

Financial Statements
June 30, 2026 and 2025

NORTH DAKOTA
DEPARTMENT OF TRUST LANDS

ND Department of Trust Lands

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June 30, 2026

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Independent Auditor's Report

State Land Board and the
Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota Department of Trust Lands, an agency of the State of North Dakota, as of and for the years ended June 30, 2026 and 2025 and the related notes to the financial statements, which collectively comprise the North Dakota Department of Trust Lands' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota Department of Trust Lands, as of June 30, 2026 and 2025, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Dakota Department of Trust Lands and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of North Dakota Department of Trust Lands are intended to present the financial position, changes in financial position, and statement of expenditures of only that portion of the State of North Dakota that is attributable to the transactions of the North Dakota Department of Trust Lands. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2026 and 2025, and the changes in its financial position and its statement of expenditures for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Department of Trust Lands' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Expenditures, Schedule of Contributions to NDPERS Pension Plan, Schedule of Contributions to NDPERS OPEB Plan, Schedule of Employer's Proportionate Share of Net Pension Liability, and Schedule of Employer's Proportionate Share of Net OPEB Liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Department of Trust Lands of the State of North Dakota. The combining balance sheet – non-major governmental funds and combining statement of revenues, expenditures, and changes in fund balances – non-major governmental funds are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining balance sheet – non-major governmental funds and combining statement of revenues, expenditures, and changes in fund balances – non-major governmental funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2026, on our consideration of the North Dakota Department of Trust Lands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Dakota Department of Trust Lands' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Department of Trust Lands' internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
October 21, 2026

As management of the North Dakota Department of Trust Lands (the Department), we provide this Management's Discussion and Analysis (MD&A) to provide an objective and easily readable analysis of the Department's financial activities for the fiscal year ended June 30, 2026 and 2025. This discussion should be read in conjunction with the Department's basic financial statements and the accompanying notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENT

The Department's financial report consists of four components: Management's Discussion and Analysis, the basic financial statements, required supplementary information, and combining statements for nonmajor governmental funds.

The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements report on the Department's governmental activities using the economic resources measurement focus and accrual basis of accounting. These statements report capital assets, long-term liabilities, deferred outflows and inflows of resources, and revenues and expenses when the underlying economic event occurs.

The governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay for current-period liabilities.

The fiduciary fund financial statements report resources the Department administers' in a trustee or fiduciary capacity. Because those resources are not available to support the Department's governmental programs, fiduciary activities are excluded from the government-wide financial statements.

Financial Fund Statements

The Department uses fund accounting to demonstrate compliance with constitutional and legislative requirements and to provide information regarding the sources, uses, and balances of financial resources.

The Department's funds are governmental funds except for the Indian Cultural Education Trust and the Theodore Roosevelt Presidential Library and Museum Endowment, which are reported as private-purpose trust funds.

Separate financial information is presented for the Common Schools Trust Fund, Coal Development Trust Fund, Department of Trust Lands General Fund, and Strategic Investment and Improvements Fund. The remaining governmental funds are combined and presented as non-major governmental funds, with individual fund information provided in the combining statements.

The private-purpose trust funds are presented separately in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

Notes to the Financial Statements

The notes to the financial statements provide additional information necessary for a full understanding of the information presented in the government-wide and fund financial statements.

FINANCIAL SUMMARY

The following tables present condensed financial information derived from the government-wide financial statements for fiscal years ended June 30, 2026 and 2025. The information is intended to assist users in understanding changes in the Department's financial position and results of operations.

**North Dakota Department of Trust Lands
Condensed Statement of Net Position**

	2026	2025	% Change
Current and other assets	\$ 11,269,979,533	\$ 10,428,055,993	8.07%
Capital assets	12,481,821	14,264,630	-12.50%
Total assets	<u>11,282,461,354</u>	<u>10,442,320,623</u>	<u>8.05%</u>
Deferred outflows of resources:			
Pension	1,314,012	1,863,641	-29.49%
Other Post-Employment Benefits	46,057	47,213	-2.45%
	<u>1,360,069</u>	<u>1,910,854</u>	<u>-28.82%</u>
Long-term liabilities,			
including current portions	5,432,454	5,997,205	-9.42%
Other liabilities	268,826,686	230,622,483	16.57%
Total liabilities	<u>274,259,140</u>	<u>236,619,688</u>	<u>15.91%</u>
Deferred inflows of resources:			
Pension	1,263,439	1,821,959	-30.65%
Other Post-Employment Benefits	36,054	26,435	36.39%
	<u>1,299,493</u>	<u>1,848,394</u>	<u>-29.70%</u>
Net Position:			
Net investment in capital assets	10,794,844	12,411,824	-13.03%
Restricted net position			
Nonexpendable	75,084,815	74,639,618	0.60%
Expendable	9,805,210,348	8,384,000,599	16.95%
Unrestricted net position	1,117,172,783	1,734,711,354	-35.60%
Total net position	<u>\$ 11,008,262,790</u>	<u>\$ 10,205,763,395</u>	<u>7.86%</u>

The Department's total net position increased by \$802.2 million, or 7.86%, during fiscal year 2026. The increase primarily reflects investment market performance and the resulting change in the fair value of investments, as well as mineral bonus lease revenues.

Restricted expendable net position increased by approximately \$1.4 billion, or 16.95%, reflecting the accumulation and investment performance of resources subject to legal or contractual restrictions. Unrestricted net position decreased by approximately \$617.8 million, or 35.62%, primarily as a result of transfers and distributions of resources.

Capital assets decreased by approximately \$1.8 million, or 12.50%, primarily because depreciation and amortization exceeded additions during the year.

**North Dakota Department of Trust Lands
Changes in Net Position**

	<u>2026</u>	<u>2025</u>	<u>% Change</u>
<u>Revenues</u>			
<i>General Revenues:</i>			
Interest on investments	\$ 51,849,590	\$ 66,212,670	-21.69%
Change in fair value of investments	(445,524)	16,806,718	-102.65%
Interest on loans	548,009	502,295	9.10%
Interest income	101,932	8,028	1169.71%
Royalties	176,669,920	183,907,310	-3.94%
Bonuses	8,329,562	11,049,782	-24.62%
Rents	303,320	313,165	-3.14%
Taxes	105,160,192	523,169,521	-79.90%
Total General Revenue	<u>342,517,001</u>	<u>801,969,489</u>	<u>-57.29%</u>
<i>Program Revenues:</i>			
Interest on investments	73,805,011	57,984,298	27.28%
Change in fair value of investments	1,207,415,075	796,835,808	51.53%
Interest on loans	166,283	166,057	0.14%
Interest Income	255,682	-	-
Royalties	271,043,548	277,721,197	-2.40%
Bonuses	51,975,586	7,577,226	585.94%
Rents	15,802,441	17,922,026	-11.83%
Fee to maintenance fund (charges for services)	8,315,616	13,379,262	-37.85%
Total Program Revenue	<u>1,628,779,242</u>	<u>1,171,585,874</u>	<u>39.02%</u>
Total Revenues	<u><u>\$ 1,971,296,243</u></u>	<u><u>\$ 1,973,555,363</u></u>	<u><u>-0.11%</u></u>
<u>Expenses</u>			
<i>Governmental Activities:</i>			
General government	\$ 34,965,878	\$ 21,991,982	59.00%
Education	16,657,062	29,153,671	-42.86%
Total Expenses	<u>\$ 51,622,940</u>	<u>\$ 51,145,653</u>	<u>0.93%</u>
Excess before transfer	\$ 1,919,673,303	\$ 1,922,409,710	-0.14%
Contributions to perpetual funds:			
Unclaimed Property	15,412,337	16,372,522	-5.86%
Transfer	(1,132,586,245)	(517,650,147)	118.79%
Increase (decrease) in net position	<u>802,499,395</u>	<u>1,421,132,084</u>	<u>-43.53%</u>
Net position – beginning	10,205,763,395	8,784,631,310	16.18%
Net position - ending	<u>\$ 11,008,262,790</u>	<u>\$ 10,205,763,395</u>	<u>7.86%</u>

DETAILED ANALYSES

Government-Wide Financial Position and Results of Operations

The Department's net position increased by \$802.2 million, or 7.86%, from \$10.206 billion at June 30, 2025, to \$11.008 billion at June 30, 2026. The principal factors affecting the change were investment performance, mineral-related revenues, expenses, and transfers.

The change in fair value of investments increased significantly in fiscal year 2026. The Department reported a net increase in the fair value of investments of approximately \$1.207 billion in 2026 compared with approximately \$813.6 million in 2025, an increase of approximately \$393.3 million. The increase was driven by stronger performance in US and international public equity markets.

Investment income increased from approximately \$124.9 million in fiscal year 2025 to approximately \$126.7 million in fiscal year 2026, an increase of approximately \$1.9 million, or 1.48%. The increase in investment income resulted from higher distributions received from private credit investments.

Investment management fees paid from investment income totaled \$148.7 million in fiscal year 2026, an increase of \$65.3 million, or 78.3%, from \$83.4 million in fiscal year 2025. The increase was primarily attributable to higher incentive fees associated with investment outperformance during fiscal year 2026.

Mineral lease bonus revenue increased by approximately \$41.7 million, or 224%, from approximately \$18.6 million in fiscal year 2025 to approximately \$60.3 million in fiscal year 2026. The increase was primarily attributable to the expiration of certain leases in productive areas, resulting in more competitive bidding.

Oil extraction tax revenues received by the Common Schools Trust Fund totaled approximately \$103.8 million in fiscal year 2026, compared with approximately \$100.4 million in fiscal year 2025, an increase of approximately \$3.4 million, or 3.4%. The increase was primarily attributable to relatively stable oil production and pricing during fiscal year 2026.

The Strategic Investment and Improvement Fund did not receive oil extraction or gross production tax revenues during fiscal year 2026. Tax revenues allocated to the Strategic Investment and Improvement Fund are distributed in accordance with legislative directives, resulting in higher distributions during the second year of the biennium than during the first year.

Mineral royalty revenues decreased by approximately \$13.9 million, or 3.01%, from approximately \$461.6 million in fiscal year 2025 to approximately \$447.7 million in fiscal year 2026. Production and pricing were relatively stable during fiscal years 2025 and 2026. However, fiscal year 2025 included several significant oil and gas settlements that temporarily increased royalty revenues.

Total expenses increased slightly by approximately \$497 thousand, or 0.97%, from \$51.1 million in fiscal year 2025 to \$51.6 million in fiscal year 2026. During fiscal year 2026, the Department contributed \$25 million to ND Development Fund, a related party and discretely presented component unit of the State of North Dakota, in accordance with Senate Bill 2018 of the 69th Legislative Assembly.

During fiscal year 2026, the Department transferred approximately \$1.133 billion, compared with approximately \$517.7 million transferred during fiscal year 2025. The transfers primarily represent distributions of resources occurring during the first year of each biennium. The fiscal year 2026 biennium began July 1, 2025. These transfers were made in accordance with applicable constitutional, statutory, and other legal requirements.

Governmental Funds

The Department's governmental funds focus on near-term inflows, outflows, and balances of spendable financial resources. This information is useful in assessing the Department's financing requirements and compliance with constitutional and legislative requirements.

The Department's governmental funds are significantly affected by mineral-related revenues, investment activity, distributions, transfers, and expenditures. Consequently, fund balances and the availability of financial resources can fluctuate substantially from year to year.

Significant changes in the major governmental funds during fiscal year 2026 should be considered in the context of the Department's investment performance, mineral-related revenues, and transfers. The Department continues to manage these resources in accordance with applicable constitutional and legislative requirements.

General Fund

The General Fund balance increased by \$112,301, or 16.64%, to \$786,988 at June 30, 2026. The increase was primarily attributable to additional cash maintained at the Bank of North Dakota, resulting in increased interest income during fiscal year 2026.

Common School Trust Fund

The Common School Trust Fund was created under the ND State Constitution, and all revenue resources are restricted for the purpose of distributions to support public schools.

The Common School Trust Fund experienced a significant increase in fund balance during fiscal year 2026. Fund balance increased by approximately \$1.36 billion, primarily due to increased investment-related revenues, including changes in the fair value of investments, and higher mineral lease bonus revenues.

Revenues increased by approximately \$443.3 million compared with the prior fiscal year, reflecting favorable changes in investment-related activity and increased mineral lease bonus revenues. Expenditures decreased by approximately \$6.8 million, primarily due to the completion of a capital asset project for the land management system and lower legal expenditures. These decreases in expenditures were partially offset by increased transfers to the Department of Public Instruction.

Coal Development Fund

The Coal Development Trust Fund was created under the ND State Constitution and committed to providing loans and financial support to coal-impacted counties, cities, and school districts.

The Coal Development Fund's financial position remained relatively stable during fiscal year 2026. Total fund balance increased by \$387,363, or 0.51%, to approximately \$75.96 million at June 30, 2026.

Revenues decreased by \$545,640, or 13.46%, primarily due to a significant reduction in the net increase in the fair value of investments and lower securities lending income. Expenditures decreased by \$168,491, or 45.09%, primarily due to lower investment costs. Other financing uses increased by \$528,045, or 22.12%, primarily due to increased transfers to the State General Fund.

The funds' assets also changed during the year as resources were deployed and reallocated. A \$13.8 million school loan was issued, while energy impact loans decreased by \$886,084. Investments decreased by \$6.79 million, and cash decreased by \$566,240. These changes reflect the use and reallocation of the fund's resources during fiscal year 2026.

Strategic Investment and Improvements Fund

The Strategic Investment and Improvements Fund was established by legislation, and all financial commitments are approved by the North Dakota Legislative Assembly.

The Strategic Investment and Improvements Fund experienced a significant decrease in fund balance during fiscal year 2026. Fund balance decreased by approximately \$618.0 million, or 35.57%, primarily due to increased legislative appropriations and other legislative transfers to other governmental entities.

Revenues decreased by approximately \$461.5 million, or 66.40%, primarily due to the allocation of oil extraction tax and gross production tax revenues as directed by the 2025 Legislative Assembly. Expenditures decreased by approximately \$15.5 million, primarily due to the completion of a capital asset project for land management software.

Overall, the changes in the Strategic Investment and Improvements Fund reflect the effect of legislative actions on the allocation of mineral-related revenues and the use of accumulated resources for appropriations and transfers to other governmental entities.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Assets

At June 30, 2026, the Department reported approximately \$12.5 million of capital assets, net of accumulated depreciation and amortization, compared with approximately \$14.3 million at June 30, 2025. Capital assets include land, equipment, Microsoft Dynamics software, and subscription-based information technology arrangements.

Net capital assets decreased by approximately \$1.8 million, or 12.50%, during fiscal year 2026. The decrease primarily resulted from depreciation and amortization of existing capital assets, including Microsoft Dynamics software and subscription-based information technology arrangements.

Long-Term Financing Activity

The Department reported approximately \$5.4 million of long-term liabilities at June 30, 2026, compared with approximately \$6.0 million at June 30, 2025.

Long-term liabilities decreased by approximately \$565,000, or 9.42%, during fiscal year 2026. The Department continues to monitor its long-term obligations and related financing requirements.

The Department's long-term financing activity includes applicable obligations associated with leases and subscription-based information technology arrangements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The Department's financial position and future revenues are influenced by economic conditions affecting the oil and gas industry, rental rates for cropland and grassland, and financial markets.

Certain revenues supporting the permanent school trust funds and other special funds are derived from or affected by oil and gas activity, including production levels, commodity prices, leasing activity, and related economic conditions. Changes in these factors may result in significant fluctuations in revenues from year to year.

The Department's investment portfolios are exposed to changes in financial market conditions, interest rates, inflation, and other economic factors. Accordingly, investment income and the fair value of investments may fluctuate significantly between reporting periods.

Management continues to monitor economic conditions and their potential effects on mineral-related revenues, investment performance, and the financial position of the Department and its funds. Current economic conditions provide information for management's expectations regarding future financial activity; however, actual results may differ from those expectations. The magnitude and timing of changes in oil and gas revenues and investment market performance cannot be reasonably predicted.

Requests for Information

This financial report is designed to provide the Board, beneficiaries, and the public with a general overview of the Department's finances and to demonstrate the Department's stewardship of resources for the benefit of its beneficiaries.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

North Dakota Department of Trust Lands
1707 North 9th Street
Bismarck, North Dakota 58504

ND Department of Trust Lands

Statement of Net Position

June 30, 2026 and 2025

	2026	2025
	Governmental	Governmental
	Activities	Activities
Assets:		
Cash	\$ 568,352,141	\$ 997,639,235
Investments	10,395,579,737	9,082,558,002
Interest receivable	8,876,566	15,264,045
Accounts receivable	62,771,017	60,598,853
Invested securities lending collateral	163,798,642	155,952,881
Loans		
Farm loans	1,951,782	2,082,342
School loans - Coal	39,221,630	30,611,395
Energy impact loans	5,623,863	6,509,947
Capital asset – land	7,736,490	7,736,490
Capital asset – depreciable (net of accumulated depreciation/amortization)	4,745,331	6,528,140
Due from other state agencies	23,804,155	76,839,293
Total Assets	11,282,461,354	10,442,320,623
Deferred Outflows of Resources:		
Deferred pension outflows	1,314,012	1,863,641
Deferred Other post-employment benefits outflows	46,057	47,213
Total Deferred Outflows of Resources	1,360,069	1,910,854
Liabilities:		
Accounts payable		
Investments	362,370	361,218
Payroll	406,127	384,629
Operating	323,871	165,263
Securities lending collateral	163,798,642	155,952,881
Due to other state agencies	45,039,152	25,363,797
Claimant liability	58,636,768	48,141,610
Long-term liabilities:		
Compensated absences due within one year	21,823	69,512
Compensated absences due in more than one year	503,166	428,598
SBITAs due within one year	237,933	183,573
SBITAs due in more than one year	1,449,044	1,669,233
Pension liability	3,375,733	3,780,644
Other post-employment benefits liability	104,511	118,730
Total Liabilities	274,259,140	236,619,688
Deferred Inflows of Resources:		
Deferred pension inflows	1,263,439	1,821,959
Deferred other post-employment benefits inflows	36,054	26,435
Total Deferred Inflows of Resources	1,299,493	1,848,394
Net Position:		
Net investment in capital assets	10,794,844	12,411,824
Restricted		
Nonexpendable	75,084,815	74,639,618
Expendable	9,805,210,348	8,384,000,599
Unrestricted	1,117,172,783	1,734,711,354
Total Net Position	\$ 11,008,262,790	\$ 10,205,763,395

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Activities

June 30, 2026

2026				
Functions/Programs of Governmental activities:	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
General government	\$34,965,878	\$ -	\$ -	\$ (34,965,878)
Education	16,657,062	8,315,616	1,620,463,626	1,612,122,180
Total	\$51,622,940	\$ 8,315,616	\$1,620,463,626	\$ 1,577,156,302
Net (expense) revenue				1,577,156,302
General revenues:				
Taxes:				
Coal severance				1,408,012
Oil extraction				103,752,180
Gross production				-
Contributions to special revenue fund				15,412,337
Unrestricted investment earnings				51,849,590
Net increase (decrease) in fair value of investments				(445,524)
Royalties				176,669,920
Bonuses				8,329,562
Rents				303,320
Loan income				548,009
Interest Income				101,932
Transfers:				
To/from other state agencies				(823,944,576)
Educational institutions				(308,641,669)
Total general revenues and transfers				(774,656,907)
Total change in net position				802,499,395
Net position – beginning of year				10,205,763,395
Net position – ending				<u><u>\$11,008,262,790</u></u>

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Activities

June 30, 2025

Functions/Programs of Governmental activities:	2025			
	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
General government	\$21,991,982	\$ -	\$ -	\$ (21,991,982)
Education	29,153,671	13,379,262	1,158,206,613	1,142,432,204
Total	\$51,145,653	\$13,379,262	\$1,158,206,613	\$ 1,120,440,222
Net (expense) revenue				1,120,440,222
General revenues:				
Taxes:				
Coal severance				1,334,406
Oil extraction				266,408,980
Gross production				255,426,135
Contributions to special revenue fund				16,372,521
Unrestricted investment earnings				66,212,670
Net increase (decrease) in fair value of investments				16,806,718
Royalties				183,907,310
Bonuses				11,049,782
Rents				313,165
Loan income				502,295
Interest income				8,028
Transfers:				
To/from other state agencies				(253,499,197)
Educational institutions				(264,150,950)
Total general revenues and transfers				300,691,863
Total change in net position				1,421,132,085
Net position – beginning of year				8,784,631,310
Net position – ending				\$10,205,763,395

