911	4,334,670,425
787,170,817	1,558,601,437	1,688,764,982	1,413,161,243	1,479,230,174	1,542,498,356
-	-	-	1,058,245,321	1,149,837,849	1,179,623,344
66,126,921	47,865,825	47,955,072	-	-	-
<u>\$ 8,000,269,656</u>	<u>\$ 8,566,950,882</u>	<u>\$ 9,284,289,973</u>	<u>\$ 10,251,031,277</u>	<u>\$ 12,397,074,757</u>	<u>\$ 11,743,211,404</u>
4.84%	4.92%	4.95%	4.95%	4.97%	-5.27%

Calendar Year 2009			
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
7,977	28.8%	202.18	34.0%
4,409	15.9%	81.45	13.7%
7,709	27.8%	65.02	11.0%
436	1.6%	28.40	4.8%
2,450	8.8%	138.14	23.3%
1,772	6.4%	38.53	6.5%
2,693	9.7%	35.59	6.0%
266	1.0%	3.78	0.6%
27,712	100.0%	593.10	100.0%

STATE OF NORTH DAKOTA

Schedule 7

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands)

	Fiscal Year			
	2001	2002	2003	2004
Governmental Activities				
Revenue bonds	\$ 135,167	\$ 140,161	\$ 146,795	\$ 146,384
Capital leases	3,275	1,403	2,240	1,132
Notes Payable	2,987	507	5,671	5,455
Total Governmental Activities	<u>141,429</u>	<u>142,071</u>	<u>154,706</u>	<u>152,971</u>
Business-type Activities				
Revenue bonds	1,117,828	965,243	886,185	835,535
Capital leases	24,291	30,341	31,798	34,130
Notes payable	264,744	403,860	427,683	535,253
Total Business-Type Activities	<u>1,406,863</u>	<u>1,399,444</u>	<u>1,345,666</u>	<u>1,404,918</u>
Total Primary Government	<u>\$ 1,548,292</u>	<u>\$ 1,541,515</u>	<u>\$ 1,500,372</u>	<u>\$ 1,557,889</u>
Debt as a Percentage of Personal Income ¹	9.6%	9.4%	9.0%	8.6%
Amount of Debt per Capita ¹	\$ 2,411	\$ 2,422	\$ 2,367	\$ 2,461

¹ These ratios are calculated using personal income and population for the prior calendar year. See Schedule 10 for personal income and population data.

Details regarding the state's debt can be found in Note 3-K of the financial statements.

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 204,240	\$ 287,016	\$ 277,932	\$ 265,665	\$ 251,526	\$ 232,102
5,941	6,361	5,418	5,236	4,056	2,842
5,613	32,314	32,384	35,726	26,523	19,493
<u>215,794</u>	<u>325,691</u>	<u>315,734</u>	<u>306,627</u>	<u>282,105</u>	<u>254,437</u>
887,350	1,038,233	1,073,545	1,197,845	1,051,542	1,301,368
38,746	45,088	46,131	50,046	68,097	72,461
445,080	283,509	263,820	250,645	318,847	412,095
<u>1,371,176</u>	<u>1,366,830</u>	<u>1,383,496</u>	<u>1,498,536</u>	<u>1,438,486</u>	<u>1,785,924</u>
<u>\$ 1,586,970</u>	<u>\$ 1,692,521</u>	<u>\$ 1,699,230</u>	<u>\$ 1,805,163</u>	<u>\$ 1,720,591</u>	<u>\$ 2,040,361</u>
8.5%	8.4%	8.1%	8.1%	6.8%	8.1%
\$ 2,492	\$ 2,661	\$ 2,666	\$ 2,822	\$ 2,682	\$ 3,181

STATE OF NORTH DAKOTA

Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less: Operating Expenses (1)	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
BUILDING AUTHORITY BONDS						
2001	\$ 7,136,000	\$ -	\$ 7,136,000	\$ 3,733,000	\$ 4,575,000	0.86
2002	7,197,000	-	7,197,000	4,471,000	4,539,000	0.80
2003	8,603,000	-	8,603,000	4,655,000	5,725,000	0.83
2004	9,247,000	-	9,247,000	5,540,000	4,381,000	0.93
2005	9,468,000	-	9,468,000	5,618,000	3,985,000	0.99
2006	10,650,000	-	10,650,000	6,711,000	5,270,000	0.89
2007	10,479,000	-	10,479,000	6,649,000	5,541,000	0.86
2008	11,303,000	-	11,303,000	8,161,000	4,770,000	0.87
2009	12,827,000	-	12,827,000	8,103,000	4,309,000	1.03
2010	11,026,000	-	11,026,000	10,360,000	4,005,000	0.77
<i>Pledged revenues include interest and lease payments.</i>						
WATER COMMISSION BONDS						
2001	\$ 1,187,776	\$ -	\$ 1,187,776	\$ 167,010	\$ 2,165,826	0.51
2002	3,731,579	-	3,731,579	1,103,010	2,486,787	1.04
2003	4,530,982	-	4,530,982	1,353,210	2,478,097	1.18
2004	3,919,690	-	3,919,690	1,311,210	2,418,640	1.05
2005	4,894,238	-	4,894,238	2,472,910	3,482,849	0.82
2006	5,608,843	-	5,608,843	1,420,600	3,881,643	1.06
2007	7,192,923	-	7,192,923	1,813,098	4,999,564	1.06
2008	7,623,880	-	7,623,880	1,485,000	4,717,867	1.23
2009	9,526,211	-	9,526,211	4,859,000	4,863,040	0.98
2010	9,658,200	-	9,658,200	5,055,000	4,685,748	0.99
<i>Pledged revenues include user fees, interest, and Tobacco Settlement funds.</i>						
LIGNITE RESEARCH BONDS (4)						
2001	\$ 1,066,890	\$ -	\$ 1,066,890	\$ 760,000	\$ 306,750	1.00
2002	1,070,330	-	1,070,330	800,000	301,690	0.97
2003	1,076,320	-	1,076,320	845,000	200,170	1.03
2004	1,057,418	-	1,057,418	895,000	162,585	1.00
2005	1,089,157	-	1,089,157	950,000	138,998	1.00
2006	1,079,038	-	1,079,038	1,910,000	53,503	0.55
2007	-	-	-	-	-	-
<i>Pledged revenues include interest and royalties.</i>						
INFORMATION TECHNOLOGY BONDS (1)						
2004	\$ 30,579,344	\$ 29,457,699	\$ 1,121,645	\$ -	\$ 163,723	6.85
2005	31,228,224	28,388,559	2,839,665	-	248,790	11.41
2006	34,555,908	34,557,209	(1,301)	549,000	307,789	0.00
2007	38,270,735	32,009,593	6,261,142	568,400	213,506	8.01
2008	40,706,890	38,728,841	1,978,049	590,150	192,203	2.53
2009	45,225,141	39,036,294	6,188,847	6,613,350	935,650	0.82
2010	48,633,238	38,453,612	10,179,626	1,716,372	790,686	4.06
<i>Pledged revenues include user fees.</i>						
DEPARTMENT OF TRANSPORTATION BONDS (1)						
2006	\$ 1,717,002	\$ -	\$ 1,717,002	\$ -	\$ 2,144,269	0.80
2007	1,416,161	-	1,416,161	161,125	2,001,689	0.65
2008	425,257	-	425,257	3,160,000	2,162,804	0.08
2009	58,576	-	58,576	3,255,000	2,067,750	0.01
2010	1,585	-	1,585	3,355,000	2,397,783	0.00
<i>Pledged revenues include interest and federal and highway fund appropriations.</i>						

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		Coverage
				Principal	Interest	
STUDENT LOAN TRUST						
2001	\$ 17,732,535	\$ 5,936,696	\$ 11,795,839	\$ 1,749,449	\$ 7,594,712	1.26
2002	12,646,000	3,808,000	8,838,000	27,082,000	5,430,000	0.27
2003	10,663,000	4,583,000	6,080,000	63,855,000	2,629,000	0.09
2004	12,460,000	6,406,000	6,054,000	1,000,000	1,750,000	2.20
2005	13,455,000	5,309,000	8,146,000	-	2,998,000	2.72
2006	13,641,000	4,759,000	8,882,000	-	5,010,000	1.77
2007	9,194,000	2,296,000	6,898,000	-	3,917,000	1.76
2008	7,192,000	1,367,000	5,825,000	8,900,000	3,790,000	0.46
2009	2,714,000	1,492,000	1,222,000	59,400,000	929,000	0.02
2010	1,630,000	925,000	705,000	1,000,000	535,000	0.46

Pledged revenues include federal revenues, and loan and investment interest.