See Notes to the Financial Statements

ND Department of Trust Lands

Balance Sheet

June 30, 2026

North Dakota Department of Trust Lands Balance Sheet Governmental Funds For the Year Ended June 30, 2026

	General Fund	Common Schools Trust Fund	Coal Development Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Assets:						
Cash	\$ 786,988	\$ 329,748,329	\$ 3,511,444	\$ 209,166,363	\$ 25,139,017	\$ 568,352,141
Investments	-	8,973,570,556	27,123,498	922,322,338	472,563,345	10,395,579,737
Interest receivable	-	1,654,028	412,973	6,625,785	183,780	8,876,566
Accounts receivable	-	34,527,522	-	26,566,186	1,677,309	62,771,017
Invested securities lending collateral	-	-	4,691,110	158,554,905	552,627	163,798,642
Due from other state agencies	-	23,581,381	222,774	-	-	23,804,155
Loans						
<i>Farm Loans</i>	-	1,797,371	-	-	154,411	1,951,782
<i>School loans - Coal</i>	-	-	39,221,630	-	-	39,221,630
<i>Energy impact loans</i>	-	-	5,623,863	-	-	5,623,863
Total Assets	<u>\$ 786,988</u>	<u>\$ 9,364,879,187</u>	<u>\$ 80,807,292</u>	<u>\$ 1,323,235,577</u>	<u>\$ 500,270,489</u>	<u>\$ 11,269,979,533</u>
Liabilities:						
Securities lending collateral	-	-	4,691,110	158,554,905	552,627	163,798,642
Accounts Payable						
<i>Operating</i>	-	137,089	-	184,323	2,459	323,871
<i>Salaries and benefits</i>	-	316,107	-	72,717	17,303	406,127
<i>Investments</i>	-	217,493	3,828	129,389	11,660	362,370
Due to other state agencies	-	44,990	155,941	44,835,389	2,832	45,039,152
Claimant liability	-	58,636,768	-	-	-	58,636,768
Total Liability	<u>-</u>	<u>59,352,447</u>	<u>4,850,879</u>	<u>203,776,723</u>	<u>586,881</u>	<u>268,566,930</u>
Equity:						
Fund Balances						
Permanent Funds:						
<i>Nonspendable</i>	-	-	75,084,815	-	-	75,084,815
<i>Committed</i>	-	-	871,598	-	-	871,598
Special revenue funds:						
<i>Restricted</i>	-	9,305,526,739	-	-	499,683,608	9,805,210,348
<i>Committed</i>	-	-	-	1,065,672,545	-	1,065,672,545
<i>Assigned</i>	-	-	-	53,786,309	-	53,786,309
<i>Unassigned</i>	786,988	-	-	-	-	786,988
Total Fund Balance	<u>786,988</u>	<u>9,305,526,739</u>	<u>75,956,413</u>	<u>1,119,458,854</u>	<u>499,683,608</u>	<u>11,001,412,603</u>
Total Liabilities and Fund Balances	<u>\$ 786,988</u>	<u>\$ 9,364,879,186</u>	<u>\$ 80,807,292</u>	<u>\$ 1,323,235,577</u>	<u>\$ 500,270,489</u>	<u>\$ 11,269,979,533</u>

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total fund balance - governmental funds	\$ 11,001,412,603
Capital Asset - Land	7,736,490
Net book value:	
Equipment	25,563
Subscription-based IT arrangements	1,596,824
IT system enhancements	3,122,944
Long-term liabilities:	
Subscription-based IT arrangements	(1,686,977)
Compensated absences	(524,989)
OPEB liability:	
Net OPEB liability	(104,511)
Deferred OPEB outflows	46,057
Deferred OPEB inflows	(36,054)
Pension liability:	
Net Pension liability	(3,375,733)
Deferred Pension outflows	1,314,012
Deferred Pension inflows	(1,263,439)
Net position of governmental activities	<u>\$ 11,008,262,790</u>

ND Department of Trust Lands

Balance Sheet

June 30, 2025

North Dakota Department of Trust Lands Balance Sheet Governmental Funds For the Year Ended June 30, 2025

	General Fund	Common Schools Trust Fund	Coal Development Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Assets:						
Cash	\$ 674,689	\$ 192,764,920	\$ 4,077,684	\$ 780,588,285	\$ 19,533,657	\$ 997,639,235
Investments	-	7,746,332,470	33,913,953	888,253,342	414,058,237	9,082,558,002
Interest receivable	-	6,990,651	411,327	7,394,977	467,090	15,264,045
Accounts receivable	-	33,623,888	-	24,969,799	2,005,166	60,598,853
Invested securities lending collateral	-	-	5,713,321	149,233,998	1,005,562	155,952,881
Due from other state agencies	-	15,046,241	148,813	61,644,239	-	76,839,293
Loans						
<i>Farm Loans</i>	-	1,917,644	-	-	164,698	2,082,342
<i>School loans - Coal</i>	-	-	30,611,395	-	-	30,611,395
<i>Energy impact loans</i>	-	-	6,509,947	-	-	6,509,947
Total Assets	\$ 674,689	\$ 7,996,675,814	\$ 81,386,440	\$ 1,912,084,640	\$ 437,234,410	\$ 10,428,055,993
Liabilities:						
Securities lending collateral	-	-	5,713,321	149,233,998	1,005,562	155,952,881
Accounts Payable						
<i>Operating</i>	-	105,895	-	55,725	3,643	165,263
<i>Salaries and benefits</i>	-	286,706	-	79,565	18,358	384,629
<i>Investments</i>	-	213,113	(174)	131,017	17,262	361,218
Due to other state agencies	2	109,584	104,243	25,142,076	7,892	25,363,797
Claimant liability	-	48,141,610	-	-	-	48,141,610
Total Liability	2	48,856,908	5,817,390	174,642,381	1,052,717	230,369,398
Equity:						
Fund Balances						
Permanent Funds:						
<i>Nonspendable</i>	-	-	74,639,618	-	-	74,639,618
<i>Committed</i>	-	-	929,432	-	-	929,432
Special revenue funds:						
<i>Restricted</i>	-	7,947,818,906	-	-	436,181,693	8,384,000,599
<i>Committed</i>	-	-	-	1,694,316,856	-	1,694,316,856
<i>Assigned</i>	-	-	-	43,125,403	-	43,125,403
<i>Unassigned</i>	674,687	-	-	-	-	674,687
Total Fund Balance	674,687	7,947,818,906	75,569,050	1,737,442,259	436,181,693	10,197,686,595
Total Liabilities and Fund Balances	\$ 674,689	\$ 7,996,675,814	\$ 81,386,440	\$ 1,912,084,640	\$ 437,234,410	\$ 10,428,055,993

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Total fund balance - governmental funds	\$ 10,197,686,595
Capital Asset - Land	7,736,490
Net book value:	
Equipment	35,874
Subscription-based IT arrangements	1,855,744
IT system enhancements	4,636,522
Long-term liabilities:	
Subscription-based IT arrangements	(1,852,806)
Compensated absences	(498,110)
OPEB liability:	
Net OPEB liability	(118,730)
Deferred OPEB outflows	47,213
Deferred OPEB inflows	(26,435)
Pension liability:	
Net Pension liability	(3,780,644)
Deferred Pension outflows	1,863,641
Deferred Pension inflows	(1,821,959)
Net position of governmental activities	<u>\$ 10,205,763,395</u>

ND Department of Trust Lands
Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2026

North Dakota Department of Trust Lands Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds For the Year Ended June 30, 2026						
	General Fund	Common Schools Trust Fund	Coal Development Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Revenues:						
Investment Income	\$ -	\$ 69,694,614	\$ 1,332,780	\$ 43,411,047	\$ 4,373,422	\$ 118,811,863
Interest income	11,270	249,786	-	90,657	5,901	357,614
Loan income	-	-	-	-	-	-
<i>Farm Loans</i>	-	153,180	-	-	13,103	166,283
<i>School loans - Coal</i>	-	-	548,009	-	-	548,009
Net increase (decrease) in fair value of investments	-	1,147,123,721	22,793	(482,357)	60,305,394	1,206,969,551
Securities lending income (loss)	-	-	195,973	6,623,679	23,086	6,842,738
Royalties	-	256,512,184	-	175,470,735	15,730,549	447,713,468
Bonuses	-	50,644,241	-	8,312,918	1,347,989	60,305,148
Rental income	-	14,489,149	-	95,844	1,520,768	16,105,761
Coal severance tax	-	-	1,408,012	-	-	1,408,012
Oil extraction tax	-	103,752,180	-	-	-	103,752,180
Gross production tax	-	-	-	-	-	-
Indirect recovery costs	8,315,616	-	-	-	-	8,315,616
Unclaimed property collections	-	15,412,337	-	-	-	15,412,337
Total Revenues	8,326,886	1,658,031,392	3,507,567	233,522,523	83,320,212	1,986,708,580
Expenditures:						
Current						
General government	-	-	205,164	33,476,392	57,709	33,739,265
Education	8,214,585	7,984,883	-	-	457,594	16,657,062
Total Expenditures	8,214,585	7,984,883	205,164	33,476,392	515,303	50,396,327
Excess of revenue over (under) expenditures	112,301	1,650,046,509	3,302,403	200,046,131	82,804,909	1,936,312,253
Other Financing Sources (Uses):						
Transfer to Dept of Public Instruction	-	(292,338,675)	-	-	-	(292,338,675)
Transfer to Educational Institutions	-	-	-	-	(16,302,994)	(16,302,994)
Transfer to Lignite Research Fund	-	-	(985,608)	-	-	(985,608)
Transfer to State General Fund	-	-	(1,929,432)	-	-	(1,929,432)
Transfer to Facilities Management	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to State Treasurer	-	-	-	(570,827,364)	-	(570,827,364)
Transfer to Dept of Commerce	-	-	-	(2,500,000)	-	(2,500,000)
Transfer to Dept of Transportation	-	-	-	(142,500,000)	-	(142,500,000)
Transfer to Industrial Commission	-	-	-	(25,000,000)	-	(25,000,000)
Transfer to Office of Management & Budget	-	-	-	(10,507,380)	-	(10,507,380)
Transfer to ND Public Employees Retirement System	-	-	-	(40,000,000)	-	(40,000,000)
Transfer to State Courts	-	-	-	(200,000)	-	(200,000)
Transfer to University System	-	-	-	(26,500,000)	-	(26,500,000)
Transfer to NDSU Upper Great Plains	-	-	-	(971)	-	(971)
Transfer From Northern Crop Institution and Dept of Commerce	-	-	-	6,179	-	6,179
Proceeds from sale of capital asset (land)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(292,338,675)	(2,915,040)	(818,029,536)	(19,302,994)	(1,132,586,245)
Net Change in Fund Balance	112,301	1,357,707,834	387,363	(617,983,405)	63,501,915	803,726,008
Fund Balance - beginning	674,687	7,947,818,906	75,569,050	1,737,442,259	436,181,693	10,197,686,595
Fund Balance - ending	\$ 786,988	\$ 9,305,526,740	\$ 75,956,413	\$ 1,119,458,854	\$ 499,683,608	\$ 11,001,412,603
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities						
Net change in fund balance					\$	803,726,008
Capital outlay						-
Depreciation/amortization expense:						
Equipment						(10,311)
Subscription-based IT arrangements						(258,920)
IT system enhancements						(1,513,578)
Net change in Subscription-based IT arrangements other than amortization						165,829
Decrease (increase) in compensated absence liability						(26,879)
OPEB:						
Decrease (increase) in net OPEB liability						14,219
Changes in deferred outflows and inflow resources related to net OPEB liability						(10,775)
Pension:						
Decrease (increase) in net pension liability						404,911
Changes in deferred outflows and inflow resources related to net pension liability						8,891
Change in net position of governmental activities					\$	802,499,395

ND Department of Trust Lands

Statement of Revenues, Expenditures and Changes in Fund Balance

June 30, 2025

North Dakota Department of Trust Lands
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2025

	General Fund	Common Schools Trust Fund	Coal Development Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Revenues:						
Investment Income	\$ -	\$ 54,592,125	\$ 1,229,136	\$ 54,501,137	\$ 3,729,687	\$ 114,052,085
Interest income	8,028	-	-	-	-	8,028
Loan income						
<i>Farm Loans</i>	-	152,973	-	-	13,084	166,057
<i>School loans - Coal</i>	-	-	502,295	-	-	502,295
Net increase (decrease) in fair value of investments	-	756,615,632	615,713	16,082,638	40,328,543	813,642,526
Securities lending income (loss)	-	-	371,657	9,707,813	65,413	10,144,883
Royalties	-	262,681,481	-	182,226,991	16,720,036	461,628,508
Bonuses	-	7,277,792	-	11,049,782	299,434	18,627,008
Rental income	-	16,690,095	-	54,163	1,490,933	18,235,191
Coal severance tax	-	-	1,334,406	-	-	1,334,406
Oil extraction tax	-	100,386,461	-	166,022,519	-	266,408,980
Gross production tax	-	-	-	255,426,135	-	255,426,135
Indirect recovery costs	13,379,262	-	-	-	-	13,379,262
Unclaimed property collections	-	16,372,521	-	-	-	16,372,521
Total Revenues	<u>13,387,290</u>	<u>1,214,769,080</u>	<u>4,053,207</u>	<u>695,071,178</u>	<u>62,647,130</u>	<u>1,989,927,885</u>
Expenditures:						
Current						
<i>General government</i>	-	-	373,655	23,988,583	125,499	24,487,737
<i>Education</i>	13,463,101	14,825,039	-	-	865,531	29,153,671
Total Expenditures	<u>13,463,101</u>	<u>14,825,039</u>	<u>373,655</u>	<u>23,988,583</u>	<u>991,030</u>	<u>53,641,408</u>
Excess of revenue over (under) expenditures	<u>(75,811)</u>	<u>1,199,944,041</u>	<u>3,679,552</u>	<u>671,082,595</u>	<u>61,656,100</u>	<u>1,936,286,477</u>
Other Financing Sources (Uses):						
Transfer to Dept of Public Instruction	-	(249,930,000)	-	-	-	(249,930,000)
Transfer to Educational Institutions	-	-	-	-	(14,220,950)	(14,220,950)
Transfer to Lignite Research Fund	-	-	(934,084)	-	-	(934,084)
Transfer to State General Fund	-	-	(1,452,911)	(25,000,000)	-	(26,452,911)
Transfer to Facilities Management	-	-	-	-	(4,550,000)	(4,550,000)
Transfer to Commerce Department	-	-	-	(10,000,000)	-	(10,000,000)
Transfer to Deferred Maintenance Funding Pool	-	-	-	(5,948,824)	-	(5,948,824)
Transfer to Health & Human Services	-	-	-	(13,787,648)	-	(13,787,648)
Transfer to Office of Management & Budget	-	-	-	(1,631,602)	-	(1,631,602)
Transfer to Department of Public Instruction	-	-	-	(19,493,086)	-	(19,493,086)
Transfer to State Historical Society	-	-	-	(300,000)	-	(300,000)
Transfer to North Dakota University System	-	-	-	(170,775,000)	-	(170,775,000)
Transfer from Commerce Department	-	-	-	373,958	-	373,958
Total Other Financing Sources (Uses)	<u>-</u>	<u>(249,930,000)</u>	<u>(2,386,995)</u>	<u>(246,562,202)</u>	<u>(18,770,950)</u>	<u>(517,650,147)</u>
Net Change in Fund Balance	<u>(75,811)</u>	<u>950,014,041</u>	<u>1,292,557</u>	<u>424,520,393</u>	<u>42,885,150</u>	<u>1,418,636,330</u>
Fund Balance - beginning	750,498	6,997,804,865	74,276,493	1,312,921,866	393,296,543	8,779,050,265
Fund Balance - ending	<u>\$ 674,687</u>	<u>\$ 7,947,818,906</u>	<u>\$ 75,569,050</u>	<u>\$ 1,737,442,259</u>	<u>\$ 436,181,693</u>	<u>\$ 10,197,686,595</u>

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balance	\$ 1,418,636,330
Net value of capital asset - land transactions	
Net value of capital asset - acquired land	
Capital outlay	4,413,528
Depreciation/amortization expense:	
Equipment	(11,105)
Subscription-based IT arrangements	(258,920)
IT system enhancements	(1,513,580)
Net change in Subscription-based IT arrangements other than amortization	201,318
Decrease (increase) in compensated absence liability	(231,156)
OPEB:	
Decrease (increase) in net OPEB liability	8,862
Changes in deferred outflows and inflow resources related to net OPEB liability	(7,346)
Pension:	
Decrease (increase) in net pension liability	(423,402)
Changes in deferred outflows and inflow resources related to net pension liability	317,556
Change in net position of governmental activities	<u>\$ 1,421,132,085</u>

ND Department of Trust Lands

Statement of Fiduciary Net Position

June 30, 2026 and 2025

	2026 Indian Cultural Education Trust	2025 Indian Cultural Education Trust
<u>Assets</u>		
Cash	\$ 5,911	\$ 7,063
Investments	1,791,612	1,595,460
Interest Receivable	293	1,396
Invested securities lending collateral	-	-
Total Assets	1,797,816	1,603,919
<u>Liabilities</u>		
Accounts payable	44	44
Securities lending collateral	-	-
Total Liabilities	44	44
<u>Net Position</u>		
Net position, restricted for education	1,797,772	1,603,875
Total Net Position	\$ 1,797,772	\$ 1,603,875

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Fiduciary Net Position

June 30, 2026 and 2025

	2026	2025
	Theodore Roosevelt Presidential Library and Museum Endowment	Theodore Roosevelt Presidential Library and Museum Endowment
<u>Assets</u>		
Cash	\$ 3,809	\$ 2,898
Investments	63,599,251	57,048,400
Interest Receivable	19,877	58,220
Total Assets	63,622,937	57,109,518
<u>Liabilities</u>		
Accounts payable	1,571	1,584
Total Liabilities	1,571	1,584
<u>Net Position</u>		
Net position, restricted for library	63,621,366	57,107,934
Total Net Position	\$ 63,621,366	\$ 57,107,934

See Notes to the Financial Statements

ND Department of Trust Lands
Statement of Changes in Fiduciary Net Position
June 30, 2026 and 2025

	2026 Indian Cultural Education Trust	2025 Indian Cultural Education Trust
Additions		
Contributions:		
Donations	\$ -	\$ -
Total Contributions	-	-
Investment income:		
Net change in fair value of investments	232,580	160,778
Interest	12,809	8,875
Less investment expense	339	1,553
Net Investment Income	245,728	171,206
Miscellaneous Income	2,744	2,904
Total Additions	247,794	171,004
Deductions		
Payments in accordance with Trust agreement	51,359	49,104
Administrative expenses	2,538	1,051
Total Deductions	53,897	50,155
Change in net position held in Trust for:		
Indian Cultural Education Trust	193,897	120,849
Total Change in Net Position	193,897	120,849
Net Position – Beginning of Year	1,603,875	1,483,026
Net Position – End of Year	\$ 1,797,772	\$ 1,603,875

See Notes to the Financial Statements

ND Department of Trust Lands
Statement of Changes in Fiduciary Net Position
June 30, 2026 and 2025

	2026 Theodore Roosevelt Presidential Library and Museum Endowment	2025 Theodore Roosevelt Presidential Library and Museum Endowment
Additions		
Contributions:		
Donations	\$ -	\$ -
Total Contributions	-	-
Investment income:		
Net change in fair value of investments	8,249,339	5,754,039
Interest	455,268	317,296
Less investment expense	12,053	57,433
Net Investment Income	8,716,660	6,128,768
Miscellaneous Income	384	418
Total Additions	8,692,938	6,014,320
Deductions		
Payments in accordance with Trust agreement	2,177,066	2,113,546
Administrative expense	2,440	923
Interest expense	-	-
Total Deductions	2,179,506	2,114,469
Change in net position held in Endowment for:		
Presidential Library and Museum	6,513,432	3,899,850
Total Change in Net Position	6,513,432	3,899,850
Net Position – Beginning of Year	57,107,934	53,208,084
Net Position – End of Year	\$ 63,621,366	\$ 57,107,934

See Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Financial Statements and Reporting Entity**

The North Dakota Department of Trust Lands (Department) is an agency of the State of North Dakota. The Board of University and School Lands (Board) was established under Article IX, Section 3 of the North Dakota State Constitution and operates pursuant to North Dakota Century Code (N.D.C.C.) Title 15, Chapters 47-30.2, 57-02.3 and 57-62. The Board serves as the governing authority of the Department. As a state agency, the Department is included in the State's Comprehensive Annual Financial Report.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applied to governmental units. The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for governmental accounting and financial reporting.