HOUSING FINANCE AGENCY						
2001	\$ 69,613,000	\$ 17,526,000	\$ 52,087,000	\$ 173,550,000	\$ 43,121,000	0.24
2002	66,734,000	13,000,000	53,734,000	207,465,000	46,450,000	0.21
2003	63,697,000	16,376,000	47,321,000	140,411,000	39,337,000	0.26
2004	52,016,000	16,512,000	35,504,000	177,594,000	33,115,000	0.17
2005	51,152,000	18,048,000	33,104,000	120,539,000	27,859,000	0.22
2006	51,472,000	20,736,000	30,736,000	98,501,000	25,839,000	0.25
2007	58,632,000	26,868,000	31,764,000	133,527,000	31,809,000	0.19
2008	67,393,000	34,498,000	32,895,000	8,969,000	37,373,000	0.71
2009	67,073,021	35,458,000	31,615,021	254,020,000	40,733,000	0.11
2010	72,564,000	26,958,000	45,606,000	354,181,000	37,499,000	0.12

Pledged revenues include income and proceeds from mortgage loan activity.

STATE FAIR ASSOCIATION (2)						
2001	3,221,683	3,030,092	191,591	195,000	127,796	0.59
2002	3,448,061	3,150,042	298,019	-	93,010	3.20
2003	3,511,582	3,362,756	148,826	210,000	74,843	0.52
2004	3,735,261	3,585,269	149,992	205,000	77,149	0.53
2005	4,415,435	3,847,415	568,020	205,000	71,766	2.05
2006	4,712,097	4,089,305	622,792	205,000	64,231	2.31

Pledged revenues include state appropriations and State Fair net revenue.

UNIVERSITY SYSTEM (3)						
2002	\$ 398,935,980	\$ 552,709,442	\$ (153,773,462)	\$ 15,509,175	\$ 3,249,608	(8.20)
2003	430,941,780	579,083,257	(148,141,477)	22,090,280	4,838,767	(5.50)
2004	484,761,680	619,035,327	(134,273,647)	12,689,507	5,508,951	(7.38)
2005	490,990,656	655,641,086	(164,650,430)	12,506,875	7,344,029	(8.29)
2006	539,484,282	650,271,318	(110,787,036)	15,717,500	9,532,867	(4.39)
2007	557,498,821	665,012,168	(107,513,347)	29,385,066	12,325,577	(2.58)
2008	577,333,810	720,525,986	(143,192,176)	10,771,860	12,946,879	(6.04)
2009	615,327,588	768,207,013	(152,879,425)	31,757,754	13,848,295	(3.35)
2010	663,347,234	823,053,516	(159,706,282)	25,067,090	12,968,810	(4.20)

Pledged revenues include student fees, auxiliary revenues, and debt service grants.

- (1) First year reported is first year Agency held bonds.
- (2) Information presented for the Fiscal Year Ended September 30.
- (3) Information not available prior to Implementation of GASB 34 for FY2002.
- (4) The bonds were redeemed during 2007 and the fund no longer exists.

NOTE: Gross revenues include nonoperating interest income. Operating expenses do not include bond interest or depreciation expenses.

**Schedule 9
Legal Debt Limit
Fiscal Year Ending June 30, 2010**

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>
2000	642,200	\$16,430,346	\$25,624	2.9%	309,223
2001	636,267	16,982,318	26,691	2.8%	311,632
2002	633,617	17,333,405	27,356	3.5%	311,808
2003	632,809	18,824,539	29,748	3.6%	314,273
2004	636,303	19,292,518	30,320	3.5%	321,108
2005	635,365	20,542,124	32,331	3.4%	328,121
2006	636,771	21,375,002	33,568	3.2%	335,718
2007	638,202	23,613,003	36,999	3.1%	341,705
2008	641,421	26,614,683	41,493	3.2%	350,442
2009	646,844	26,343,904	40,727	4.3%	349,561

Source:

- (a) Census Bureau
- (b) Bureau of Economic Analysis
- (c) Local Area Unemployment Statistics program
- (d) Quarterly Census of Employment and Wages program

Schedule 11 Principal Employers

North Dakota Century Code 52-01-02 and 52-01-03 prohibits Job Service North Dakota from disclosing information provided to them by employers, including the employer name and number of employees, unless authorized by the employer. Sufficient permission has not been received to allow for presentation of this schedule.

The following schedule is being presented as an alternative to the principal employer schedule:

Schedule 12 Employment by Industry Current Year and Nine Years Ago

<u>Industry</u>	<u>2009</u>			<u>2000</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	77,700	1	21.22%	73,350	1	22.39%
Educational and Health Services	53,200	2	14.53%	45,050	2	13.75%
Retail Trade	42,600	3	11.64%	41,100	3	12.55%
Leisure and Hospitality	34,100	4	9.31%	29,350	4	8.96%
Professional and Business Services	29,100	5	7.95%	24,900	5	7.60%
Manufacturing	23,600	6	6.45%	23,900	6	7.30%
Construction	20,700	7	5.65%	15,850	9	4.84%
Financial Activities	20,200	8	5.52%	16,750	8	5.11%
Wholesale Trade	20,100	9	5.49%	18,350	7	5.60%
Other Services	15,400	10	4.21%	15,300	10	4.67%
Transportation, Warehousing and Utilities	15,000	11	4.10%	11,950	11	3.65%
Information	7,500	12	2.05%	8,450	12	2.58%
Natural Resources and Mining	6,900	13	1.88%	3,300	13	1.01%
Total	<u>366,100</u>		<u>100%</u>	<u>327,600</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>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Kindergarten	7,057	7,012	6,890	6,641	6,578	6,648	6,661	7,197	6,442	7,446
Grades 1-3	22,108	21,473	21,229	21,115	20,736	20,358	20,126	20,030	20,594	21,592
Grades 4-6	23,652	23,241	22,645	22,109	21,390	21,060	20,951	20,847	20,429	20,788
Grades 7-8	16,880	16,514	16,287	16,148	15,864	15,333	14,759	14,573	14,498	14,662
Grades 9-12	35,517	34,773	34,086	33,311	32,552	32,201	31,483	30,727	30,373	30,241
Total Enrollment	105,214	103,013	101,137	99,324	97,120	95,600	93,980	93,374	92,336	94,729
Special Education Students	13,630	13,901	13,868	14,681	13,883	13,825	13,606	13,278	13,261	NA

Source: Department of Public Instruction

University System Full-Time Equivalent Student Enrollment

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Bismarck State College	2,473	2,543	2,747	2,800	2,603	2,651	2,793	2,937	3,160	3,208
Dakota College at Bottineau	416	477	473	447	386	399	401	440	490	540
Dickinson State University	1,746	1,939	1,991	2,034	2,031	2,059	2,158	2,294	2,187	2,068
Lake Region State College	664	683	739	738	738	750	764	784	868	921
Mayville State University	662	657	701	761	722	652	586	563	662	704
Minot State University	2,911	2,975	3,029	3,034	3,011	2,928	2,729	2,720	2,832	3,002
ND State College Of Science	2,247	2,253	2,322	2,271	2,223	2,171	2,097	2,041	2,076	2,217
North Dakota State University	9,621	9,993	10,348	10,745	10,807	10,890	11,221	11,794	12,577	12,708
University of North Dakota	10,466	11,155	11,811	11,931	11,155	11,381	10,967	11,137	11,306	12,018
Valley City State University	896	922	879	956	899	844	807	823	833	957
Williston State College	614	652	703	709	702	648	551	562	573	570
Total	32,716	34,249	35,743	36,426	35,277	35,373	35,074	36,095	37,564	38,913

Note: Full-Time Equivalent Enrollment is based upon student credit hours.

In August 2006, the SBHE changed the definition of undergraduate FTE to 15 credit hours from 16, and first professional to 1 for full-time students and 1/2 for part-time students. In order to provide a consistent basis for comparing enrollments to prior years, prior year FTE's have been recalculated based on the new definition, which is compatible with National Integrated Post-Secondary Education Data System (IPEDS) reporting requirements.