For financial reporting purposes, the Department has included all funds and has evaluated all potential component units for which the Department is financially accountable, and other organizations for which the nature and significance of their relationship with the Department are such that exclusion would cause the Department's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the Board 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 Board. Based upon these criteria, there are no component units required to be included in the Department's financial statements. The Department is reported as part of the State of North Dakota's reporting entity.

Fund Accounting Structure

The Department uses fund accounting to report on its financial position and the results of operations and to demonstrate compliance with constitutional and legislative requirements. Funds are used to segregate transactions related to specific government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, and the accounting and reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund balance is classified in a hierarchy, from the most constrained to the least constraint, based on the level or form of constraints placed on the use of resources to which the Department is bound to honor them: non-spendable, restricted, committed, assigned, and unassigned.

The following fund types and funds are used to account for the Department's activities.

General Fund – The General Fund accounts for operating activities financed by trusts revenues that are legislatively assigned for specified purposes. The Department maintenance fund, which is used to pay operating expenses of the Department in accordance with N.D.C.C. Chapter §15-03-01.1, is the Department’s general fund.

Permanent Fund – Permanent funds report resources that are constitutionally or legislatively committed for distribution purposes as described in Article X of the State Constitution and N.D.C.C. Chapter 57-61.

The Coal Development Trust fund receives a portion of the coal severance tax. In accordance with N.D.C.C. Chapters 15.1-36 and 57-62, the Trust provides loans to coal development–impacted counties, cities, and school districts, as well as low-interest loans to school districts for new construction, unanticipated construction projects or emergency repairs. The Trust also transfers a portion of these revenues to the Lignite Research Fund for lignite research and clean coal projects. Interest earned on Trust investments is distributed to the State’s General Fund.

Special Revenue Funds – Special revenue funds account for activities financed by specific revenue sources that are constitutionally and legislatively restricted, committed or assigned to expenditures for specified purposes.

The Perpetual Education Trust funds account for all assets and proceeds as described in Section 11 through 19 of the Enabling Act of 1889, Article IX of the State Constitution and N.D.C.C. Chapter 15-01-02. The beneficiaries of the Common Schools Trust are publicly funded K-12 schools. Other beneficiaries of the Perpetual Educational Trust funds are the North Dakota State University, School for the Blind, School for the Deaf, State Hospital, Valley City State University, Mayville State University, Youth Correctional Center, State School of Science, Veterans Home, and the University of North Dakota.

Income from the Ellendale Trust is distributed equally among Dickinson State University, Minot State University, Dakota College at Bottineau, School for the Blind, Veterans Home, State Hospital, and State College of Science. Benefits of the original School of Mines are distributed to the University of North Dakota. Trust assets include rangeland, producing and non-producing mineral interests, investment securities, farm loans and an office building. The Common Schools Trust fund is also used to account for unclaimed property collected under the authority of N.D.C.C. Chapter 47-30.2.

The Strategic Investment and Improvements fund (SIIF) accounts for producing and non-producing mineral interests formerly owned by the Bank of North Dakota and the State Treasurer, as well as lands located under navigable streams, rivers, and lakes, owned by the State as a sovereign entity. The Fund receives revenues from mineral bonuses, mineral royalties, and a portion of the State’s share of gross production and oil extraction taxes once statutory thresholds are met. In accordance with NDCC 15-08.1-08, SIIF resources may be expended for one-time infrastructure improvements or initiatives to improve the efficiency and effectiveness of state government, as authorized by the Legislature.

The Energy Infrastructure and Impact Office (EIIO) administers the Oil and Gas Impact Grant Fund, which provides grant assistance to counties, cities, school districts, and other political subdivisions impacted by oil and gas development. The program is funded through legislative appropriations. No funding was provided to the EIIO for the 2025–27 biennium.

The Capitol Building Trust fund was created by the Enabling Act for the benefit of "public buildings at the capital..." The Trust receives revenues from mineral bonuses, mineral royalties, and surface rental income.

The Department reports the Common Schools Trust fund, Coal Development Trust fund, Department's General fund, and Strategic Investment and Improvements Trust fund as major governmental funds.

Private Purpose Trust Fund – Private purpose trust funds accounts for resources held in trust in which principal and income benefit individuals, private organizations, or other governments.

The Indian Cultural Educational Trust "is established for the purpose of generating income to benefit Indian culture." The beneficiary of the Indian Cultural Educational Trust is the Mandan, Hidatsa and Arikara Nation Cultural Education Foundation. The Trust receives revenues from surface rental income.

The Theodore Roosevelt Presidential Library and Museum Endowment fund was established to generate income for the operations and maintenance of the Theodore Roosevelt Presidential Library and Museum.

Basis for Accounting

Governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough thereafter to pay for current-period liabilities. The Department generally considers tax and royalty revenues available if collected within 60 days after fiscal year end.

All revenues in the perpetual funds, except for taxes and unclaimed property revenues, are reported as program revenues.

Government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of the timing of cash flows.

Budgetary Policies and Procedures

The Department operates under a biennial appropriation authorized by the State Legislature, along with other continuing appropriations authority. Each biennium, the Department prepares a budget that is incorporated into the Governor's executive budget and submitted to the General Assembly at the start of each legislative session. Department budgets are enacted through specific appropriation bills passed by the General Assembly. The Governor may veto individual appropriations prior to signing the bills, subject to legislative override.

Changes to appropriations may be made only through authorization by the Emergency Commission, or through initiative or referendum. Unexpended appropriations lapse at the conclusion of the biennium.

Because the Department does not legally adopt an annual budget, a GAAP-compliant Budgetary Comparison Statement cannot be presented. Instead, a Schedule of Expenditures is provided. This schedule is prepared on the modified accrual basis of accounting, and encumbrance accounting is not utilized.

Cash Deposits and Investments

Cash consists of all funds deposited with the Bank of North Dakota.

Investments are reported at fair value. Investment income, including interest earnings and changes in the fair value, is recognized in the statements of revenues, expenditures, and changes in fund balances.

Cash for all funds is pooled and invested to the extent possible. Income earned on pooled cash and investments is allocated to the individual funds based on each fund's proportionate share of the pooled cash and investments.

Accounts Receivable

Accounts receivable consist primarily of accrued royalty revenues and interest on investments that are not considered available as of June 30, 2026, and 2025, respectively, for financing current operations. Substantially all accrued royalty revenues are expected to be collected within 90 days subsequent to June 30, 2026, and 2025, respectively.

Management has determined that all receivables are fully collectible; therefore, no allowance for doubtful accounts has been recorded.

Loans

Loans are reported at their outstanding unpaid principal balances. Interest income on loans is accrued at the stated contractual rate on the unpaid principal balance.

The accrual of interest on loans is discontinued when, in management's judgment, the borrower may be unable to meet contractual payment obligations as they become due. Upon discontinuance of interest accrual, all previously accrued but unpaid interest is reversed. Thereafter, interest income is recognized only to the extent that cash payments are received.

Allowance for Loan Losses

The Department uses the allowance method to account for loan losses. Under this method, the allowance for loan losses is adjusted through provisions charged to operations and reduced by net charge-offs.

The adequacy of the allowance for loan losses and the related provisions charged to operations are based on management's evaluation of several factors, including historical loan loss experience, ongoing assessments of loan portfolio quality, estimated values of underlying collateral, current and anticipated economic conditions, and other relevant factors. Loans are charged against the allowance when, in management's judgment, the collectability of principal is deemed doubtful.

Based on management's evaluation, no allowance for loan losses was required as of June 30, 2026, or June 30, 2025.

Claimant Liability

Claimant liability represents the value of property escheated to the Department that is subject to repayment to rightful owners or their heirs. Under state unclaimed property statutes, unclaimed property is held by the State in a custodial capacity, and owners or their heirs may reclaim such property in perpetuity.

Accordingly, claimant liability is reported for the amounts expected to be reclaimed and paid.

Capital Assets

Capital assets consist of land, equipment, subscription-based information technology assets, and other properties acquired through purchase, grant, or donation. Original grant lands, pre-1980 acquired properties, and cancelled contract lands are valued at \$10 per acre. Post-1980 acquired properties are valued at historical cost or fair value. Equipment is reported at historical cost or, if actual cost is not available, at estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

All other capital assets with an original cost of \$10,000 or more per unit and an estimated useful life of more than one year are capitalized and reported in the applicable governmental activities columns of the government-wide financial statements in accordance with North Dakota Office of Management and Budget Fiscal and Administrative Policy. Normal maintenance and repair costs that do not materially add to the value or extend the life of an asset are not capitalized.

In the governmental fund financial statements, capital asset acquisitions are recorded as expenditures in the funds used to acquire or construct the assets. In the government-wide financial statements, capital assets, along with equipment, accumulated depreciation, and depreciation expense, are reported in the applicable governmental activities' columns.

Land is not depreciated. Other capital assets are depreciated using the straight-line method over estimated useful lives of three to ten years for all furniture and equipment.

Subscription-Based Information Technology Arrangements (SBITAs)

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the Department's right to use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are initially measured at the value of the related subscription liability, plus any subscription payments made to the vendor at or before the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service.

Right-to-use subscription IT assets are amortized over the shorter of the subscription term or the useful life of the underlying asset using the straight-line method. The amortization period generally ranges from five to ten years.

Subscription liabilities represent the Department's obligation to make subscription payments arising from subscription contracts. Subscription liabilities are recognized at the subscription commencement date and measured at present value of future subscription payments over the shorter of the term or the assets useful life. The future lease payments are discounted using the implicit rate identified in the arrangement, or if not identified, then the States incremental borrowing rate is used. The SBITA's are amortized on a straight-line basis.

The additional disclosures required by this standard are included in Note 14, Capital Assets, and Note 20, Long-Term Liabilities

Pensions

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

Other Post-Employment Benefits (OPEB)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense or expenditure) until that time. The Department reports deferred outflows of resources related to its *cost-sharing defined benefit pension plan* and *cost-sharing defined benefit OPEB plan*, which primarily consist of actuarial differences and differences between projected and actual experience with the NDPERS plans.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Department reports deferred inflows of resources related to its cost-sharing defined benefit pension and OPEB plans.

Additional information regarding the Department's pension and OPEB plans is presented in Notes 21 and 22 to the financial statements.

Compensated Absences Payable

In accordance with N.D.C.C. Chapter 54-06-14, employees accrue annual leave at varying rates ranging from one to two days per month based on years of service. Accrued annual leave generally may not exceed thirty days at each calendar year end. Upon termination or retirement, employees are paid for unused accrued annual leave.

Sick leave is accrued at the rate of one day per month with no limitation on the amount that may be accumulated. Employees vest in sick leave upon completion of ten years of service, at which time the State becomes liable for ten percent of the employee's accumulated unused sick leave.

Assets of the maintenance fund are used to liquidate compensated absence liabilities.

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows of resources, revenues, and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Indirect Recovery Costs

N.D.C.C. Chapter 15-03-01.2 established a special fund designated as the State Lands Maintenance Fund (general fund), which is funded by trust assets. All administrative salaries and operating expenses of the Department are required to be paid from the State Lands Maintenance Fund. Indirect recovery costs represent the reimbursement of these administrative salaries and operating expenditures.

NOTE 2 – PERPETUAL FUND DISTRIBUTION POLICY

Pursuant to Article IX, Section 2 of the North Dakota State Constitution, biennial distributions from the perpetual trust funds are required to equal ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. The five-year average value is calculated using the ending net value of each trust's financial assets for the fiscal year ending one year prior to the beginning of the biennium and the ending net values for the four preceding fiscal years.

The calculated biennial distribution is required to be distributed in equal amounts during each year of the biennium.

NOTE 3 – CASH**Custodial Credit Risk**

State law generally requires that all state funds be deposited with the Bank of North Dakota. North Dakota Century Code (N.D.C.C.) Chapter 21-04 provides that public funds belonging to or in custody of the State shall be deposited in the Bank of North Dakota. In addition, N.D.C.C. Chapter 6-09-07 requires that all state funds be deposited in the Bank of North Dakota or in accordance with constitutional and statutory provisions.

As of June 30, 2026, the carrying amount of deposits with the Bank of North Dakota was \$568,361,861, and the corresponding bank balance was \$568,361,861. As of June 30, 2025, the carrying amount of deposits with the Bank of North Dakota was \$997,649,196 and the corresponding bank balance was \$997,679,196. Any differences between the carrying amount and bank balance result from timing differences of deposits processed by the Bank at year-end.

These deposits are exposed to custodial credit risk as they are uninsured and uncollateralized. However, deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota pursuant to N.D.C.C. Chapter 6-09-10.

NOTE 4 – FUND BALANCE CLASSIFICATION

Fund balance classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

Nonspendable: this classification includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact as directed by legislation or the state constitution.

The Coal Development Trust fund was established by Article X of the North Dakota State Constitution. This fund is held in trust and administered by the Board to provide loans to coal-impacted counties, cities, and school districts, as well as loans to school districts throughout the State. The Coal Development Trust fund balance includes the corpus (principal) of the fund and the long-term portion of loans receivable and, therefore, is not in spendable form.

Restricted: this classification includes amounts for which constraints have been placed on the use of the resources that are either (a) imposed by the beneficiary of the assets or (b) imposed by law through constitutional provisions or enabling legislation.

The Common School Trust fund and other Perpetual Education Trust funds were created under the State Constitution to support school and public institutions. All revenues of these trust funds are restricted for distributions to the beneficiaries.

The Capitol Building fund was created under the State Constitution for the construction and maintenance of public buildings at the Capital. The entire balance of the trust fund is subject to legislative appropriation in each biennium.

Committed: this classification includes amounts that can be used only for a specific purpose pursuant to formal action of the Legislative Assembly or the Board.

The Coal Development Trust fund was established by Article X of the North Dakota State Constitution. Any changes to the commitment of fund balance would require a referendum and vote of the people of the State of North Dakota. Interest earned on amounts held in this trust is first used to replace uncollectable loans, with any remaining balance transferred to the State's general fund.

The Strategic Investment and Improvements Fund was established by legislation and consists of mineral acres formerly owned by the BND and State Treasurer, minerals underlying navigable streams, rivers, and lakes owned by the State as a sovereign entity, and various financial assets. The balance of this fund is subject to legislative appropriation. Any changes to the commitment of fund balance would require legislative action to amend the North Dakota Century Code.

Assigned: this classification includes amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments may be made by formal action of the Legislative Assembly or the Board.

The Board has assigned a portion of the Strategic Investment and Improvements Fund balance to indicate that these amounts should not be transferred out of the fund until potential title disputes related to the riverbed leases have been resolved.

Unassigned: represents the residual classification for the general fund and may also include negative residual balances in other funds.

When both restricted and unrestricted resources are available for use, the Department's policy is to use restricted resources first and then unrestricted resources as needed.

When committed, assigned or unassigned resources are available for use, the Department's policy is to use resources in the following order: (1) restricted, (2) committed, (3) assigned, and (4) unassigned.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fiscal Year Ended June 30, 2026

Fund Balances	General Fund	Common School Trust Fund	Coal Development Trust Fund	Strategic Investment & Improvements Fund	Other Governmental Fund	Total
Permanent Funds:						
<i>Nonspendable</i>						
Permanent fund principle	\$ -	\$ -	\$ 75,084,815	\$ -	\$ -	\$ 75,084,815
<i>Committed</i>						
Designated for transfer to State general fund	-	-	871,598	-	-	871,598
Special Revenue Funds:						
<i>Restricted</i>						
Distribution to educational beneficiaries	-	9,305,526,740	-	-	493,594,427	9,799,121,167
Capitol building maintenance	-	-	-	-	6,089,181	6,089,181
<i>Committed</i>						
Designated for transfer or contribution to (from):						
State Treasurer	-	-	-	570,827,364	-	570,827,364
Dept of Commerce	-	-	-	2,500,000	-	2,500,000
Dept of Transportation	-	-	-	142,500,000	-	142,500,000
Industrial Commission	-	-	-	25,000,000	-	25,000,000
Office of Management & Budget	-	-	-	10,507,380	-	10,507,380
ND Public Employees Retirement System	-	-	-	40,000,000	-	40,000,000
ND State Courts	-	-	-	200,000	-	200,000
ND University System	-	-	-	26,500,000	-	26,500,000
NDSU Upper Great Plains	-	-	-	971	-	971
Northern Crop Institution	-	-	-	(6,179)	-	(6,179)
Related Party - ND Development Fund (Contribution)	-	-	-	25,000,000	-	25,000,000
Operating Expenditures	-	-	-	222,643,009	-	222,643,009
<i>Assigned</i>						
Potential mineral title disputes	-	-	-	53,786,309	-	53,786,309
<i>Unassigned</i>						
Operating Expenditures	\$ 786,988	-	-	-	-	786,988
Total Fund Balances:	<u>\$ 786,988</u>	<u>\$ 9,305,526,740</u>	<u>\$ 75,956,413</u>	<u>\$ 1,119,458,854</u>	<u>\$ 499,683,608</u>	<u>\$11,001,412,603</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fiscal Year Ended June 30, 2025

<u>Fund Balances</u>	<u>General Fund</u>	<u>Common School Trust Fund</u>	<u>Coal Development Trust Fund</u>	<u>Strategic Investment & Improvements Fund</u>	<u>Other Governmental Fund</u>	<u>Total</u>
Permanent Funds:						
<i>Nonspendable</i>						
Permanent fund principle	\$ -	\$ -	\$ 74,639,618	\$ -	\$ -	\$ 74,639,618
<i>Committed</i>						
Designated for transfer to State general fund	-	-	929,432	-	-	929,432
Special Revenue Funds:						
<i>Restricted</i>						
Distribution to educational beneficiaries	-	7,947,818,906	-	-	428,758,264	8,376,577,170
Capitol building maintenance	-	-	-	-	7,423,429	7,423,429
<i>Committed</i>						
Designated for transfer to (from):						
General Fund of North Dakota	-	-	-	25,000,000	-	25,000,000
Dept of Commerce	-	-	-	9,626,042	-	9,626,042
Dept of Public Instruction	-	-	-	19,493,086	-	19,493,086
Office of Management & Budget	-	-	-	7,580,426	-	7,580,426
Historical Society	-	-	-	300,000	-	300,000
ND University System	-	-	-	170,775,000	-	170,775,000
Dept Health and Human Services	-	-	-	13,787,648	-	13,787,648
Operating Expenditures	-	-	-	1,447,754,654	-	1,447,754,654
<i>Assigned</i>						
Potential mineral title disputes	-	-	-	43,125,403	-	43,125,403
<i>Unassigned</i>						
Operating Expenditures	\$ 674,687	-	-	-	-	674,687
Total Fund Balances:	<u>\$ 674,687</u>	<u>\$ 7,947,818,906</u>	<u>\$ 75,569,050</u>	<u>\$ 1,737,442,259</u>	<u>\$ 436,181,693</u>	<u>\$ 10,197,686,595</u>

NOTE 5 – INVESTMENTS

The Board's investment policy is to invest trust assets in a manner that balances long-term growth of the portfolio with the need to meet constitutionally required distributions. This objective is achieved through investment in a broadly diversified portfolio designed to manage risk while seeking reasonable returns over time.

North Dakota Century Code Chapter 15-03-04 requires the Board to apply the prudent investor rule when investing funds under its control. Under this rule, the Board is required to exercise judgement and care that an institutional investor of ordinary prudence, discretion, and intelligence would exercise in the management of large investments entrusted to it, considering the purposes, terms, distribution requirements, and other circumstances of the trust.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The Board manages its exposure to interest rate risk by maintaining a diversified portfolio with a wide range of maturity dates for debt securities held. In addition, the Board has adopted an asset allocation schedule and approved the selection of investment managers within each class.

The following tables present investments by investment type, amount and maturity as of June 30, 2026, and 2025, respectively. When callable securities, maturity is based on the first call date.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fiscal Year 2026

<u>Investment Type</u>	<u>Total Fair Value</u>	Less than 1 <u>Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	More than 10 <u>Years</u>	Maturity <u>Undetermined</u>	Reason <u>Undetermined</u>
Asset Backed Securities	\$ 82,103,669	\$ -	\$ 82,103,669	\$ -	\$ -	\$ --	
Corporate Bonds	420,083,854	183,485,203	236,598,651	-	-	-	
Government Agencies	5,003,705	5,002,321	1,384	-	-	-	
Government Bonds	379,891,876	156,048,243	223,843,633	-	-	-	
Short Term Bills and Notes	63,847,504	63,847,504	-	-	-	-	
Funds – Corporate Convertible Bond	20,081	-	-	-	-	20,080	
Funds – Fixed Income ETF	50,789	-	-	-	-	50,789	Unclaimed Property
Funds – Other Fixed Income	67,064	-	-	-	-	67,064	Unclaimed Property Non-Fixed Income
Funds – Short Term	23,466,872	21,767,437	-	-	-	1,699,435	Unclaimed Property
Funds – Corporate Bond	91,997	-	-	-	-	91,997	Unclaimed Property
Funds – Municipal/Provincial Bonds	137,954	-	-	-	-	137,954	Unclaimed Property
Funds – Gov't Agencies	960,210,306	2,880,561	486,814,906	293,817,281	176,674,443	23,115	Unclaimed Property
Total	<u>\$1,934,975,671</u>	<u>\$433,031,269</u>	<u>\$1,029,362,243</u>	<u>\$293,817,281</u>	<u>\$176,674,443</u>	<u>\$ 2,090,434</u>	
Limited Partnerships (LP)	\$1,645,406,346	\$136,056,238	\$978,501,270	\$183,816,091	\$116,821,140	\$230,211,608	Non-Fixed Income

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fiscal Year 2025

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	<u>More than 10 Years</u>	<u>Maturity Undetermined</u>	<u>Reason Undetermined</u>
Asset Backed Securities	\$ 37,471,938	\$ -	\$ 37,471,938	\$ -	\$ -	\$ -	
Corporate Bonds	442,016,180	149,177,324	292,838,856	-	-	-	
Government Agencies	10,999,381	5,997,420	5,001,961	-	-	-	
Government Bonds	304,818,452	123,175,561	181,642,891	-	-	-	
Short Term Bills and Notes	113,086,800	113,086,800	-	-	-	-	
Funds – Corporate Convertible Bond	16,903	-	-	-	-	16,903	
Funds – Fixed Income ETF	23,565	-	-	-	-	23,565	Unclaimed Property
Funds – Other Fixed Income	54,988	-	-	-	-	54,988	Unclaimed Property Non-Fixed Income
Funds – Short Term	592,691,119	591,575,622	-	-	-	1,115,497	Unclaimed Property
Funds – Corporate Bond	81,852	-	-	-	-	81,852	Unclaimed Property
Funds – Municipal/Provincial Bonds	65,378	-	-	-	-	65,378	Unclaimed Property
Funds – Gov't Agencies	925,150,669	925,131	468,116,195	284,940,292	171,149,202	19,850	Unclaimed Property
Total	\$2,426,477,225	\$983,937,858	\$985,071,841	\$284,940,292	\$171,149,202	\$ 1,378,033	
Limited Partnerships (LP)	\$1,264,239,073	\$157,722,920	\$838,941,271	\$123,844,952	\$51,287,233	\$92,442,697	Non-Fixed Income

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Department would not be able to recover the value of an investment held by an outside party. The Department has policies in place to limit custodial credit risk, and, as of June 30, 2026, the Department is not exposed to custodial credit risk for its investment portfolio.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the size of the Department's investment in a single issuer. Policies are in place to limit this risk, and each investment manager must adhere to portfolio guidelines that restrict the percentage of investments in any one corporate entity.

As of June 30, 2026, the Department held individual investments in single issuers representing 9.18%, 8.37%, and 7.25% of total investments, respectively.

As of June 30, 2025, the Department held individual investments in single issuers representing 10.12%, 6.78%, 6.74%, and 6.08% of total investments, respectively.

Credit Risk

Credit risk is the risk that an issuer or other counterpart to an investment will fail to fulfill its obligations. The Board manages credit risk by maintaining a diversified portfolio of debt securities across a wide range of credit ratings.

Securities identified as "Government" in the tables below consist of U.S. Treasury and agency debt securities that are either explicitly or implicitly guaranteed by the U.S. government and are therefore considered to have no credit risk.

Each fixed-income securities manager is provided with specific guidelines defining the allowable credit ratings and the limits for investments within those ratings. These guidelines are designed to ensure that each manager's portfolio aligns with the overall investment strategy while mitigating credit risk.

The following tables present the Board's credit ratings by investment type as of June 30, 2026, and 2025, respectively.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fiscal Year 2026

	AAA	AAA	A	BBB	BB	B	CCC	CC	Not Rated	US Govt	Total
Asset Backed Securities	\$60,075,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$22,027,960	\$ -	\$ 82,103,669
Corporate Bonds	2,687,500	132,471,379	267,546,438	12,068,730	-	-	-	-	5,309,808	-	420,083,855
Government Agencies	5,002,321	1,384	-	-	-	-	-	-	-	-	5,003,705
Government Bonds	-	-	-	-	-	-	-	-	-	379,891,876	379,891,876
Short Term Bills and Notes	-	-	-	-	-	-	-	-	-	63,847,504	63,847,504
Funds – Other Fixed Income	-	-	-	-	-	-	-	-	67,063	-	67,063
Funds – Fixed Income ETF	-	-	-	-	-	-	-	-	50,789	-	50,789
Funds – Short Term Investment	-	-	-	-	-	-	-	-	23,466,872	-	23,466,872
Funds – Corporate Bond	-	-	-	-	-	-	-	-	91,997	-	91,997
Funds – Corporate Convertible Bond	-	-	-	-	-	-	-	-	20,080	-	20,080
Funds – Municipal/Provincial Bond	-	-	-	-	-	-	-	-	137,954	-	137,954
Funds – Government Agencies	-	-	-	-	-	-	-	-	2,209	960,208,097	960,210,306
	<u>\$67,765,530</u>	<u>\$132,472,763</u>	<u>\$267,546,438</u>	<u>\$12,068,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$51,174,732</u>	<u>\$1,403,947,477</u>	<u>\$1,934,975,670</u>

Fiscal Year 2025

	AAA	AAA	A	BBB	BB	B	CCC	CC	Not Rated	US Govt	Total
Asset Backed Securities	\$32,067,057	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,404,881	\$ -	\$ 37,471,938
Corporate Bonds	20,436,670	142,745,006	274,529,870	4,304,634	-	-	-	-	-	-	442,016,180
Government Agencies	10,998,014	1,367	-	-	-	-	-	-	-	-	10,999,381
Government Bonds	-	-	-	-	-	-	-	-	-	304,818,452	304,818,452
Short Term Bills and Notes	-	-	-	-	-	-	-	-	-	113,086,800	113,086,800
Funds – Other Fixed Income	-	-	-	-	-	-	-	-	54,988	-	54,988
Funds – Fixed Income ETF	-	-	-	-	-	-	-	-	23,565	-	23,565
Funds – Short Term Investment	-	-	-	-	-	-	-	-	592,691,119	-	592,691,119
Funds – Corporate Bond	-	-	-	-	-	-	-	-	81,852	-	81,852
Funds – Corporate Convertible Bond	-	-	-	-	-	-	-	-	16,903	-	16,903
Funds – Municipal/Provincial Bond	-	-	-	-	-	-	-	-	65,378	-	65,378
Funds – Government Agencies	-	-	-	-	-	-	-	-	2,360	925,148,309	925,150,669
	<u>\$63,501,741</u>	<u>\$142,746,373</u>	<u>\$274,529,870</u>	<u>\$4,304,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$598,341,046</u>	<u>\$1,343,053,561</u>	<u>\$2,426,477,225</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Board manages currency exposure differently depending on the type of investment.

For the international equity portfolio, currency exposure is not hedged, as fluctuations in foreign currencies provide additional diversification benefits to the overall portfolio. In contrast, the Board fully hedges currency exposure for foreign bonds to achieve more consistent returns, as the primary objective of this portfolio is stability.

The Board's exposure to foreign currency risk is summarized in the tables below as of June 30, 2026, and 2025, respectively.

ND Department of Trust Lands

Notes to Financial Statements

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Fiscal Year 2026

Currency	Debt	Equity	Total
Australian Dollar	\$ -	\$50,294,771	\$50,294,771
Brazilian Real	-	29,620,810	29,620,810
British Pound Sterling	-	41,494,089	41,494,089
Canadian Dollar	-	88,021,659	88,021,659
Chilean Peso	-	1,915,252	1,915,252
Chinese Yuan	-	127,874,763	127,874,763
Columbian Peso	-	40,415	40,415
Danish Krone	-	10,928,204	10,928,204
European Euro	552	277,552,718	277,553,270
Hong Kong Dollar	-	38,774,608	38,774,608
Hungarian Forint	-	2,464,864	2,464,864
Indonesian Rupiah	-	12,451,784	12,451,784
Israel Shekel	-	7,613,756	7,613,756
Japanese Yen	-	239,277,464	239,277,464
Kuwaiti dinar	-	757,919	757,919
Malaysian Ringgit	-	9,065,681	9,065,681
Mexican Peso	-	1,582,435	1,582,435
New Zealand Dollar	-	1,848,981	1,848,981
Norwegian Krone	-	18,954,789	18,954,789
Pakistani rupee	-	261,911	261,911
Philippines Peso	-	4,282,501	4,282,501
Polish Zloty	-	3,573,501	3,573,501
Qatari riyal (QAR)	-	358,922	358,922
Russian rubles	-	35,177	35,177
Saudi Arabian Riyal	-	4,032,648	4,032,648
Singapore Dollar	-	40,847,488	40,847,488
South African Rand	-	5,076,373	5,076,373
South Korean Won	-	111,656,273	111,656,273
Swedish Krona	-	15,960,729	15,960,729
Swiss Franc	-	157,817,599	157,817,599
Taiwan dollar	-	57,086,301	57,086,301
Thai Baht	-	39,409,329	39,409,329
Turkish Lira	-	10,431,272	10,431,272
UAE dirham	-	2,703,719	2,703,719
	\$ 552	\$1,414,068,705	\$1,414,069,257

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fiscal Year 2025

Currency	Debt	Equity	Total
Australian Dollar	\$ -	\$80,192,821	\$80,192,821
Brazilian Real	-	30,712,213	30,712,213
British Pound Sterling	-	48,309,581	48,309,581
Canadian Dollar	-	53,123,201	53,123,201
Chilean Peso	-	4,498,917	4,498,917
Chinese Yuan	-	64,426,126	64,426,126
Columbian Peso	-	415,140	415,140
Czech Koruna	-	143,023	143,023
Danish Krone	-	15,523,298	15,523,298
European Euro	-	301,929,110	301,929,110
Hong Kong Dollar	-	69,756,313	69,756,313
Hungarian Forint	-	2,789,763	2,789,763
Indonesian Rupiah	-	3,099,928	3,099,928
Israel Shekel	-	(10,071,571)	(10,071,571)
Japanese Yen	-	187,277,756	187,277,756
Kuwaiti dinar	-	940,136	940,136
Malaysian Ringgit	-	1,911,544	1,911,544
Mexican Peso	-	9,554,379	9,554,379
New Zealand Dollar	-	(1,561,788)	(1,561,788)
Norwegian Krone	-	13,993,569	13,993,569
Pakistani rupee	-	1,672,165	1,672,165
Philippines Peso	-	495,434	495,434
Polish Zloty	-	2,832,825	2,832,825
Qatari riyal (QAR)	-	299,647	299,647
Russian rubles	-	32,062	32,062
Saudi Arabian Riyal	-	524,451	524,451
Singapore Dollar	-	28,969,839	28,969,839
South African Rand	-	(2,003,930)	(2,003,930)
South Korean Won	-	57,545,531	57,545,531
Swedish Krona	-	2,391,711	2,391,711
Swiss Franc	-	84,259,234	84,259,234
Taiwan dollar	-	15,054,403	15,054,403
Thai Baht	-	10,511,950	10,511,950
Turkish Lira	-	18,259,549	18,259,549
UAE dirham	-	2,675,688	2,675,688
	\$ -	\$1,100,484,018	\$1,100,484,018

NOTE 6 – SECURITIES LENDING

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

Securities are loaned versus collateral that may include cash; U.S. government securities and select OECD government debt securities; and domestic and international equities from major indices as defined specifically in the non-cash collateral guidelines within the Securities Lending Authorization Agreement. U.S. securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest. In all cases the borrower provides more collateral than the value of securities lent. Therefore, there is no credit risk related to security lending transactions.

Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of North Dakota Board of University & School Lands loans was approximately 258 days as of June 30, 2026, and 235 days as of June 30, 2025.

Cash open collateral is invested in a short-term investment pool, the NDLAN Custom fund, which had an interest sensitivity of 39 days as of this statement date.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

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

Securities lending collateral is invested in investment pools and, therefore, is not exposed to custodial credit risk.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

The following tables presents the Board's balances related to securities lending transactions at June 30, 2026 and 2025.

Fiscal Year 2026

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non-Cash Collateral	Non-Cash Collateral
GLOBAL Corporate Fixed	\$ -	\$ -	\$ 1,884,432	\$ 2,055,216
GLOBAL Government Fixed	-	-	141,155,428	152,295,666
US Corporate Fixed	32,338,432	33,150,828	-	-
US Government Fixed	127,330,692	130,647,813	17,943,090	18,522,496
	<u>\$ 159,669,124</u>	<u>\$ 163,798,641</u>	<u>\$ 160,982,950</u>	<u>\$ 172,873,378</u>

Market Value of Securities on Loan against Cash Collateral \$ 159,669,124

Market Value of Securities on Loan against Non-Cash Collateral 160,982,950

Total Market Value of Securities on Loan \$ 320,652,074

Fiscal Year 2025

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non-Cash Collateral	Non-Cash Collateral
GLOBAL Government Fixed	\$ -	\$ -	\$ 128,498,959	\$ 137,207,197
US Corporate Fixed	37,353,635	38,042,607	-	-
US Government Fixed	115,870,889	117,910,274	42,194,155	43,043,634
	<u>\$ 153,224,524</u>	<u>\$ 155,952,881</u>	<u>\$ 170,693,114</u>	<u>\$ 180,250,831</u>

Market Value of Securities on Loan against Cash Collateral \$ 153,224,524

Market Value of Securities on Loan against Non-Cash Collateral 170,693,114

Total Market Value of Securities on Loan \$ 323,917,638

NOTE 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following investments are reported at fair value, which represents stated market prices. Actual gains and losses realized by the Department are determined at the time of sale and are based on market conditions existing on that date.

Fair Value Hierarchy

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, assets and liabilities measured at fair value are classified into three levels based on the valuation inputs used and the degree in which those inputs are observable in the marketplace. The hierarchy is as follows:

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 – Valuation is based upon quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or model-based valuation techniques for which all significant inputs are observable in the market.
- Level 3 – Valuation is based on model-based techniques that use significant inputs that are not observable in the market. These unobservable inputs reflect the Department's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Valuation techniques may include option pricing models, discounted cash flow models and similar techniques.

Determination of Fair Value

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

Equity, fixed income, and other investment assets classified as Level 1 are generally individual securities, mutual funds, or exchange-traded funds (ETFs) valued using quoted prices in active markets. Short-term bills and notes, equity, fixed income, and other investment assets classified as Level 2 are primarily debt instruments and funds whose fair values are determined by pricing vendors using quoted prices for similar assets in active markets. Level 2 assets also include certain thinly traded equities held in the unclaimed property account, as well as currencies and forward foreign currency exchange used to hedge portions of the fixed income portfolio.

Assets classified as Level 3 consist primarily of equity funds, ETFs, and bond funds. Fair values for Level 3 assets without readily available market prices are determined using discounted cash flow analyses, with valuation adjustments provided by Northern Trust.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Assets measured at net asset value (NAV) include commingled funds (equity and fixed income) with daily or monthly liquidity; open-ended fund partnerships (real estate, hedge funds, private credit, and infrastructure) with quarterly or semi-annual liquidity; and closed-end fund partnerships (private credit, private equity and infrastructure) with multi-year lock up periods. Assets valued at amounts other than fair value include cash held in money markets accounts at Northern Trust and adjustments to cash for pending investment sales and purchases.

Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2026, and 2025, respectively.

Fiscal Year 2026

	Fair Value at 6/30/26	Fair Value Measures Using		
		Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments, at fair value				
Short Term Securities				
Short Term Bills and Notes	\$ 63,847,504	\$ -	\$ 63,847,504	\$ -
Total Short-Term Securities	63,847,504	-	63,847,504	-
Equity Investments				
Common Stock	4,383,861	4,371,046	1,019	11,797
Equity Funds/ETFs	1,901,272	1,059,750	-	841,522
Other Equity	1	-	1	-
Preferred Stock	41,553	41,553	-	-
Total Equity Investments	6,326,687	5,472,349	1,020	853,319
Fixed Income Investments				
Asset Backed Securities	82,103,669	-	82,103,669	-
Bond Funds/ETFs	390,999	78,197	-	312,801
Corporate Bonds	420,083,855	-	420,083,855	-
Government Agencies	5,003,705	-	5,003,705	-
Government Bonds	379,891,876	-	379,891,876	-
Total Fixed Income Investments	887,474,104	78,197	887,083,105	312,801
Other Investment Assets				
Commodity ETF	8,164	8,164	-	-
Currency	11	-	-	11
Venture Capital and Partnership	2,397	2,396	-	1
Real Estate Funds	44,369	41,923	-	2,446
Rights/Warrants	457	411	46	-
Miscellaneous	10,004	-	-	10,004
Total Other Investment Assets	65,402	52,894	46	12,462
Total Investments at Fair Value	\$957,713,697	\$5,603,440	\$950,931,675	\$1,178,582

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$3,576,281,289	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	960,187,192	-	Daily	< 5 days
Real Estate Funds	726,906,761	-	Quarterly	90 days
Hedge Fund	1,382,229,355	-	NA	NA
Private Credit	1,645,419,714	112,262,835	NA	NA
Private Equity	493,080,987	521,641,432	NA	NA
Private Infrastructure	696,348,086	220,695,664	NA	NA
Total Investments measured at NAV	<u>\$9,480,453,384</u>	<u>\$ 854,599,931</u>		
Investments at other than fair Value				
Cash and adjustments to Cash	<u>\$ 22,118,228</u>			
Total Investment at other than FV	<u>\$ 22,118,228</u>			
Total Investments	<u><u>\$10,460,295,309</u></u>			

Fiscal Year 2025

		Fair Value Measures Using		
	Fair Value at 6/30/25	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments, at fair value				
Short Term Securities				
Short Term Bills and Notes	\$ 113,086,800	\$ -	\$ 113,086,800	\$ -
Total Short-Term Securities	<u>113,086,800</u>	<u>-</u>	<u>113,086,800</u>	<u>-</u>
Equity Investments				
Common Stock	4,675,299	4,658,313	322	16,665
Equity Funds/ETFs	1,686,398	1,045,531	-	640,866
Preferred Stock	37,914	37,914	-	-
Total Equity Investments	<u>6,399,611</u>	<u>5,741,758</u>	<u>322</u>	<u>657,531</u>
Fixed Income Investments				
Asset Backed Securities	37,471,938	-	37,471,938	-
Bond Funds/ETFs	262,535	62,827	-	199,708
Corporate Bonds	442,016,180	-	442,016,180	-
Government Agencies	10,999,381	-	10,999,381	-
Government Bonds	304,818,452	-	304,818,452	-
Total Fixed Income Investments	<u>795,568,486</u>	<u>62,827</u>	<u>795,305,951</u>	<u>199,708</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Other Investment Assets				
Commodity ETF	3,882	3,882	-	-
Swaps	1,023,463	-	1,023,463	-
Venture Capital and Partnership	21,330	21,329	-	1
Real Estate Funds	166,310	166,310	-	-
Rights/Warrants	244	244	-	-
Total Other Investment Assets	<u>1,215,229</u>	<u>191,765</u>	<u>1,023,463</u>	<u>1</u>
Total Investments at Fair Value	<u>\$916,270,126</u>	<u>\$5,996,351</u>	<u>\$909,416,535</u>	<u>\$857,240</u>
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$2,774,606,750	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	925,130,820	-	Daily	< 5 days
Real Estate Funds	719,007,604	-	Quarterly	90 days
Hedge Fund	1,258,740,662	-	NA	NA
Private Credit	1,264,239,073	428,634,622	NA	NA
Private Equity	280,118,407	499,452,739	NA	NA
Private Infrastructure	411,534,732	140,832,089	NA	NA
Total Investments measured at NAV	<u>\$7,633,378,048</u>	<u>\$ 1,068,919,450</u>		
Investments at other than fair Value				
Cash and adjustments to Cash	<u>\$ 587,736,573</u>			
Total Investment at other than FV	<u>\$ 587,736,573</u>			
Total Investments	<u>\$9,137,384,747</u>			

In addition, the Department holds unclaimed mutual funds and other securities on behalf of owners. Actual gains and losses will be realized at the time of sale and will be dependent on market conditions existing on that date. As of June 30, 2026, and 2025 the Board held unclaimed mutual funds totaling \$682,241 and \$3,746,385, respectively.