Source: North Dakota University System, Fall Enrollment Reports

Schedule 14
State Employees by State Agency
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXECUTIVE BRANCH										
Adjutant General	127	128	125	133	132	158	169	171	174	174
Aeronautics Commission	5	5	5	5	5	5	5	5	5	6
Bank of North Dakota	173	172	170	171	169	167	181	179	179	177
Barley Council	2	3	4	4	2	2	5	6	6	6
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	28	28	25	26	26	25	33	33	34	34
Corn Council	1	1	1	1	2	1	2	2	3	3
Council on the Arts	6	5	5	5	4	5	5	5	5	5
Department of Agriculture	54	56	57	56	54	58	64	67	68	72
Department of Commerce	33	55	55	54	54	56	67	68	68	68
Department of Corrections and Rehabilitation	531	553	581	590	602	627	664	681	703	704
Department of Emergency Services	20	20	20	22	19	53	54	56	57	60
Department of Financial Institutions	20	21	21	21	23	24	26	26	26	29
Department of Human Services	2,156	2,145	2,095	1,951	1,946	1,938	2,133	2,297	2,275	2,222
Department of Public Instruction	130	85	90	90	88	89	95	95	98	99
Department of Transportation	1,010	1,027	1,017	1,015	1,014	1,021	1,054	1,061	1,056	1,057
Game and Fish Department	129	137	140	138	139	139	154	154	156	156
Highway Patrol	191	190	187	192	171	176	186	193	193	194
Historical Society	53	54	55	56	56	56	58	61	63	63
Indian Affairs Commission	4	4	4	3	3	3	3	4	4	4
Industrial Commission	58	59	58	55	48	48	53	55	58	60
Information Technology Department	168	243	243	245	244	240	313	316	338	339
Job Service North Dakota	379	371	357	357	333	286	352	309	309	309
Milk Marketing Board	5	5	4	4	4	4	6	6	6	6
ND Department of Health	294	303	316	318	295	292	324	335	343	346
ND Horse Racing Commission	0	0	0	0	0	2	2	2	2	2
ND Housing Finance Agency	33	36	38	38	40	37	38	43	42	46
ND Mill and Elevator Association	114	116	117	118	117	121	127	125	126	130
ND Vision Services/School for the Blind	26	26	28	30	26	26	30	30	32	32
North Dakota University System	6,378	6,858	7,093	7,351	7,543	7,336	6,015	7,171	7,261	7,579
Office of Administrative Hearings	6	5	5	5	6	7	7	7	7	7
Office of Management and Budget	148	128	129	129	129	120	133	133	133	133
Office of the Attorney General	138	145	143	139	164	174	177	185	188	202

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXECUTIVE BRANCH, Continued										
Office of the Governor	17	18	18	17	18	16	18	18	18	18
Office of the Insurance Commissioner	42	40	38	43	40	40	46	46	46	46
Office of the Labor Commissioner	9	10	10	10	10	10	12	11	12	12
Office of the State Auditor	53	52	52	51	50	53	56	56	56	56
Office of the State Tax Commissioner	134	132	133	129	125	123	133	133	133	133
Office of the State Treasurer	7	6	6	6	6	5	7	7	7	7
Oilseed Council	1	1	1	1	1	1	1	1	1	1
Parks and Recreation Department	38	43	44	44	44	42	50	49	49	52
Protection and Advocacy	21	22	25	26	24	24	25	27	28	28
Public Employees Retirement System	26	27	25	28	27	28	33	33	33	33
Public Service Commission	40	41	41	41	41	39	43	44	44	45
Retirement and Investment Office	17	17	17	18	17	16	17	17	17	17
School for the Deaf	61	60	60	55	50	49	49	44	44	50
Secretary of State	24	26	26	26	26	26	27	27	28	28
Securities Department	8	8	8	8	8	8	9	9	9	9
Seed Department	25	25	24	25	23	22	32	31	30	30
Soybean Council	3	3	3	3	3	3	5	5	5	5
State Fair Association	13	12	12	16	15	15	24	26	26	28
State Land Department	16	18	18	19	17	17	21	21	20	21
State Library	27	27	27	27	29	28	30	30	30	30
State Radio	30	31	29	28	28	0	0	0	0	0
Veteran's Affairs Department	6	6	6	6	6	6	6	7	7	7
Veterans Home	84	86	84	84	82	86	88	92	98	98
Water Commission	79	81	82	80	77	77	84	84	84	86
Wheat Commission	7	6	6	6	6	5	8	8	8	8
Workforce Safety and Insurance	187	229	226	223	219	216	239	239	240	241
LEGISLATIVE BRANCH										
Legislative Council	30	31	31	30	31	31	33	33	33	34
JUDICIAL BRANCH										
Judiciary Branch	327	335	329	323	323	339	352	367	368	372
Total State Employees	13,754	14,379	14,571	14,697	14,806	14,623	13,985	15,348	15,494	15,821

NA - Not Available

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Office of the Tax Commissioner										
Number of returns filed electronically ¹	50,685	78,932	103,910	129,509	147,683	166,733	186,329	203,279	222,254	242,792
Education										
Department of Public Instruction										
Public School Enrollment ²	105,214	103,013	101,137	99,324	97,120	95,600	93,980	93,374	92,336	94,729
North Dakota University System										
Full Time Equivalent Student Enrollment ³	32,716	34,249	35,743	36,426	35,277	35,373	35,074	36,095	37,564	38,913
Health and Human Services										
North Dakota Department of Health										
Number of Autopsies Performed in ND ⁴	172	225	226	195	221	240	237	274	305	NA
Air Quality - Percent of Facilities in Compliance ⁴	99	100	99	100	100	100	98	99	99	NA
Public Water Systems - Percent of Facilities in Compliance ⁴	94	96	97	92	92	94	95	95	95	NA
Department of Human Services										
Number of TANF Caseloads	5,612	NA	5,988	5,887	5,524	5,259	5,112	4,927	4,733	4,238
Number of Medicaid Recipients	62,492	NA	76,377	77,378	77,018	77,799	75,470	75,732	77,637	84,529
Regulatory										
Office of the Insurance Commissioner										
Licensed Insurance Agents ⁴	20,905	23,372	25,856	31,645	33,323	39,230	47,437	47,399	48,308	49,157
Public Service Commission										
Weighing and Measuring Devices Inspected	15,321	13,853	14,971	14,605	13,944	12,414	13,183	11,476	11,395	10,465
Gas Pipeline Safety Inspections	47	63	62	50	54	68	65	61	67	67
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population ⁴	1,099	1,160	1,198	1,299	1,366	1,409	1,429	1,449	1,442	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened ⁴	296	302	302	286	319	351	299	369	389	NA
Drug Cases Opened ³	363	573	549	623	553	472	425	380	372	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses ⁴	4,552	4,847	5,646	6,411	6,378	6,517	6,915	6,007	6,883	NA
Methamphetamine/Amphetamine Samples Processed ⁴	1,505	2,419	1,990	2,813	2,779	1,552	1,009	636	132	NA
Office of the Adjutant General										
Assigned National Guard ⁵	4,366	4,269	4,241	4,106	4,043	4,243	4,211	4,262	4,299	4,349
Agriculture and Commerce										
Department of Agriculture										
Pounds of Pesticide Waste Collected	166,949	147,857	190,759	155,158	129,994	172,791	170,817	215,521	205,021	215,594
Department of Commerce										
Net Job Growth from Nonfarm Employment ⁴	1,950	150	2,800	5,250	6,850	7,500	6,200	8,600	-1,000	NA
New Private Sector Businesses ⁴	-29	206	332	458	558	429	-324	395	-53	NA
Natural Resources										
Game and Fish Department										
Registered Boats ⁴	51,483	45,076	49,249	52,961	44,499	49,641	53,519	46,067	51,609	NA
Hunting and Fishing Licenses Issued	312,853	322,728	321,304	323,479	314,465	332,644	324,770	330,524	319,414	NA
Department of Parks and Recreation										
Park Visitations ⁴	1,052,399	1,051,752	1,045,390	972,151	923,181	940,113	898,235	889,231	1,055,930	NA
Camping Nights ⁴	44,168	47,489	49,533	47,484	48,599	51,945	52,904	51,529	58,984	NA
Snowmobile Registrations ⁴	4,134	17,459	2,649	15,961	2,223	14,198	11,322	3,845	11,421	NA
OHV Registrations ⁴	NA	NA	NA	NA	NA	NA	9,200	18,237	9,118	NA
Transportation										
Department of Transportation										
Registered Vehicles ⁴	790,933	809,459	815,042	836,927	843,054	878,443	902,581	934,502	952,616	NA
Licensed Drivers	456,055	455,921	457,743	459,566	466,701	468,711	470,731	473,019	476,561	483,097
Unemployment Compensation										
Job Service North Dakota										
Number of Covered Workers ⁴	311,632	311,808	314,273	321,108	328,121	335,718	341,705	350,442	349,561	NA
Workforce Safety and Insurance										
Number of Claims Filed	20,320	19,950	18,753	19,184	19,887	21,588	21,309	21,061	20,543	19,384
Number of Covered Workers	299,714	301,913	301,777	304,287	311,200	318,240	326,100	332,170	340,915	340,117

NA-Not Available

¹ Calendar Year Received² Academic Year End Enrollment³ Academic Year Enrollment⁴ Statistics on a Calendar Year Basis⁵ National Guard member count is at September 30 of each year

Sources: The State agencies listed above provided the statistics for their agency