The Common Schools Trust Fund owns the building occupied by the Department. As of June 30, 2026, and 2025, the book value of the building was \$237,183 and \$305,007, respectively. The book value of the building is included in the investments line item on the balance sheet.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

NOTE 8 – INVESTMENT EXPENSES

	2026	2025
Investment managers' fees:		
Broad US Equity	\$ 5,672,156	\$ 2,825,959
Broad International Equity	26,179,563	4,730,982
Public Fixed Income	239,093	227,072
Private Credit	32,379,043	28,091,737
Loan pools	10,138	10,837
Real Estate	3,482,050	3,911,810
Hedge Funds	54,378,840	41,558,800
Private equity	16,730,275	5,209,398
Private infrastructure	11,009,089	4,183,991
Total investment managers' fees	150,080,247	90,750,586
Custody fees	111,273	89,969
Investment consultant fees:		
General consultant fees	209,667	182,167
Specialty consultant fees	40,000	40,000
Miscellaneous expenses	751,011	507,007
Total investment expenses	\$151,192,198	\$ 91,569,729

Reconciliation of investment expenses to financial statements

	2026	2025
Investment expenses as reflected in the financial statements	\$ 2,539,042	\$ 8,426,468
Plus, investment management fees included in investment income		
Broad US Equity	\$ 5,616,395	\$ 2,774,649
Broad International Equity	26,098,462	4,604,014
Public Fixed Income	(894,834)	(3,525,875)
Private Credit	32,379,043	27,917,676
Loan pools	10,138	10,837
Real Estate	3,323,331	1,424,913
Private equity	16,730,275	4,401,557
Private Infrastructure	11,009,089	4,183,990
Hedge Funds	54,378,840	41,558,800
Investment expenses per schedule	\$151,189,781	\$ 91,777,029

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Investment Consultant Fees:		
Miscellaneous expenses	2,417	(207,300)
Tota Investment Expenses	<u>\$151,192,198</u>	<u>\$91,569,729</u>
	<u>2026</u>	<u>2025</u>
BND loan pool management expenses:		
Expenses as reflected in the financial statements	\$10,138	\$10,840
Plus expenses as reflected in interest income	-	-
Total loan pool expenses	<u>\$10,138</u>	<u>\$10,840</u>

NOTE 9 – FARM LOAN POOL AND FARM REAL ESTATE

The Board is authorized to invest in first mortgage farm loans pursuant to N.D.C.C. Chapter 15-03. All purchased loans are credited to the farm loan pool, and related investments, repayments, interest, and income are allocated to the various trusts in proportion to their participation. The pool is administered by the Bank of North Dakota (BND) in accordance with standard banking practices, including the execution of all loan instruments on behalf of the Board and the administration of foreclosure proceedings, when necessary.

As of June 30, 2026, the non-current and current portion of the farm loans were \$1,723,026 and \$228,756, respectively. As of June 30, 2025, the non-current and current portions of the farm loans were \$1,827,392 and \$254,950, respectively.

As of June 30, 2026, and 2025, the farm loan pool reported net positions of \$2,906,098 and \$2,749,954, respectively. For the years then ended, the pool earned net income of \$156,144 and \$155,222, respectively.

NOTE 10 - COAL WARRANTS

The Board is authorized to make loans to coal development-impacted counties, cities, and school districts from the Coal Development Trust Fund pursuant to N.D.C.C. Chapter 57-62. A warrant is executed by the governing body of the borrowing entity as evidence of the loan. The loans bear interest at 3.0 percent, 3.2 percent, or 3.75 percent annually, depending on the date of issuance.

Coal warrants are payable solely from the borrowing entity's share of coal severance tax payments and do not constitute a general obligation of the entity. No losses are anticipated on the coal warrants; therefore, no allowance for loan losses has been recorded.

As of June 30, 2026, the non-current and current portions of the loans were \$4,707,753 and \$916,110, respectively. The same amounts as of June 30, 2025, were \$5,624,902 and \$885,045, respectively.

NOTE 11 - SCHOOL CONSTRUCTION LOAN PROGRAM

The School Construction Loan Program is funded by the Coal Development Trust Fund and governed by N.D.C.C. Chapter 15.1-36-02. The statute authorizes the Board to fund low-interest loans for unanticipated construction projects and emergency repairs, provided that the outstanding principal balance of loans issued under the program does not exceed \$60 million.

Proposals for unanticipated construction projects or emergency repair loans must be submitted to and approved by the Superintendent of Public Instruction. Loans must be approved prior to commencement of a project if the estimated project cost exceeds \$150,000. To be eligible for a loan, a school district must demonstrate a need for the project, stable student population levels, the absence of feasible alternatives, and the capacity to repay the loan in accordance with N.D.C.C. Chapter 28-32. The interest rate discount on a loan may not exceed two percent per year.

The Bank of North Dakota (BND) processes and services all regular school construction loans. BND receives principal and interest payments from participating school districts and remits those payments to the Department for deposit into the Coal Development Trust Fund.

In 2013, the Legislature amended the program to allow certain school districts located in oil-producing areas to use a portion of the gross production tax distributions received pursuant to N.D.C.C. Chapter 57-51 to repay school construction loans. For gross production tax-backed loans, the loan amount does not constitute debt of the borrowing entity. Repayment is accomplished by the State Treasurer by intercepting the school district's gross production tax payments each month and remitting those amounts to the appropriate trust fund until the scheduled annual loan payment has been satisfied. As of June 30, 2026, there were two gross production tax-backed school construction loans funded through the Coal Development Trust Fund.

As of June 30, 2026, the noncurrent and current portions of loans outstanding under the School Construction Loan Program were \$36,226,229 and \$2,995,401, respectively. As of June 30, 2025, the noncurrent and current portions were \$28,010,676 and \$2,600,719, respectively.

NOTE 12 – FUEL PRODUCTION FACILITY LOAN GUARANTEE PROGRAM

The Fuel Production Facility Loan Guarantee Program is administered by the Bank of North Dakota (BND) and governed by North Dakota Century Code (N.D.C.C.) Chapter 6-09.7. Under the program, BND establishes and maintains a guaranteed reserve fund in a special account at BND, funded by the Strategic Investment and Improvements Fund, in an amount not to exceed \$140 million. The guaranteed reserve fund is intended to maintain reserves sufficient to cover one hundred percent of guaranteed loan exposure. Monies held in the guaranteed reserve fund are available to reimburse lenders for guaranteed loans that enter default. The level of reserves required for all guaranteed loans is determined by a formula designed to ensure an adequate reserve balance, as determined by BND.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

During fiscal year 2026, no payments were made to the Bank of North Dakota to satisfy defaults under the Fuel Production Facility Loan Guarantee Program.

In September 2024, a payment of \$4,818,417 was made to the Bank of North Dakota to satisfy a loan guarantee obligation related to a \$5,000,000 loan originally issued to Red River Biorefinery LLC on February 9, 2022. This payment was recorded as an expense of the Strategic Investment and Improvements Fund.

As of June 30, 2026 and 2025, the balance of the guaranteed reserve fund held at the Bank of North Dakota was \$14,593,112 and \$25,479,945, respectively.

NOTE 13 - OFFICE LEASE COMMITMENT

The Board's administrative agent, the Office of Commissioner of University and School Lands (the Department), rents office space owned by the Common Schools Trust Fund. The Department's commitment to lease office space from the Common Schools Trust is ongoing, with periodic rental adjustments made in accordance with acceptable accounting practices and prevailing market conditions.

For the years ended June 30, 2026 and 2025, rental payments of \$83,249 and \$88,508, respectively, were made by funds other than the Common Schools Trusts Fund.

NOTE 14 - CAPITAL ASSETS

Fiscal Year 2026

	Balance 7/1/25	Additions	Retirements	Balance 6/30/26
Governmental Activities:				
Land	\$ 7,736,490	\$ -	\$ -	\$ 7,736,490
Equipment	69,595	-	-	69,595
DTL IT system software	9,269,355	-	-	9,269,355
Subscription-based IT arrangements	2,191,001	-	-	2,191,001
Less accumulated depreciation/amortization:				
Equipment	(33,721)	(10,311)	-	(44,032)
DTL IT system software	(4,632,833)	(1,513,578)	-	(6,146,411)
Subscription-based IT arrangements	(335,257)	(258,920)	-	(594,177)
Net capital assets	\$14,264,630	(\$1,782,809)	\$ -	\$12,481,821

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fiscal Year 2025

	Balance 7/1/24	Additions	Retirements	Balance 6/30/25
Governmental Activities:				
Land	\$ 7,736,490	\$ -	\$ -	\$ 7,736,490
Equipment	33,956	35,639	-	69,595
DTL IT system software	4,891,466	4,377,889	-	9,269,355
Subscription-based IT arrangements	2,191,001	-	-	2,191,001
Less accumulated depreciation/amortization:				
Equipment	(22,616)	(11,105)	-	(33,721)
DTL IT system software	(3,119,255)	(1,513,578)	-	(4,632,833)
Subscription-based IT arrangements	(76,337)	(258,920)	-	(335,257)
Net capital assets	<u>\$11,634,705</u>	<u>\$2,629,925</u>	<u>\$ -</u>	<u>\$14,264,630</u>

Under the Enabling Act, the State received land grants to support common schools and other institutions. Per the Constitution, no grant land may be sold for less than \$10 per acre; this value is used for reporting purposes on the Statement of Net Position. During fiscal years 2026 and 2025, the Department did not acquire or sell any land.

All lands held by the Department are considered capital assets, except for land acquired through foreclosure that the Board intends to sell. Land is not depreciable under GASB 34.

For fiscal years ending June 30, 2026, and 2025, depreciation/amortization of capital assets totaled \$1,782,809 and \$1,783,603, respectively, and was charged to the general government function.

NOTE 15 - DUE FROM (TO) OTHERS

As noted in Note 1, The Department is a state agency of North Dakota. Accordingly, other state agencies and political subdivisions of the State are considered related parties.

The following table presents amounts due from and due to other state agencies as of June 30, 2026 and 2025. Amounts *due from other state agencies* represent revenues earned during the fiscal year that had not been received as of June 30. Amounts *due to other state agencies* represent services provided to the Department during the fiscal year that had not been paid as of June 30.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Fund	2026		2025	
	Due from other state agencies	Due to other state agencies	Due from other state agencies	Due to other state agencies
Common School Trust fund:				
State Treasurer	\$ 23,581,381	\$ -	\$ 15,046,241	
Attorney General Office	-	-	-	\$ 268
Bank of North Dakota	-	4,591	-	9,086
Department of Transportation	-	8,254	-	7,004
Information Technology Department	-	26,036	-	86,994
Office of Management and Budget	-	6,109	-	6,232
	<u>23,581,381</u>	<u>44,990</u>	<u>15,046,241</u>	<u>109,584</u>
Perpetual funds:				
Attorney General Office	-	-	-	16
Bank of North Dakota	-	393	-	702
Department of Transportation	-	634	-	657
Information Technology Department	-	1,270	-	5,604
Office of Management and Budget	-	222	-	30
	<u>-</u>	<u>2,519</u>	<u>-</u>	<u>7,009</u>
Strategic Investment & Improvements fund:				
State Treasurer	-	44,824,051	61,327,955	-
Attorney General Office	-	-	-	188
Bank of North Dakota	-	-	-	12,890
Information Technology Department	-	11,196	7,216	51,857
Office of Management and Budget	-	142	-	6,289,493
Commerce Department	-	-	281,974	-
Health and Human Services	-	-	-	13,787,648
NDSU Upper Great Plains	-	-	27,094	-
State Fair Association	-	-	-	800,000
State Historical Society	-	-	-	4,200,000
	<u>-</u>	<u>44,835,389</u>	<u>61,644,239</u>	<u>25,142,076</u>
Coal Development Trust fund:				
State Treasurer	222,774	-	148,813	-
Bank of North Dakota	-	-	-	74
Lignite Research fund	-	155,941	-	104,169
	<u>222,774</u>	<u>155,941</u>	<u>148,813</u>	<u>104,243</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Capitol Building Trust fund:

Attorney General	-	-	-	2
Bank of North Dakota	-	-	-	19
Department of Transportation	-	135	-	101
Information Technology	-	-	-	-
Department	-	134	-	757
Office of Management & Budget	-	44	-	4
	-	313	-	883

General Fund:

Bank of North Dakota	-	-	-	2
	-	-	-	2

Total Due From/Due To	\$ 23,804,154	\$ 45,039,152	\$ 76,839,293	\$ 25,363,797
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NOTE 16 – TRANSFERS FROM (TO) OTHER AGENCIES AND RELATED PARTY TRANSACTIONS

The Department transfers funds to and from various beneficiaries and other state agencies in accordance with statutory requirements and programmatic responsibilities. These distributions to or from trust fund beneficiaries, payments to or from other agencies for services provided, and other interagency allocations.

The following table presents amounts transferred to and from beneficiaries and other state agencies as of June 30, 2026 and 2025.

Fund	2026		2025	
	Transfers from other agencies	Transfers to other agencies	Transfers from other agencies	Transfers to other agencies
Perpetual Funds:				
Ellendale	\$ -	\$ 1,421,994	-	\$ 1,202,950
Industrial School	-	1,568,000	-	1,331,000
Mayville State University	-	551,000	-	447,000
ND State University	-	4,385,000	-	3,824,000
School of Mines	-	1,338,000	-	1,166,000
School of Science	-	1,082,000	-	958,000
School of the Blind	-	765,000	-	668,000
School of the Deaf	-	1,194,000	-	1,099,000
State Hospital	-	785,000	-	746,000
University of ND	-	2,136,000	-	1,827,000
Valley City State University	-	783,000	-	677,000
Veterans Home	-	294,000	-	275,000
	-	16,302,994	-	14,220,950

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

Common Schools Trust Fund

Department of Public Instruction	-	292,338,675	-	249,930,000
	-	292,338,675	-	249,930,000

Strategic Investment and Improvements:

General Fund of North Dakota	-	-	-	25,000,000
ND State Treasurer	-	570,827,364	-	-
Department of Commerce	-	2,500,000	\$ 339,647	10,000,000
Department of Public Instruction	-	-	-	19,493,086
Department of Transportation	-	142,500,000	-	-
Health & Human Services	-	-	-	13,787,648
ND Industrial Commission	-	25,000,000	-	-
Information Technology Department	-	-	7,217	-
ND Public Employees Retirement Fund	-	40,000,000	-	-
ND University System	-	26,500,000	-	170,775,000
Office of Management & Budget	-	10,507,380	-	7,013,370
State Courts	-	200,000	-	-
State Historical Society	-	-	-	300,000
NDSU Upper Great Plains	-	971	27,094	-
Northern Crop Institution	6,179	-	-	-
Carryover from prior sessions				
Office of Management & Budget	-	-	-	567,056
	6,179	818,035,715	373,958	246,936,160

Coal Development Trust:

General Fund of North Dakota	-	1,929,432	-	1,452,911
Lignite Research Fund	-	985,608	-	934,084
	-	2,915,040	-	2,386,995

Capitol Building Trust:

Facilities Management	-	3,000,000	-	4,550,000
	-	3,000,000	-	4,550,000

Total Transfers	\$ 6,179	\$1,132,592,424	\$ 373,958	\$ 518,024,105
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During the year ended June 30, 2026, the Department contributed \$25.0 million to the North Dakota Development Fund, a related party and discretely presented component unit of the State of North Dakota, pursuant to Senate Bill 2018 of the 69th Legislative Assembly. The Department made no contributions to the North Dakota Development Fund during the year ended June 30, 2025.

As of June 30, 2025, the Department had a liability of \$800,000 due to North Dakota State Fair Association, a related party due to being a discretely presented component unit of the State of North Dakota. The liability is reported within "Due to other agencies" in the Statement of Net Position and the Balance Sheet of Governmental Funds.

NOTE 17 – ASSIGNED FUND BALANCE

On July 9, 2026, the Board of University and School Lands classified \$53,786,309 of the Strategic Investment and Improvements fund as an assigned fund balance for purposes of the fiscal year 2026 financial statements.

On August 20, 2025, the Board classified \$43,125,403 of the Strategic Investment and Improvements Fund as an assigned fund balance for purposes of fiscal year 2025 financial statements.

This assignment was made by the Board to indicate that these funds should not be transferred out of this fund until potential title disputes related to certain riverbed leases have been resolved.

NOTE 18 – LITIGATION

The Board is currently involved in litigation related to real property ownership and oil and gas royalty payments. Below is a summary of pending and closed lawsuits for the fiscal year ending June 30, 2026. The State's estimate loss contingency on the litigation cases cannot be made at this time.

Whiting Oil and Gas Corporation v. Arlen A. Dean, et. al., consolidated with State of North Dakota ex rel. North Dakota State Engineer v. Leland, Case No. 27-2019-cv-00312 (D.N.D.)