Schedule 16
Capital Assets by Function
Last Ten Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Office of Management and Budget										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
Education										
Department of Land										
Common Schools Trust										
Land Acreage	635,695	635,703	635,534	635,529	635,574	632,408	632,248	632,248	597,426	632,393
ND University System										
Buildings	501	512	512	527	527	516	516	516	516	522
Buildings Square Footage	13,014,194	13,056,392	13,056,392	13,440,708	13,491,510	13,491,510	13,491,510	14,003,445	14,003,445	14,700,708
Health and Human Services										
Dept. of Human Services										
Buildings	77	77	74	74	74	74	74	74	74	74
Public Safety and Corrections										
Department of Corrections and Rehabilitation										
Buildings	NA	64	70	70	71	71	71	71	72	72
Office of the Adjutant General										
Headquarters, Camp and Armory Buildings	524	528	530	539	551	567	475	475	341	NA
Natural Resources										
Game and Fish Department										
Wildlife Management Areas	NA	NA	183	183	185	186	186	186	189	192
Boats, ATV's, Snowmobiles, Tractors, Other	NA	NA	NA	344	364	393	397	417	425	429
Dept. of Parks and Recreation										
Park/Recreational Sites	16	16	16	15	15	15	15	15	15	15
Park Maintenance Vehicles/Equipment	NA	NA	NA	196	207	222	230	235	255	255
Transportation										
Department of Transportation										
Lane Miles Maintained	8,402	8,410	8,412	8,414	8,450	8,469	8,479	8,511	8,515	8,517
Fleet Vehicles	2,879	2,943	2,988	3,097	3,137	3,220	3,316	3,307	3,273	3,493
Heavy Equipment	593	589	577	565	552	527	359	340	341	463
Buildings	77	77	77	77	77	77	79	80	81	85

NA-Not Available

Sources: The State agencies listed above provided the data for their agency

Schedule 17
Claims Development Information
Last Ten Fiscal Years

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

Schedule 17
Claims Development Information
Last Ten Fiscal Years
(Expressed In Thousands)

Bonding Fund

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 116	\$ (50)	\$ 405	\$ 448	\$ 319	\$ 179	\$ 401	\$ 22	\$ 157	\$ 214
2 Unallocated Expenses	93	46	58	42	53	51	57	37	25	34
3 Estimated Incurred Claims and Expense, End of Policy Year	71	26	259	253	64	392	173	(268)	128	49
4 Paid (Cumulative) as of:										
End of Policy Year	(32)	(100)	(107)	(85)	(226)	(254)	(328)	(417)	(61)	(148)
One Year Later	(32)	(100)	(107)	(85)	(226)	(254)	(328)	(417)	(61)	
Two Years Later	(32)	(100)	(107)	(85)	(226)	(254)	(328)	(417)		
Three Years Later	(32)	(100)	(107)	(85)	(226)	(254)	(328)			
Four Years Later	(32)	(100)	(107)	(85)	(226)	(254)				
Five Years Later	(32)	(100)	(107)	(85)	(226)					
Six Years Later	(32)	(100)	(107)	(85)						
Seven Years Later	(32)	(100)	(107)							
Eight Years Later	(32)	(100)								
Nine Years Later	(32)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	71	26	259	253	64	392	173	(268)	128	49
One Year Later	71	26	259	253	64	392	173	(268)	128	
Two Years Later	71	26	259	253	64	392	173	(268)		
Three Years Later	71	26	259	253	64	392	173			
Four Years Later	71	26	259	253	64	392				
Five Years Later	71	26	259	253	64					
Six Years Later	71	26	259	253						
Seven Years Later	71	26	259							
Eight Years Later	71	26								
Nine Years Later	71									
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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 4,540	\$ 2,437	\$ 6,646	\$ 4,864	\$ 5,073	\$ 5,193	\$ 6,934	\$ 7,849	\$ (492)	\$ 8,099
2 Unallocated Expenses	812	991	613	621	552	986	847	979	819	1,344
3 Estimated Incurred Claims and Expense, End of Policy Year	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3,075
4 Paid (Cumulative) as of:										
End of Policy Year	269	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434	989	1,676
One Year Later	269	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434	989	
Two Years Later	269	(1,589)	(3,974)	(227)	986	1,660	1,133	9,434		
Three Years Later	269	(1,589)	(3,974)	(227)	986	1,660	1,133			
Four Years Later	269	(1,589)	(3,974)	(227)	986	1,660				
Five Years Later	269	(1,589)	(3,974)	(277)	986					
Six Years Later	269	(1,589)	(3,974)	(294)						
Seven Years Later	269	(1,589)	(3,974)							
Eight Years Later	269	(1,589)								
Nine Years Later	269									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744	3,075
One Year Later	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548	1,744	
Two Years Later	6,828	5,481	2,523	1,135	1,775	2,852	1,536	10,548		
Three Years Later	6,828	5,481	2,523	1,135	1,775	2,852	1,536			
Four Years Later	6,828	5,481	2,523	1,135	1,775	2,852				
Five Years Later	6,828	5,481	2,523	1,135	1,775					
Six Years Later	6,828	5,481	2,523	1,135						
Seven Years Later	6,828	5,481	2,523							
Eight Years Later	6,828	5,481								
Nine Years Later	6,828									
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)

Workforce Safety & Insurance

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 117	\$ 86	\$ 175	\$ 194	\$ 193	\$ 148	\$ 221	\$ 166	\$ 48	\$ 289
2 Unallocated Expenses	28	23	22	21	25	33	40	41	31	33
3 Estimated Incurred Claims and Expense, End Of Policy Year	83	81	93	103	111	105	120	131	169	160
4 Paid (Cumulative) as of:										
End of Policy Year	17	17	19	20	22	21	21	27	32	31
One Year Later	29	30	33	36	34	36	37	47	55	
Two Years Later	35	37	38	42	39	41	43	54		
Three Years Later	40	41	41	46	42	46	47			
Four Years Later	42	43	44	49	45	49				
Five Years Later	45	47	46	52	48					
Six Years Later	47	48	48	54						
Seven Years Later	49	52	50							
Eight Years Later	51	54								
Nine Years Later	53									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	83	81	93	103	111	105	120	131	169	160
One Year Later	81	84	94	103	104	112	119	140	157	
Two Years Later	83	83	93	99	100	113	120	133		
Three Years Later	83	88	89	100	101	116	110			
Four Years Later	79	86	90	106	101	110				
Five Years Later	77	90	91	105	101					
Six Years Later	85	91	92	104						
Seven Years Later	87	98	94							
Eight Years Later	89	101								
Nine Years Later	89									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	6	20	1	1	(9)	4	(10)	2	(12)	0

**Schedule 18
Agricultural Production**

Value of Export Shares of Agricultural Commodities - 2008-2009

	2008 <u>Dollars</u> (Mil.)	2008 <u>% of U.S.</u>	2009 <u>Dollars</u> (Mil.)	2009 <u>% of U.S.</u>
Wheat and Products	1,663.2	11.21	1,152.7	13.41
Soybeans and Products	687.8	3.56	612.1	3.46
Vegetables and Preparations	332.6	6.45	334.0	6.45
Feed Grains and Products	559.4	3.08	286.3	2.39
Sunflower Seed and Oil	100.2	44.18	111.1	43.36
Feeds and Fodders	341.7	8.57	351.9	8.91
Seeds	78.9	6.60	83.4	6.74
Live Animals and Meats Excluding Poultry	9.0	0.10	7.6	0.09
Dairy Products	0.0	0.00	0.0	0.00
Poultry and Products	0.0	0.00	0.0	0.00
Hides and Skins	0.7	0.03	0.6	0.04
Fats, Oils and Greases	0.5	0.05	0.3	0.04
Other (1)	175.5	1.38	245.9	1.98
Total (2)	<u>\$ 3,949.5</u>	3.42	<u>\$ 3,185.9</u>	3.30

Source: Compiled by ERS using data from USDA, National Agricultural Service and U.S. Department of Commerce, Census Bureau.

- (1) Sugar and tropical products, minor oilseeds, essential oils, beverages other than juice, nursery and greenhouse, wine, and misc. vegetable products.
(2) Totals may not add due to rounding.

2009 Crop Rank Among States

North Dakota <u>Ranks</u>	<u>Crop Description</u>	North Dakota <u>Produces</u>
1st	Flaxseed	95%
	Canola	90%
	Dry Edible Peas	67%
	Pinto Beans	56%
	Durum Wheat	56%
	Spring Wheat	50%
	Oil Sunflowers	45%
	Lentils	44%
	All Sunflowers	43%
	Navy Beans	38%
	Non-oil Sunflowers	36%
	Barley	35%
	All Dry Edible Beans	34%
	All Wheat	17%

Source: North Dakota Agricultural Statistics June 2010