Whiting filed an interpleader for the lands underlying a spacing unit located near the Montana border through which the Yellowstone River runs. Whiting has requested the court determine the property interests for the spacing unit so that Whiting can correctly distribute the proceeds from the well located in the unit. The court trial (no jury) originally scheduled for August 6-10, 2018, was postponed to April 22-26, 2019. The initial scheduling order was amended for the State to conduct field work that could not be completed in the winter. Due to property flooding from high flows on the Yellowstone River, the State was unable to conduct field work at that time. At an August 16, 2018, status conference, the court suspended any interim deadlines and set a scheduling conference for January 2019 to set a new trial date. An Amended Notice of Court Trial was filed, reflecting the April 20 - 24, 2020, trial date. On July 9, 2019, the State Engineer brought an action to Quiet Title to the property involved in this case. The State Defendants filed an Amended Answer in September 2019. On February 5, 2020, Defendants Murex Petroleum Corporation and Northern Oil and Gas, Inc., filed a Notice of Motion, Motion and Brief in Support of Motion to Consolidate this matter with Case No. 27-2019-CV-00312, *State of North Dakota ex rel. North Dakota State Engineer v. Leland* (Quiet Title action referenced above) and other parties responded to the motion. An Order Granting Motion to Consolidate Case 27-2016-CV-00040 into 27-2019-CV-00312 was signed on March 10, 2020. On April 8, 2020, the court entered the Order Granting State Engineer's Partial Motion to Dismiss. Also, on April 8, 2020, Whiting filed a Suggestion of Bankruptcy for Whiting Petroleum Corporation and Certain of its Affiliates and Notice of Automatic Stay of Proceedings. The stay was eventually lifted, and the State filed a Motion for Partial Summary Judgment on May 15, 2022. The Motion for Partial Summary Judgment was denied. Trial for Phase I of the case was held on September 12-16, 2022. On March 31, 2023, the State filed a post-trial brief. On April 21, 2023, the request for an extension to the post-trial brief was filed by the opposing party's counsel, with the request granted on April 24, 2023. On June 30, 2023, Whiting Oil and Gas Corporation filed a post-trial brief. On September 27, 2023, a post-trial brief was filed concluding the post-trial briefing phase. A status conference was held on September 28, 2023, to discuss the post-trial briefing. On December 1, 2023, the State filed a reply to the opposing party's post-trial brief. On April

30, 2024, a Memorandum Decision was issued by the court regarding Phase I of the case. The Memorandum Decision ruled in part for the State, and in part against the State. On May 29, 2024, an amended Phase II scheduling order was issued. On July 26, 2024, a Motion for Summary Judgment was filed by the opposing party. On July 31, 2024, a Stipulation/Agreement was filed to extend the Summary Judgment deadline. The court issued an order on August 8, 2024, extending the Summary Judgment deadline. On September 6, 2024, the State filed a Response Brief. On September 6, 2024, Whiting Oil and Gas Corporation, filed a Response to Motion for Summary Judgment. On September 11, 2024, a Reply Brief in Support of Norby's Motion for Summary Judgment was filed by the opposing party counsel. A hearing on Motions for Summary Judgment was held on November 8, 2024. On November 11, 2024, the State filed Supplemental Summary Judgment Motions with supporting documents. On November 14, 2024, the opposing party filed a Brief in Opposition to the State's filing of Supplemental Summary Judgment Motions. On December 2, 2024, the State filed a Brief in Support of Motion to Supplement Response to Summary Judgment Motions. On December 19, 2024, the Judge issued an Order on Summary Judgment. On January 14, 2025, the State filed a Motion for Reconsideration of Summary Judgment Order and Request to Determine Legal Question on Mineral Reservation Percentage. On January 16, 2025, the Judge issues an Order regarding trial scheduled for the end of the month. On January 21, 2025, Norby' filed a Brief in Opposition to State's Motion for Reconsideration of Summary Judgment Order and Request to Determine Legal Questions Legal Question on Mineral Reservation Percentage. January 21, 2025, the State filed a Pre-Trial and Objection to Trial Procedure. January 21, 2025, Whiting Oil and Gas Corporation filed Pretrial Statement. On January 22, 2025, Kuykendall Group filed a Brief in Response to the State's Motion to Reconsider and Pre-trial Statement; Request for Court to take Judicial Notice of 27-2013-177 and support documents into consideration. On January 27, 2025, the State filed a Response Brief in Opposition to Kuykendall and Melland Group's Request for Court to take Judicial Notice of 27-2013-177 and supporting documents into consideration. Phase II bench trial was held on January 29, 2025. On February 3, 2025, the parties jointly filed a fully executed Stipulation/Agreement concerning the calculation of acreage. On February 3, 2025, the State filed Pocket Brief-Admission of State's Exhibits, Witness and Exhibit Records. On March 28, 2025, the Court issued an Order for record completion and extension to the Briefing deadline. On April 4, 2025, post-trial Briefs were filed for Phase II trial. On May 8, 2025, the Court issued a decision on the January 2025 Phase II Trial, partially in favor of the State, and partially in favor of the Defendants. On June 30, 2025, the Proposed Order for Judgment was filed. On July 15, 2025, the Order for Judgment was signed by the Court. On July 17, 2025, the Notice of Entry of Judgment was filed with the Court. On September 12, 2025, the State of North Dakota filed a Notice of Appeal with the North Dakota Supreme Court. The Defendant's attorney of record subsequently filed a Notice of Cross-Appeal on September 23, 2025, and September 25, 2025, respectively. On October 14, 2025, the State of North Dakota filed a Motion for Extension of Time to File its Appellant's Brief. On October 16, 2025, the Court granted the motion, extending the deadline to October 27, 2025. On that date, the State filed its Appellant's Brief along with a Request for Oral Argument. On November 10, 2025, the Appellee filed a Motion for Extension of Time to File its Brief. That same day, the State filed a response to Appellee's motion, as well as its own Motion for Extension of Time to File a Reply Brief. On November 13, 2025, the Court granted the Appellee's motion. On November 19, 2025, Whiting Oil and Gas, as Appellee, filed an additional Motion for Extension of Time to File its Brief. The Court granted this motion on November 21, 2025, extending the deadline to December 26, 2025. On December 15, 2025, the Appellee filed a second Motion for Extension of Time to File its Brief. The Court granted this request on December 17, 2025, extending the deadline to December 31, 2025. On December 23, 2025, Whiting Oil and Gas filed its Appellee's Brief and a Request for Oral Argument. Additional Appellee filings, including Briefs and Requests for Oral Argument, were submitted on December 26, and December 30, 2025. On December 29, 2025, the State filed a Motion for Extension of Time to File its Combined Reply and Response Brief. The Court granted this motion on December 31, 2025, extending the deadline to January 23, 2026. On

January 23, 2026, the State filed its Reply Brief. Oral argument was held on February 12, 2026. On May 7, 2026, the North Dakota Supreme Court issued an opinion in the case stating that the portion of the Judgment issued by the District Court declaring that the State does not own North Island is affirmed and that the State does not own the West Bank is reversed. On August 17, Amended Proposed Judgment was filed. On September 2, 2026, Order for Judgment and Amended Judgment was signed by the Judge. On September 4, 2026, Notice of Entry of Judgment was filed with the court.

North Dakota Office of the State Engineer and North Dakota Board of University & School Lands v. Bureau of Land Management (Office of Hearings and Appeals, Board of Land Appeals), Case No. 1:20-cv-00185 (D.N.D.)

In 2014, the Bureau of Land Management (BLM) resurveyed land along the Missouri River to locate the boundary between public domain land owned by the United States and the riverbed owned by the State of North Dakota. In identifying the boundary, the BLM applied federal law rather than state law. BLM uses these surveys as the basis for leasing minerals. In certain areas, the new surveys overlap with minerals currently leased by the Board. The Board and State Engineer challenged BLM's resurvey, but the BLM's Montana Office rejected the challenge. The Board and State Engineer then appealed that decision to the Office of Hearings and Appeals, Board of Land Appeals (IBLA). The Board and State Engineer, and BLM both filed briefs with the IBLA regarding their respective positions. On June 24, 2019, the BLM submitted its Request to Take Judicial Notice of North Dakota Law. On March 25, 2020, the Opinion by Administrative Judge Haugrud was issued by the United States Department of Interior, Office of Hearings and Appeals, IBLA, denying the State's appeal. Parties filed a joint status report proposing further proceedings in this case within 30 days of an order addressing the parties' pending motions in Continental Resources, Inc. On June 6, 2023, the parties filed a joint status report proposing that this matter remains pending resolution of the Continental case. A Joint Notice and Proposed Status Report Notice was filed on August 22, 2025. On August 25, 2025, the Magistrate Judge signed the Order Setting Deadlines to submit Status Report by October 22, 2025. On October 15, 2025, Motion to Stay due to lapse in Appropriations and Order was issued on October 16, 2025. Motion to Lift Stay was filed on November 16, 2025, by the Department of Interior. Order was granted on November 17, 2025. Next Status Report was due on December 3, 2025. On December 3, 2025, The North Dakota Board of University and School Lands files a Voluntary Dismissal Notice. The Notice of Dismissal was granted on December 8, 2025, terminating the case. CASE CLOSED.

XTO Energy, Inc., and XTO Holdings, LLC v. North Dakota Board of University and School Lands and the United States of America, Case No. 1:19-cv-00076 (D.N.D.)

In April 2019, XTO Energy, Inc. and XTO Holdings, LLC (XTO), brought an interpleader action against the Board and the United States regarding certain lands underlying XTO operated wells located in McKenzie and Williams Counties. This case addresses overlapping ownership claims by the State and the United States of minerals underlying the Missouri River. XTO is requesting the court determine the property interests for the disputed property so that XTO can correctly distribute the proceeds from the affected wells. The Board and the United States filed Answers on August 1, 2019. On April 7, 2020, the court issued an Order Staying Proceedings pending resolution of the Continental Interpleader litigation, *Continental Resources, Inc., v. North Dakota Board of University and School Lands*, docket number #1:17-cv-14. In July 2020, the parties filed a stipulation regarding deposit of royalty payments and transferring the royalty payments from BND to the court's registry. The court accepted the Stipulation in November 2020. A Joint Notice and Proposed Status Report Notice was filed with the court on August 22, 2025. On August 25, 2025, the Magistrate Judge signed the Order Setting Deadlines to submit a Status Report by October 22, 2025. On October 15, 2025, Motion to Stay due to lapse in Appropriations and Order was issued on October 16, 2025. Motion to Lift Stay was filed on November 14, 2025, by the United States of America. Order was granted on November 17, 2025. Status report was filed on December 3, 2025, by the United States of America. On January 5, 2026, the Court issued a Status Report Order requiring the parties

to file a report by January 14, 2026. On January 14, 2026, XTO Energy, Inc. and XTO Holdings, LLC filed a Joint Status Report. On January 15, 2026, the Court issued a new Status Report Order requiring the parties to file a report by April 15, 2026. On April 15, 2026, XTO Energy, Inc. and XTO Holdings, LLC filed a Joint Status Report. On April 16, 2026, the Court issued a new Status Report Order requiring the parties to file a report by June 10, 2026. On June 10, 2026, XTO Energy, Inc. and XTO Holdings, LLC filed a Joint Status Report. On June 11, 2026, the Court issued a new Status Report Order requiring the parties to file the next Status Report by July 10, 2026. On July 10, 2026, the United States of America filed a Joint Status Report. On July 13, 2026, the Court issued an Order setting a Status Conference for July 15, 2026. On July 16, 2026, the Court issued an Order directing the parties to file Dispositive Motions by August 20, 2026. On August 20, 2026, Motion for Summary Judgment and Memorandum in Support of Motion for Summary Judgment, and Declaration of Blaise J. Lodermeier was filed by the United States. On August 21, 2026, Motion for Summary Judgment and supporting documents filed by ND Board of University and School Land. On September 9, 2026, Response to Motion for Summary Judgment filed by the North Dakota Board of University and School Land; Response to Motion for Judgment as a matter of law filed by United States, and Response to Motion for Summary Judgment filed by XTO Holdings, LLC. On September 14, 2026, Reply to Response to Motion for Summary Judgment was filed by the North Dakota Board of University and School Land; Reply to Response to Motion for Judgment as a matter of law filed by XTO Holding, LLC. Case in Progress.

Mandan, Hidatsa, and Arikara Nation v. United States Department of the Interior; David L. Bernhardt, in his official capacity as Secretary of the United States Department of Interior; and Daniel H. Jorjani, in his official capacity as Solicitor of the United States Department of the Interior, Case No. 1:20-cv-1918 (D.D.C.)

On July 16, 2020, the Mandan, Hidatsa, and Arikara Nation (Tribe) filed a Complaint against the United States Department of the Interior (DOI); David Bernhardt, Secretary of DOI; and Daniel Jorjani, DOI Solicitor. Along with its Complaint, the Tribe filed a motion for preliminary injunction asking that the court to immediately order DOI to refrain from doing anything to implement the Jorjani Opinion until the court has decided the merits of the Tribe's claims regarding that Opinion. A scheduling conference was held by telephone on July 23, 2020, with a follow up on July 29. The parties agreed that the pending motion for preliminary injunction can be considered Plaintiff's motion for partial summary judgment on count one and resolved with defendant's cross motion for partial summary judgment as to that count. The merits of count one will be consolidated with any hearing on the motion for preliminary injunction. The court set certain filing deadlines. The State of North Dakota filed an Expedited Motion to Intervene, and that request was granted. The United States filed its opposition to Plaintiff's Motion for Preliminary Injunction and Cross-Motion for Partial Summary Judgment on September 1, 2020. The State of North Dakota filed its Intervenor-Defendant's Cross-Motion for Partial Summary Judgment and Opposition to Plaintiff's Motion for Preliminary Injunction on September 8, 2020. The Tribe filed a Motion to Complete Administrative Record on September 8, 2020. On August 16, 2021, a Minute Order was entered continuing the stay and that the parties shall file a joint status report within 14 days of the issuance of a new M-Opinion or the conclusion of the Solicitor's Office review without a new M-Opinion, or on November 16, 2021, if nothing has been filed by that date. The case remained on stay until February 4, 2022, when the Opinion Regarding the Status of Mineral Ownership Underlying the Missouri River Within the Boundaries of the Fort Berthold Reservation (North Dakota), M-37073, was issued by the Solicitor, Robert T. Anderson. The parties agreed to various joint status report filings and on April 4, 2022, DOI filed a Notice of Recordation of Trust Title. The State filed a Supplemental Motion to Intervene which was denied. Appellate oral argument held. On April 21, 2023, the D.C. Circuit overturned the district court decision and allowed the State's intervention. A motion to quiet title was submitted by the United States on July 7, 2023. On July 23, 2024, the court issued a ruling granting the United States' motion to quiet title and denying the State's motion to venue the case in North Dakota. The parties agreed to expert reports be due by November 13, 2024, and discovery deadline by January

10, 2025. On October 17, 2024, MHA Nation filed a Motion for Judgment on the Pleadings. On March 18, 2025, the State filed a Memorandum in Opposition to Motion Summary Judgment. On April 18, 2025, the Reply to Opposition to Motion on Summary Judgment was filed by the U.S. Department of Interior. On May 12, 2025, a Supplemental Memorandum in Response to Motion Summary Judgment was filed by MHA Nation. On January 6, 2026, Memorandum Opinion and Order was issued denying Motion for Summary Judgment. Joint Status Report is due January 21, 2026, with additional information asked by the court, in order to propose potential trial date. The trial date is scheduled for September 1, 2026. Pretrial Conference is scheduled for August 18, 2026. Exhibit List was due on March 13, 2026. Any outstanding arguments regarding the exhibits were due by March 27, 2026. The Court ordered parties on April 9, 2026, to file a joint status report by April 23, 2026, informing the Court of their views as to how Opinion M-37088 and the reinstatement of the Jorjani Opinion affect the status of the case as a whole and their litigation positions, prior to the trial. Due to defendants dismissing the Cross Claim, the base of a trial set in September, the judge ordered that the parties file a joint status report by May 28, 2026, proposing a compact schedule for filing and briefing the federal defendants' motion to dismiss the crossclaim, and given the pre-trial and trial schedule already in place, addressing the impact this motion will have on those deadlines. On June 2, 2026, the Court orders that the federal defendants' motion to dismiss their own crossclaim is due June 9, 2026; MHA Nation's and North Dakota's opposition to the motion to dismiss are due June 23, 2026; and any reply in support of the motion to dismiss is due June 30, 2026. All parties filed required Motions within deadline ordered by the Court. The Court reset the trial date to December 7, 2026, with pretrial conference scheduled for November 17, 2026, in Washington, D.C. On June 24, 2026, the MHA Nations filed a motion to amend its complaint to reassert the claims that were previously dismissed, Counts I, II, and IV(a). Motion was granted and first amended complaint was filed. On September 2, 2026, Motion in Limine to exclude testimony of Surveyors was filed by MHA Nations. On September 3, 2026, the State of North Dakota filed a Motion in Limine to exclude MHA's Oral History evidence. On September 16, 2026, Memorandum in opposition to Motion in Limine to Exclude Testimony of Surveyors was filed by the State of North Dakota. Response was filed by MHA Nations on motion in limine on September 17, 2026. On September 23, 2026, reply to opposition to motion in limine was filed by MHA Nations. On September 24, 2026, reply to motion in limine was filed by State of North Dakota. This case is ongoing.

State of North Dakota v. United States of America, Case No. 1:25-cv-00286 (D.N.D.)

This case involves a Quiet Title dispute between the State of North Dakota and the United States of America. The State of North Dakota filed a complaint on December 15, 2025, with the Federal District Court of North Dakota. The issue presented in the complaint asking the Court whether the United States unlawfully claims an interest in certain real property located in North Dakota, and whether title to that property should be quieted in favor of the State of North Dakota under 28 U.S.C. § 2409a (the federal Quiet Title Act). On January 6, 2026, North Dakota filed the Plaintiff's Notice of Proof of Service in the case. Response to the Complaint filed was due on May 29, 2026. Multiple Motions for Extension of Time to file Answer were filed by the United State of America. The last Motion for Extension was filed on May 28, 2026, judge granting with order advising that Answer be filed by July 28, 2026. On July 28, 2026, The United States of America filed a Motion to Dismiss for Lack of Jurisdiction with Exhibits attached. On August 18, 2026, Amended Complaint was filed by the State of North Dakota with Exhibits. On August 19, 2026, Response to Motion to Dismiss for Lack of Jurisdiction was filed by the State of North Dakota. On August 31, 2026, Motion for Extension of Time to file Amended Complaint was filed by the United States of America, which was granted by the Judge on the same day. On September 8, 2026, the United States filed a partial Motion to Dismiss Amended Complaint for lack of jurisdiction, along with supporting documents. The Court issued an order on September 9, 2026, stating that the U.S. filed its Motion to Dismiss for lack of jurisdiction on July 17, 2026. The second motion is moot because the amended complaint was

filed afterward. On October 6, 2026, the State of North Dakota filed a response to the United States' partial motion to dismiss for lack of jurisdiction. Case in progress.

The State's estimated loss contingency on the above litigation cases cannot be made at this time.

NOTE 19 – CLAIMANT LIABILITY

Claimant liability represents the value of property escheated to the Department that is expected to be reclaimed by the rightful owner or their heirs. Claimant liability increases with collections of escheated property and decreases when property is returned to the rightful owner or their heirs.

Unclaimed property is accreted into net position of the Common School Trust fund based on estimates of historical claims in the previous ten years. These estimates are updated annually to reflect recent trends in claims activity.

The following table presents the changes in claimant liability for the years ended June 30, 2026 and 2025.

Claimant Liability – June 30, 2024	\$40,201,764
June 30, 2025	
Collections subject to liability	31,478,922
Less claims paid	12,670,001
Decrease accreted into net position	10,869,075
Claimant Liability – June 30, 2025	\$48,141,610
June 30, 2026	
Collections subject to liability	39,119,715
Less claims paid	12,732,668
Decrease accreted into net position	15,891,889
Claimant Liability – June 30, 2026	\$58,636,768

NOTE 20 – LONG TERM LIABILITIES

Subscription-Based Information Technology Arrangements (SBITAs)

The Department recognizes SBITA liabilities and corresponding subscription assets in the financial statements. These liabilities represent the Department's obligation to make payments under subscription agreements. At the commencement of the SBITA, liability is measured as the present value of the payments expected over the term of the subscription. Subsequently, the liability is reduced by the principal portion of payments made.

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Compensated Absences Payable

Department employees earn annual leave at varying rates based on years of service, ranging from one to two days per month. Accrued leave cannot exceed 30 days as of April 30 of each year. Employees also earn sick leave at a rate of one day per month, with no maximum accumulation. Upon completion of 10 years of continuous service, the State is liable for 10 percent of an employee's accumulated, unused sick leave.

The reported liabilities for compensated absences were \$524,989 and \$498,110 at June 30, 2026, and 2025, respectively. These amounts include the employer's share of FICA taxes and the employer's share of employee benefits.

Governmental Activities – Other long-term liabilities:

	Beginning Balance <u>07/01/25</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>06/30/26</u>	Amounts Due within One <u>Year</u>
Subscription-based IT arrangement (SBITA)	\$ 1,852,806	\$ -	\$ 165,829	\$ 1,686,977	\$ 237,933
Compensated absences	498,110	26,879	-	524,989	21,823
Total long-term liabilities	<u>\$ 2,350,916</u>	<u>\$ 26,879</u>	<u>\$ 165,829</u>	<u>\$ 2,211,966</u>	<u>\$ 259,756</u>

	Beginning Balance <u>07/01/24</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>06/30/25</u>	Amounts Due within One <u>Year</u>
Subscription-based IT arrangement (SBITA)	\$ 2,054,123	\$ -	\$ 201,318	\$ 1,852,806	\$ 183,573
Compensated absences	266,954	231,156	-	498,110	69,512
Total long-term liabilities	<u>\$ 2,321,077</u>	<u>\$ 231,156</u>	<u>\$ 201,318</u>	<u>\$ 2,350,916</u>	<u>\$ 253,085</u>

NOTE 21 – DEFINED BENEFIT PENSION PLAN

The following brief description of North Dakota Public Employees Retirement System (NDPERS) is provided for general information purposes only. Participants should refer to North Dakota Century Code (N.D.C.C.) Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its' agencies, and various participating political subdivisions. NDPERS provides for pension, death, and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to the NDPERS Board of Trustees (Board) comprised of eleven members. The Governor is responsible for the appointment of three members in addition to the Chairman of the Board. Four members are appointed by the legislative management, and the remaining three Board members are elected from active employees currently contributing to NDPERS.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three 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.

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member must 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 NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percentage of salaries and wages. Member contribution rates are 7% and employer contribution rates are 8.12% of compensation covered. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 9.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25, and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On June 30, 2026 and 2025, the Department reported a liability of \$3,375,733 and \$3,780,644, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on the Department's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. On June 30, 2025 the Department's proportion was 0.212321 percent which was an increase of 0.010186 percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the Department recognized pension expense credit of \$147,618. On June 30, 2026, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 182,382	\$ -
Changes in assumptions	350,628	934,942
Net difference between projected and actual earnings on pension plan investment	-	298,288
Changes in proportion and differences between employer contributions and proportionate share of contributions	497,724	30,209
Employer contributions subsequent to the measurement date	283,278	-
TOTAL	\$ 1,314,012	\$ 1,263,439

The \$283,278 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027.

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

<u>Year ended June 30</u>	<u>Amount of Pension Expense</u>
2026	97,007
2027	(183,457)
2028	(58,379)
2029	(87,876)
Thereafter	-

For the year ended June 30, 2025, the Department recognized pension expense of \$353,475. At June 30, 2025, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 179,503	\$ -
Changes in assumptions	911,128	1,715,589
Net difference between projected and actual earnings on pension plan investment	-	34,568
Changes in proportion and differences between employer contributions and proportionate share of contributions	512,233	71,802
Employer contributions subsequent to the measurement date	260,777	-
TOTAL	\$ 1,863,641	\$ 1,821,959

The \$260,777 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

<u>Year ended June 30</u>	<u>Amount of Pension Expense</u>
2025	\$ (324,850)
2026	174,268
2027	(91,599)
2028	23,086
Thereafter	-

Actuarial assumptions.

The total pension liability in July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increase	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members, and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

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Fiscal Year Ended June 30, 2025

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.90%	5.03%
International Equity	19.10%	6.10%
Private Equity	7.00%	8.30%
Domestic Fixed Income	23.00%	2.32%
Global Real Assets	19.00%	5.47%

The total pension liability in July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increase	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members, and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Fiscal Year Ended June 30, 2024

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00%	5.40%
International Equity	19.10%	7.00%
Private Equity	7.00%	8.50%
Domestic Fixed Income	23.00%	2.88%
Global Real Assets	19.00%	6.10%

Discount rate.

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

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

For purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 5.20%; and the resulting Single Discount Rate is 6.50% for fiscal year ending June 30, 2026. For fiscal year ending June 20, 2025, the expected rate of return on pension plan investments was 6.50%; the municipal bond rate was 3.97%; and the resulting Single Discount Rate was 6.50%.

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

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate for the year ending June 30, 2026:

	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Employer's proportionate share of the net pension liability	\$5,035,360	\$3,375,733	\$1,997,131

For the fiscal year ending June 30, 2025, the following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

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	1% Decrease in Discount Rate (5.50%)	Current Discount Rate (6.50%)	1% Increase in Discount Rate (7.50%)
Employer's proportionate share of the net pension liability	\$5,342,944	\$3,780,644	\$2,484,923

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 22 – DEFINED BENEFIT OPEB PLAN

The following brief description of North Dakota Public Employees Retirement System (NDPERS) is provided for general information purposes only. Participants should refer to North Dakota Administrative Code (N.D.A.C.) Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the Highway Patrol Retirement System (HPRS), and Judges retired under Chapter 27-17 of the North Dakota Century Code (N.D.C.C.) a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan, and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance funded on an actuarially determined basis.

Responsibility for administration of the NDPERS define benefit OPEB plan is assigned to the NDPERS Board of Trustees (Board) comprised of eleven members. The Governor is responsible for the appointment of three members in addition to the Chairman of the Board. Four members are appointed by the legislative management, and the remaining three Board members are elected from active employees currently contributing to NDPERS.

OPEB Benefits

The employer contribution for the NDPERS, the HPRS, and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit (RHIC) fund. Employees purchasing previous service credit are also required to make an employee contribution to the RHIC fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in the RHIC fund.

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Therefore, the RHIC fund will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by 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 NDPERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019, the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employees, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

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

On June 30, 2026 and 2025, the Department reported a liability of \$104,511 and \$118,730, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2025 and 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Department's proportion of the net OPEB liability was based on the Department's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2025, the Department's proportion was 0.1589 percent, which was a decrease of 0.02148 percent from its proportion measured as of June 30, 2024.

For the year ended June 30, 2026, the Department recognized OPEB expense of \$16,343. On June 30, 2026, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 535	\$ 1,519
Changes in assumptions	9,061	8,997
Net difference between projected and actual earnings on OPEB plan investment	-	20,128
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,811	5,410
Employer contributions subsequent to the measurement date	19,650	-
TOTAL	\$ 46,057	\$ 36,054

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The \$19,650 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2027.

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

<u>Year ended June 30</u>	<u>OPEB Expense Amount</u>
2026	\$ 7,898
2027	(8,284)
2028	(4,970)
2029	(4,291)
Thereafter	-

For the year ended June 30, 2025, the Department recognized OPEB expense of \$16,784. At June 30, 2025, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Resources</u>	
	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$ 1,466	\$ 913
Changes in assumptions	18,062	8,129
Net difference between projected and actual earnings on OPEB plan investment	-	4,441
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,385	12,952
Employer contributions subsequent to the measurement date	18,300	-
TOTAL	\$ 47,213	\$ 26,435

The \$18,300 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026.

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

<u>Year ended June 30</u>	<u>OPEB Expense Amount</u>
2025	\$ 2,868
2026	7,942
2027	(5,587)
2028	(2,745)
Thereafter	-

Actuarial assumptions.

The total OPEB liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members, and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 107% for males and 101% for females. Pub-2010 Disable Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 113% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 87% for males and 88% for females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2025, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	37%	4.00%
Small Cap Domestic Equities	7%	6.00%
Domestic Fixed Income	27%	3.29%
International Equities	29%	7.00%

The total OPEB liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members, and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disable Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	4.00%
Small Cap Domestic Equities	6%	6.00%
Domestic Fixed Income	35%	3.29%
International Equities	26%	7.00%

Discount rate.

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on these assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Plans as of June 30, 2025, calculated using the discount rate of 5.75 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2026 and 2025

	1% Decrease (<u>4.75%</u>)	Current Discount Rate (<u>5.75%</u>)	1% Increase (<u>6.75%</u>)
Employer's proportionate share of the net OPEB liability	\$ 154,443	\$ 104,511	\$ 62,415

The following presents the net OPEB liability of the Plans as of June 30, 2024, calculated using the discount rate of 5.75 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (<u>4.75%</u>)	Current Discount Rate (<u>5.75%</u>)	1% Increase (<u>6.75%</u>)
Employer's proportionate share of the net OPEB liability	\$ 162,275	\$ 118,730	\$ 82,055

NOTE 23 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, employee injuries, and natural disasters. The Department participates in the following state-managed funds or insurance pools:

Risk Management Fund (RMF)

The RMF provides liability coverage for the State of North Dakota, its agencies, and employees. Administration of the RMF and claims against the State and State employees for personal injury, death, or property damage are governed by the State Tort Claims Act, N.D.C.C. Chapter 32-12.2. All state agencies participate in the RMF, with contributions determined using a projected cost allocation approach. The statutory liability of the State is limited to \$468,750 per person and \$1,875,000 per occurrence.

North Dakota Fire and Tornado Fund

The Department pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is determined by estimating replacement costs in consultation with the Fire and Tornado Fund. Losses in excess of \$1,000,000 per occurrence during a twelve-month period are reinsured by a third-party carrier.

State Bonding Fund

The State Bonding Fund provides blanket fidelity bond coverage for the Department's employees in the amount of \$2,000,000. No premium is currently charged for this coverage.

North Dakota Workforce Safety and Insurance

Workforce Safety and Insurance is an enterprise fund of the State of North Dakota and operates a “no-fault” insurance system covering state employers and employees. Coverage is financed by premiums assessed to employers, which are available to pay claims for employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year, and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

ND Department of Trust Lands
Combined Balance Sheet – Nonmajor Governmental Funds
June 30, 2026

ND Department of Trust Lands
Combining Balance Sheet - Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue Funds														Total Nonmajor Governmental Funds
Assets:	NDSU	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State Univ	Mayville State Univ	Industrial School	School of Science	School of Mines	Veterans Home	UND	Total	Capitol Building	
Cash	\$ 5,302,239	\$ 1,976,835	\$ 972,665	\$ 944,777	\$ 1,677,236	\$ 2,235,053	\$ 677,305	\$ 2,526,615	\$ 1,980,185	\$ 577,970	\$ 875,623	\$ 2,662,012	\$ 22,408,515	\$ 2,730,502	\$ 25,139,017
Investments	126,433,960	21,758,207	33,722,277	19,999,690	41,434,532	24,127,883	17,261,483	47,049,822	29,055,124	37,829,508	8,027,742	62,728,534	469,428,762	3,134,583	472,563,345
Interest receivable	21,977	3,697	5,030	2,337	7,568	4,431	3,553	8,855	4,793	6,111	1,074	11,184	80,610	103,170	183,780
Accounts receivable	442,094	116,171	89,178	44,659	97,905	137,011	46,199	131,660	102,996	19,645	124,667	201,266	1,553,451	123,858	1,677,309
Invested securities lending collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	552,627	552,627
Loans															
Farm Loans	38,923	7,514	10,669	10,931	7,006	8,868	6,383	15,105	11,123	11,225	8,803	17,861	154,411	-	154,411
Total Assets	\$ 132,239,193	\$ 23,862,424	\$ 34,799,819	\$ 21,002,394	\$ 43,224,247	\$ 26,513,246	\$ 17,994,923	\$ 49,732,057	\$ 31,154,221	\$ 38,444,459	\$ 9,037,909	\$ 65,620,857	\$ 493,625,749	\$ 6,644,740	\$ 500,270,489
Liabilities:															
Securities lending collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	552,627	552,627
Accounts Payable															
Operating	537	141	148	74	182	180	82	213	150	129	82	290	2,208	251	2,459
Salaries and benefits	3,629	1,094	1,000	476	1,281	1,395	543	1,541	1,050	787	659	1,931	15,386	1,917	17,303
Investments	3,019	520	805	478	989	576	412	1,123	694	903	192	1,498	11,209	451	11,660
Due to other state agencies	587	179	163	89	192	231	91	250	176	126	124	311	2,519	313	2,832
Total Liability	7,772	1,934	2,116	1,117	2,644	2,382	1,128	3,127	2,070	1,945	1,057	4,030	31,322	555,559	586,881
Equity:															
Fund Balances															
Special revenue funds:															
Restricted	132,231,421	23,860,490	34,797,703	21,001,277	43,221,603	26,510,864	17,993,795	49,728,930	31,152,151	38,442,514	9,036,852	65,616,827	493,594,427	6,089,181	499,683,608
Total Fund Balance	132,231,421	23,860,490	34,797,703	21,001,277	43,221,603	26,510,864	17,993,795	49,728,930	31,152,151	38,442,514	9,036,852	65,616,827	493,594,427	6,089,181	499,683,608
Total Liabilities and Fund Balances	\$ 132,239,193	\$ 23,862,424	\$ 34,799,819	\$ 21,002,394	\$ 43,224,247	\$ 26,513,246	\$ 17,994,923	\$ 49,732,057	\$ 31,154,221	\$ 38,444,459	\$ 9,037,909	\$ 65,620,857	\$ 493,625,749	\$ 6,644,740	\$ 500,270,489

ND Department of Trust Lands
Combined Balance Sheet – Nonmajor Governmental Funds
June 30, 2025

ND Department of Trust Lands
Combining Balance Sheet - Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds													Total Nonmajor Governmental Funds
	<u>NDSU</u>	<u>School for the Blind</u>	<u>School for the Deaf</u>	<u>State Hospital</u>	<u>Ellendale</u>	<u>Valley City State Univ</u>	<u>Mayville State Univ</u>	<u>Industrial School</u>	<u>School of Science</u>	<u>School of Mines</u>	<u>Veterans Home</u>	<u>UND</u>	<u>Total</u>	
Assets:														
Cash	\$ 5,423,600	\$ 995,805	\$ 1,073,270	\$ 335,521	\$ 1,751,153	\$ 1,218,269	\$ 716,608	\$ 2,156,156	\$ 425,683	\$ 1,238,753	\$ 344,111	\$ 2,575,482	\$ 18,254,411	\$ 1,279,246
Investments	109,294,128	18,808,600	29,150,877	18,223,087	35,817,458	20,856,989	14,921,382	40,671,497	26,518,038	32,701,269	6,939,527	54,224,784	408,127,636	5,930,601
Interest receivable	97,454	16,689	25,162	15,009	32,285	18,839	13,862	36,944	23,222	28,693	5,887	48,627	362,673	104,417
Accounts receivable	647,087	209,680	129,030	55,274	108,170	111,334	48,587	239,091	53,658	99,555	31,212	154,079	1,886,757	118,409
Invested securities lending collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005,562
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Farm Loans</i>	41,517	8,014	11,379	11,659	7,473	9,459	6,808	16,112	11,864	11,973	9,389	19,051	164,698	-
Total Assets	\$ 115,503,786	\$ 20,038,788	\$ 30,389,718	\$ 18,640,550	\$ 37,716,539	\$ 22,214,890	\$ 15,707,247	\$ 43,119,800	\$ 27,032,465	\$ 34,080,243	\$ 7,330,126	\$ 57,022,023	\$ 428,796,175	\$ 8,438,235
Liabilities:														
Securities lending collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005,562
Accounts Payable														
<i>Operating</i>	920	150	267	77	236	281	171	271	164	149	67	464	3,217	426
<i>Salaries and benefits</i>	4,568	840	1,046	527	1,167	1,367	887	1,575	843	935	339	2,402	16,496	1,862
<i>Investments</i>	2,996	516	799	500	982	572	409	1,115	727	896	190	1,487	11,189	6,073
Due to other state agencies	2,012	297	596	145	527	684	392	661	308	321	109	957	7,009	883
Total Liability	10,496	1,803	2,708	1,249	2,912	2,904	1,859	3,622	2,042	2,301	705	5,310	37,911	1,014,806
Equity:														
Fund Balances														
Special revenue funds:														
<i>Restricted</i>	115,493,290	20,036,985	30,387,010	18,639,301	37,713,627	22,211,986	15,705,388	43,116,178	27,030,423	34,077,942	7,329,421	57,016,713	428,758,264	7,423,429
Total Fund Balance	115,493,290	20,036,985	30,387,010	18,639,301	37,713,627	22,211,986	15,705,388	43,116,178	27,030,423	34,077,942	7,329,421	57,016,713	428,758,264	7,423,429
Total Liabilities and Fund Balances	\$ 115,503,786	\$ 20,038,788	\$ 30,389,718	\$ 18,640,550	\$ 37,716,539	\$ 22,214,890	\$ 15,707,247	\$ 43,119,800	\$ 27,032,465	\$ 34,080,243	\$ 7,330,126	\$ 57,022,023	\$ 428,796,175	\$ 8,438,235

ND Department of Trust Lands
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds
June 30, 2026

ND Department of Trust Lands
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2026

	Special Revenue Funds													Total	
		School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State Univ	Mayville State Univ	Industrial School	School of Science	School of Mines	Veterans Home	UND	Total	Capitol Building	Nonmajor Governmental Funds
Revenues:	NDSU														
Investment Income	\$ 1,101,597	\$ 212,285	\$ 279,790	\$ 168,440	\$ 359,824	\$ 234,470	\$ 148,475	\$ 425,002	\$ 247,524	\$ 303,650	\$ 80,463	\$ 548,877	\$ 4,110,397	\$ 263,025	\$ 4,373,422
Interest Income	2,995	41	354	-	79	160	59	39	103	687	477	902	5,896	5	5,901
Loan income															-
Farm Loans	3,303	638	905	928	594	752	542	1,282	944	952	747	1,516	13,103	-	13,103
Change in fair value of investments	16,197,471	2,787,435	4,320,061	2,623,168	5,308,243	3,091,058	2,211,440	6,027,640	3,813,961	4,846,285	1,028,384	8,036,208	60,291,354	14,040	60,305,394
Securities lending income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	23,086	23,086
Royalties	3,353,539	1,469,277	939,718	251,791	948,933	1,455,834	442,986	1,267,022	1,063,461	488,684	857,018	1,993,101	14,531,364	1,199,185	15,730,549
Bonuses	267,505	68,960	5,198	73,680	256,104	237,760	160	405,054	4,644	4,960	-	7,320	1,331,345	16,644	1,347,989
Rental income	313,110	71,777	92,648	44,914	89,661	101,251	58,405	98,620	97,293	82,549	50,054	213,010	1,313,292	207,476	1,520,768
Total Revenues	21,239,520	4,610,413	5,638,674	3,162,921	6,963,438	5,121,285	2,862,067	8,224,659	5,227,930	5,727,767	2,017,143	10,800,934	81,596,751	1,723,461	83,320,212
Expenditures:															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	57,709	57,709
Education	116,389	21,908	33,981	15,945	33,468	39,407	22,660	43,907	24,202	25,195	15,712	64,820	457,594	-	457,594
Total Expenditures	116,389	21,908	33,981	15,945	33,468	39,407	22,660	43,907	24,202	25,195	15,712	64,820	457,594	57,709	515,303
Excess of revenue over expenditures	21,123,131	4,588,505	5,604,693	3,146,976	6,929,970	5,081,878	2,839,407	8,180,752	5,203,728	5,702,572	2,001,431	10,736,114	81,139,157	1,665,752	82,804,909
Other Financing Uses:															
Transfer to education institutions	(4,385,000)	(765,000)	(1,194,000)	(785,000)	(1,421,994)	(783,000)	(551,000)	(1,568,000)	(1,082,000)	(1,338,000)	(294,000)	(2,136,000)	(16,302,994)	-	(16,302,994)
Transfer to facilities management	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,000,000)	(3,000,000)
Proceeds from sale of capital asset (land)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Uses	(4,385,000)	(765,000)	(1,194,000)	(785,000)	(1,421,994)	(783,000)	(551,000)	(1,568,000)	(1,082,000)	(1,338,000)	(294,000)	(2,136,000)	(16,302,994)	(3,000,000)	(19,302,994)
Increase (decrease) in net position	16,738,131	3,823,505	4,410,693	2,361,976	5,507,976	4,298,878	2,288,407	6,612,752	4,121,728	4,364,572	1,707,431	8,600,114	64,836,163	(1,334,248)	63,501,915
Net position - beginning	115,493,290	20,036,985	30,387,010	18,639,301	37,713,627	22,211,986	15,705,388	43,116,178	27,030,423	34,077,942	7,329,421	57,016,713	428,758,264	7,423,429	436,181,693
Net position - ending	\$ 132,231,421	\$ 23,860,490	\$ 34,797,703	\$ 21,001,277	\$ 43,221,603	\$ 26,510,864	\$ 17,993,795	\$ 49,728,930	\$ 31,152,151	\$ 38,442,514	\$ 9,036,852	\$ 65,616,827	\$ 493,594,427	\$ 6,089,181	\$ 499,683,608

ND Department of Trust Lands
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds
June 30, 2025

ND Department of Trust Lands
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance - Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds													#	Total Nonmajor Governmental Funds
Revenues:	NDSU	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State Univ	Mayville State Univ	Industrial School	School of Science	School of Mines	Veterans Home	UND	Total	Capitol Building	
Investment Income	\$ 896,811	\$ 190,755	\$ 210,977	\$ 141,984	\$ 290,610	\$ 181,124	\$ 148,319	\$ 350,697	\$ 172,086	\$ 248,049	\$ 61,393	\$ 499,368	\$ 3,392,173	\$ 337,514	\$ 3,729,687
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Farm Loans</i>	3,298	637	904	926	594	751	541	1,280	943	951	746	1,513	13,084	-	13,084
Change in fair value of investments	10,776,087	1,857,826	2,894,710	1,823,552	3,532,582	2,010,524	1,439,328	3,966,633	2,639,153	3,247,312	683,565	5,348,904	40,220,176	108,367	40,328,543
Securities lending income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	65,413	65,413
Royalties	4,198,169	927,639	1,015,488	322,733	1,203,553	1,617,018	791,032	1,874,903	537,645	662,860	96,629	1,792,048	15,039,717	1,680,319	16,720,036
Bonuses	247	1,814	205,001	1,120	160	530	30	8,082	22,316	1,280	-	58,854	299,434	-	299,434
Rental income	295,456	58,311	87,915	43,394	87,846	90,763	60,107	91,351	82,302	81,043	47,201	206,242	1,231,931	259,002	1,490,933
Total Revenues	16,170,068	3,036,982	4,414,995	2,333,709	5,115,345	3,900,710	2,439,357	6,292,946	3,454,445	4,241,495	889,534	7,906,929	60,196,515	2,450,615	62,647,130
Expenditures:															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	125,499	125,499
Education	235,070	36,700	65,716	28,385	71,220	58,261	38,763	87,064	49,227	56,888	18,433	119,804	865,531	-	865,531
Total Expenditures	235,070	36,700	65,716	28,385	71,220	58,261	38,763	87,064	49,227	56,888	18,433	119,804	865,531	125,499	991,030
Excess of revenue over expenditures	15,934,998	3,000,282	4,349,279	2,305,324	5,044,125	3,842,449	2,400,594	6,205,882	3,405,218	4,184,607	871,101	7,787,125	59,330,984	2,325,116	61,656,100
Other Financing Uses:															
Transfer to education institutions	(3,824,000)	(668,000)	(1,099,000)	(746,000)	(1,202,950)	(677,000)	(447,000)	(1,331,000)	(958,000)	(1,166,000)	(275,000)	(1,827,000)	(14,220,950)	-	(14,220,950)
Transfer to facilities management	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,550,000)	(4,550,000)
Total Other Financing Uses	(3,824,000)	(668,000)	(1,099,000)	(746,000)	(1,202,950)	(677,000)	(447,000)	(1,331,000)	(958,000)	(1,166,000)	(275,000)	(1,827,000)	(14,220,950)	(4,550,000)	(18,770,950)
Increase (decrease) in net position	12,110,998	2,332,282	3,250,279	1,559,324	3,841,175	3,165,449	1,953,594	4,874,882	2,447,218	3,018,607	596,101	5,960,125	45,110,034	(2,224,884)	42,885,150
Net position - beginning	103,382,292	17,704,703	27,136,731	17,079,977	33,872,452	19,046,537	13,751,794	38,241,296	24,583,205	31,059,335	6,733,320	51,056,588	383,648,230	9,648,313	393,296,542
Net position - ending	\$ 115,493,290	\$ 20,036,985	\$ 30,387,010	\$ 18,639,301	\$ 37,713,627	\$ 22,211,986	\$ 15,705,388	\$ 43,116,178	\$ 27,030,423	\$ 34,077,942	\$ 7,329,421	\$ 57,016,713	\$ 428,758,264	\$ 7,423,429	\$ 436,181,692

ND Department of Trust Lands

Schedule of Expenditures

Biennium Ended June 30, 2027

During the Sixty-ninth Legislative Assembly, Senate Bill 2013 provided an appropriation to defray the expenses of the Commissioner of University and School Lands for the 2025-27 biennium, as outlined in the following disclosures.

	Biennium Appropriation July 1, 2025 to June 30, 2027	Expenditures Fiscal Year Ended June 30, 2026	Expenditures Fiscal Year Ended June 30, 2027	Unexpended Appropriations
APPROPRIATED EXPENDITURES				
Salaries and Wages*	\$ 10,047,137	\$ 4,772,809	\$ -	\$ 5,274,328
New and Vacant FTE pool	213,546	-	-	213,546
Operating Expenses	1,599,332	503,869	-	1,095,463
Contingencies	100,000	-	-	100,000
Total	\$ 11,960,015	\$ 5,276,678	\$ -	\$ 6,683,337

*As of June 30, 2026, appropriation increased by **\$206,208**, funded through allocations from the State's FTE funding pool.

APPROPRIATED EXPENDITURE RECONCILIATION:

	Expenditures Fiscal Year End June 30, 2026	Expenditures Fiscal Year End June 30, 2027	2025-27 Biennium Expenditures
<u>SALARIES AND WAGES</u>			
Department of Trust Lands			
Salaries and wages	\$ 2,986,264	\$ -	\$ 2,986,264
Social security	222,198	-	222,198
Health and life insurance	573,887	-	573,887
State retirement	393,347	-	393,347
Annual and sick leave benefits	-	-	-
Miscellaneous	6,332	-	6,332
Total	\$ 4,182,028	\$ -	\$ 4,182,028
Unclaimed Property Division			
Salaries and wages	\$ 405,018	\$ -	\$ 405,018
Social security	30,382	-	30,382
Health and life insurance	102,316	-	102,316
State retirement	51,960	-	51,960
Annual and sick leave benefits	-	-	-
Miscellaneous	1,105	-	1,105
Total	\$ 590,781	\$ -	\$ 590,781
Grand Total	\$ 4,772,809	\$ -	\$ 4,772,809

ND Department of Trust Lands

Schedule of Expenditures

Biennium Ended June 30, 2027

	Expenditures Fiscal Year End June 30, 2026	Expenditures Fiscal Year End June 30, 2027	2025-27 Biennium Expenditures
OPERATING EXPENSES			
Department of Trust Lands			
Travel	\$ 44,879	\$ -	\$ 44,879
Software/licenses/IT supplies	3,097	-	3,097
Operating	65,911	-	65,911
Postage	11,851	-	11,851
Printing	6,162	-	6,162
Equipment – IT and office	631	-	631
OMB – Risk Management	4,130	-	4,130
Building rent	57,653	-	57,653
NDIT expenditures	129,026	-	129,026
Professional development	28,147	-	28,147
Audit fees	52,745	-	52,745
Legal fees	99,637	-	99,637
Grand Total	<u>\$ 503,869</u>	<u>\$ -</u>	<u>\$ 503,869</u>

NON-APPROPRIATED EXPENDITURE RECONCILIATION

The continuing appropriation for non-appropriated expenditures is authorized by the Board of University and School Lands under various provisions of the North Dakota Century Code, as outlined in the following disclosures.

	Expenditures Fiscal Year End June 30, 2026	Expenditures Fiscal Year End June 30, 2027	2025-27 Biennium Expenditures
Department of Trust Lands			
Strategic Investment & Improvements Fund:			
Legal fees	\$ 471,828	\$ -	\$ 471,828
Survey/Consultants	75,481	-	75,481
Total	<u>547,309</u>	<u>-</u>	<u>547,309</u>
Common School Trust Fund:			
Legal fees	23,495	-	23,495
Total	<u>23,495</u>	<u>-</u>	<u>23,495</u>
Investments:			
Manager fees	151,192,198	-	151,192,198
Travel	8,146	-	8,146
Software/licenses	202,675	-	202,675
Legal fees	71,391	-	71,391
Total	<u>151,474,410</u>	<u>-</u>	<u>151,474,410</u>

ND Department of Trust Lands

Schedule of Expenditures

Biennium Ended June 30, 2027

Operations:

Software/licenses	121,043	-	121,043
NDIT expenditures	297,484	-	297,484
Legal fees	14,005	-	14,005
Building expenses	59,268	-	59,268
Total	<u>491,800</u>	<u>-</u>	<u>491,800</u>

Minerals:

Software/licenses	38,875	-	38,875
Subscription fee	1,300	-	1,300
Consultants	37,425	-	37,425
Total	<u>77,600</u>	<u>-</u>	<u>77,600</u>

Surface:

Temporary salaries	93,155	-	93,155
Travel	89,636	-	89,636
Software/licenses	41,068	-	41,068
Supplies	1,666	-	1,666
NDIT expenditures	26,337	-	26,337
Advertising	30,817	-	30,817
Rent/land value survey	49,241	-	49,241
Total	<u>331,920</u>	<u>-</u>	<u>331,920</u>

County Services—Road and Bridges	129,066	-	129,066
In Lieu Property Taxes	157,270	-	157,270
Total	<u>286,336</u>	<u>-</u>	<u>286,336</u>

Total - Dept of Trust Lands	<u>\$ 153,232,870</u>	<u>\$ -</u>	<u>\$ 153,232,870</u>
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Unclaimed Property Division:

Travel	\$ 6,022	\$ -	\$ 6,022
Software/licenses	193,891	-	193,891
Equipment/furniture	4,411	-	4,411
Promotional supplies	1,408	-	1,408
Postage	19,681	-	19,681
Printing	7,430	-	7,430
Risk management	258	-	258
Contractual services	55,667	-	55,667
NDIT expenditures	15,194	-	15,194
Professional development	2,058	-	2,058
Due and memberships	9,145	-	9,145
Advertising	108	-	108

ND Department of Trust Lands

Schedule of Expenditures

Biennium Ended June 30, 2027

Bank fees	2,093		2,093
Service awards	327		327
Third party auditor fees	641,903	-	641,903
Professional fees	1,072	-	1,072
Total – Unclaimed Property	<u>\$ 960,668</u>	<u>\$ -</u>	<u>\$ 960,668</u>
 TOTAL *	 <u>\$ 154,193,538</u>	 <u>\$ -</u>	 <u>\$ 154,193,538</u>

*The total reflects the Department's expenditures processed through the State Treasurer's Office using the State's PeopleSoft system, excluding investments.

Investment manager fees are remitted quarterly through the Payden & Rygel cash account; however, many of the current managers deduct fees directly from mutual or commingled fund investments.

The following information discloses the Department's continuing appropriation authority.

NDCC 15-03-16 Investments. To pay costs related to investments controlled by the Board, including investment management fees, trustee fees, consulting fees, custodial fees, and the cost of capitalized building repairs and renovations.

NDCC 15-04-23 County Services. This statute requires the Board to pay a fee to counties in which the state retains original grant lands for roads and bridges.

NDCC 15-04-24 Grant Land. To pay expenses for trust lands controlled by the Board, including appraisal fees, survey costs, surface lease refunds, weed and insect control costs, clean-up costs, capital improvement rent credits, and expenses necessary to manage, preserve, and enhance the value of trust assets.

NDCC 15-05-19 Mineral Leases. To pay expenses for minerals controlled by the Board, including appraisal fees, consulting fees, refunds, and expenses necessary to manage, preserve, and enhance the value of the trust asset.

NDCC 15-06-22 Grant Land. This statute allows the Board to pay expenses relating to the sale of original grant land including appraisal fees.

NDCC 15-07-22 Non-Grant Land. To pay expenses for trust lands controlled by the Board, including appraisal fees, survey costs, clean-up or demolition costs, weed and insect control costs, rural fire district reimbursements for fire protection, and expenses necessary to manage, preserve, and enhance the value of the trust asset.

ND Department of Trust Lands

Schedule of Expenditures

Biennium Ended June 30, 2027

NDCC 15-08-04 Land Surveys. To pay all expenses to ascertain the true boundaries of any tract of land, or to describe or dispose of the same in suitable and convenient lots.

NDCC 15-68-06 Indian Cultural Education Trust. To pay expenses for lands donated under this chapter including survey costs, surface lease refunds, weed and insect control, cleanup costs, capital improvement rent credits, in lieu of tax payments, or expenses necessary to manage, preserve, and enhance the value of the trust asset.

NDCC 57-02.3-07 In Lieu Property Taxes. This statute requires the Board to pay counties in which State property is located in lieu of property taxes.

NDCC 47-30.2-46 Uniform Unclaimed Property Act. To pay expense deductions under this section.

ND Department of Trust Lands
Schedule of Contributions to NDPERS Pension Plan
Last Ten Fiscal Years
June 30, 2026

Fiscal Year Ending	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Trust Land's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
June 30						
2017	PERS	\$ 145,736	\$ (147,738)	\$ (2,002)	\$2,046,857	7.12%
2018	PERS	\$ 133,932	\$ (133,932)	\$ -	\$1,881,070	7.12%
2019	PERS	\$ 128,815	\$ (128,815)	\$ -	\$1,809,201	7.12%
2020	PERS	\$ 109,479	\$ (139,425)	\$ (29,946)	\$1,503,712	9.27%
2021	PERS	\$ 135,363	\$ (112,173)	\$ 23,190	\$1,911,670	5.87%
2022	PERS	\$ 153,632	\$ (162,149)	\$ (8,517)	\$2,083,266	7.78%
2023	PERS	\$ 153,371	\$ (154,858)	\$ (1,487)	\$2,036,343	7.60%
2024	PERS	\$ 161,069	\$ (158,083)	\$ 2,986	\$2,129,114	7.42%
2025	PERS	\$ 218,275	\$ (219,886)	\$ (1,611)	\$2,651,603	8.29%
2026	PERS	\$ 257,235	\$ (243,683)	\$ 13,552	\$2,810,167	8.67%

ND Department of Trust Lands
Schedule of Employer's Proportionate Share of Net Pension Liability
Last Ten Fiscal Years
June 30, 2026

For the Fiscal Year Ended June 30	Trust Land's Proportion of the Net Pension Liability (Asset)	Trust Land's Proportionate Share of the Net Pension Liability (Asset) (a)	Trust Land's Covered-Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017 PERS	0.193861%	\$ 1,889,364	\$ 1,953,665	96.71%	70.46%
2018 PERS	0.199582%	\$ 3,207,938	\$ 2,037,416	157.45%	61.98%
2019 PERS	0.171598%	\$ 2,895,903	\$ 1,762,859	164.27%	62.80%
2020 PERS	0.144564%	\$ 1,694,395	\$ 1,503,712	112.68%	71.66%
2021 PERS	0.173297%	\$ 5,451,961	\$ 1,911,670	285.19%	48.91%
2022 PERS	0.183971%	\$ 1,917,531	\$ 2,083,266	92.04%	78.26%
2023 PERS	0.175542%	\$ 5,052,213	\$ 2,036,343	248.10%	54.47%
2024 PERS	0.174108%	\$ 3,357,242	\$ 2,129,114	157.68%	65.31%
2025 PERS	0.202135%	\$ 3,780,644	\$ 2,651,603	142.58%	68.02%
2026 PERS	0.212321%	\$ 3,375,733	\$ 2,810,167	120.13%	73.63%

Notes to Required Supplement Information:

Changes of benefit terms.

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025, and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026, and ending June 30, 2056.

Changes of assumptions.

The actuarial assumptions used in the actuarial valuation as of July 1, 2025, were based on an experience review for the period from July 1, 2019, to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025.

ND Department of Trust Lands
Schedule of Contributions to NDPERS OPEB Plan
Last Ten Fiscal Years*
June 30, 2026

For the Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered– Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
June 30					
2018	\$ 21,444	\$ (21,444)	\$ -	\$ 1,881,070	1.14%
2019	\$ 20,625	\$ (20,625)	\$ -	\$ 1,809,201	1.14%
2020	\$ 20,677	\$ (19,745)	\$ 932	\$ 1,762,859	1.12%
2021	\$ 20,073	\$ (17,433)	\$ 2,640	\$ 1,708,677	1.02%
2022	\$ 21,488	\$ (22,529)	\$ (1,041)	\$ 1,786,875	1.26%
2023	\$ 17,133	\$ (18,744)	\$ (1,611)	\$ 1,407,646	1.33%
2024	\$ 15,490	\$ (15,663)	\$ (173)	\$ 1,282,850	1.22%
2025	\$ 16,940	\$ (16,821)	\$ 119	\$ 1,424,537	1.18%
2026	\$ 19,692	\$ (18,437)	\$ 1,255	\$ 1,650,751	1.12%

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

ND Department of Trust Lands
Schedule of Employer's Proportionate Share of Net OPEB Liability
Last Ten Fiscal Years*
June 30, 2026

For the Fiscal Year Ended June 30	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset) (a)	Covered-Employee Payroll	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2018	0.188329%	\$ 148,970	\$ 2,037,416	7.31%	59.78%
2019	0.161107%	\$ 126,883	\$ 1,762,859	7.20%	61.89%
2020	0.134758%	\$ 108,236	\$ 1,503,712	7.20%	63.30%
2021	0.149889%	\$ 126,085	\$ 1,708,677	7.38%	63.38%
2022	0.163895%	\$ 91,154	\$ 1,786,875	5.10%	76.63%
2023	0.136346%	\$ 163,657	\$ 1,407,646	11.63%	56.28%
2024	0.127624%	\$ 127,592	\$ 1,282,850	9.95%	62.74%
2025	0.137410%	\$ 118,730	\$ 1,424,537	8.33%	68.35%
2026	0.158893%	\$ 104,511	\$ 1,650,751	6.33%	75.94%

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

Notes to the Required Supplementary Information:

Changes to benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2024.

Changes to assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2025, were based on an experience review for the period from July 1, 2019, to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025. The following assumptions were changed: price inflation, salary increase rates, retirement rates, turnover rates, disability rates, RHIC participation rates, and mortality rates.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

State Land Board and the
Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Dakota Department of Trust Lands (the Department), an agency of the State of North Dakota, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 21, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Eide Bailly LLP

Bismarck, North Dakota
October 21, 2026



**North Dakota Department of Trust Lands
Independent Auditor's Comments Requested by the North Dakota Legislative Audit and
Fiscal Review Committee
Year Ended June 30, 2026**

State Land Board and the
Legislative Assembly
State of North Dakota
Bismarck, North Dakota

The Legislative Audit and Fiscal Review Committee requires a separate audit summary from certified public accountants performing audits of state agencies. The separate audit summary regarding the June 30, 2026 audit of North Dakota Department of Trust Lands is as follows:

Purpose of the Audit

The North Dakota Department of Trust Lands (Department) is an agency of the state of North Dakota and is included in the State's Annual Comprehensive Financial Report (ACFR). The purpose of the audit of the Department is to express an opinion on the financial statements of the North Dakota Department of Trust Lands.

The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with Government Auditing Standards, will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually and in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Type of Audit Opinion

We issued an unmodified opinion on the financial statements of North Dakota Department of Trust Lands.

Findings and Recommendations

We have no findings or recommendations to communicate as a result of the audit.

Status of Prior Recommendations

There were no findings or recommendations communicated in the prior audit.

Explanations of Significant Audit Adjustments and Misstatements

There were no significant audit adjustments or misstatements that were identified as a result of our audit procedures.

Disagreements with Management or Difficulties Encountered during the Audit

No disagreements with management arose during the course of the audit.

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Other Audit Report Highlights

None

Cost of the Audit Compared to the Prior Audit

The cost of the 2026 North Dakota Department of Trust Lands audit was \$53,290.

The cost of the 2025 North Dakota Department of Trust Lands audit was \$52,745.

This report is intended solely for the information and use of the State Land Board, the Legislative Assembly, and management of the Department, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota
October 21, 2026