



Financial Statements
June 30, 2021 and 2020

North Dakota Department of Trust Lands

ND Department of Trust Lands
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June 30, 2021

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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota Department of Trust Lands, as of and for the years ended June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the 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, 2021 and 2020, and the respective changes in financial position and the statement of appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter*Reporting Entity*

As discussed in Note 1, the financial statements of North Dakota Department of Trust Lands are intended to present the financial position and changes in financial position 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, 2021 and 2020 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 on pages 4 through 11 and 83 through 86 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 or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Department of Trust Lands' financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 November 1, 2021 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 the 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Bismarck, North Dakota
November 1, 2021

As management of the Department of Trust Lands (the Department), our discussion and analysis of the Department's financial performance provides an overview of the financial activities for the fiscal years ended June 30, 2021, 2020, and 2019. Please read it in conjunction with the basic financial statements, which follow this discussion.

Financial Highlights

- The assets of the Department exceeded its liabilities as of June 30, 2021, 2020, and 2019 by \$6,999,894,777, \$5,751,626,475, and \$6,165,096,555, respectively.
- The Department's net position increased by \$1,248,268,302 for the year ended June 30, 2021; decreased by \$413,470,080 for the year ending June 30, 2020; and increased by \$1,097,250,609 for the year ending June 30, 2019. The net position increase for fiscal year 2021 is due to increase in gross production and oil extraction taxes, as well as a strong rally of the financial markets after the country reopened following COVID restrictions. The net position decrease for fiscal year 2020 is due to the significant stress on the investment market as a result of the COVID-19 pandemic as well as a decrease in oil and gas production due to the downturn in the oil economy during the last two quarters of the fiscal year.
- Royalty revenues totaled \$276,182,311 in fiscal year 2021, an increase of \$37,741,297 over the amount earned in fiscal year 2020. Royalty revenues totaled \$238,441,014 in fiscal year 2020, a decrease of \$83,467,196 over the amount earned in fiscal year 2019. Royalty revenues totaled \$321,908,210 in fiscal year 2019. The increase in fiscal year 2021 was due to increased crude oil prices following the effects of COVID-19 pandemic on the oil and gas industry during fiscal year 2020. The decrease in fiscal year 2020 was due to the downturn in the commodity markets and the effects of COVID-19 pandemic on the oil and gas industry.
- Mineral lease bonus revenues totaled \$304,310 in fiscal year 2021, a decrease of \$9,295,718 when compared to fiscal year 2020. Bonus revenues totaled \$9,600,028 in fiscal year 2020, an increase of \$5,529,780 when compared to fiscal year 2019. Bonus revenues totaled \$4,070,248 in fiscal year 2019. This decrease in fiscal year 2021 was due to fewer mineral acres available to lease in producing areas and by bonus refunds issued pursuant to N.D.C.C. §61-33.1. The increase in fiscal year 2020 occurred during the fall auction with one track in the prime Bakken area exceeding a single payment of \$7 million.
- During fiscal year 2021, gross production tax revenues totaled \$218,197,798 compared to no gross production tax revenue during fiscal year 2020. All gross production tax revenue was deposited into the Strategic Investment and Improvements fund as directed by the legislature, which resulted in higher distributions during the second year of each biennia versus the first year.

- During fiscal year 2020, the Strategic Investment and Improvements fund did not receive any gross production tax revenues in fiscal year 2020, compared to revenues of \$433,343,880 in fiscal year 2019. Gross production tax revenues are deposited into the Strategic Investment and Improvements fund during the second year of each biennia versus the first year.
 - The sixty-sixth legislative assembly did not appropriate any gross production tax revenues to the oil and gas impact grant fund of the 2019-21 biennia. In fiscal year 2019, the gross production tax revenues received by the oil and gas impact grant fund totaled \$2,000,000.
- Oil extraction tax revenues received in fiscal year 2021 totaled \$222,667,616, an increase of \$143,398,355 over the \$79,269,261 earned in fiscal year 2020. Oil extraction tax revenues in fiscal year 2020 decreased by \$354,023,758 over the \$433,293,019 earned in fiscal year 2019.
 - Oil extraction tax revenues received by the Common School Trust fund totaled \$68,855,764 in fiscal year 2021, compared to \$79,269,261 in fiscal year 2020. The tax revenue changes between fiscal year 2021 and 2020 was primarily due to swings in production and commodity prices caused by the COVID-19 pandemic.
 - Oil extraction tax revenues received by the Common School Trust fund totaled \$79,269,261 in fiscal year 2020, compared to \$100,523,292 in fiscal year 2019. These tax revenue changes are primarily due to decrease in commodity prices followed by the effects of the COVID-19 pandemic as compared to fiscal year 2019.
 - Oil extraction tax revenues received by the Strategic Investment and Improvements fund totaled \$153,811,852 in fiscal year 2021. During fiscal year 2020 the Strategic Investment and Improvements fund did not receive any oil extraction tax revenues compared to revenues of \$332,769,727 in fiscal year 2019. Oil extraction tax revenues are deposited into the Strategic Investment and Improvements fund as directed by the legislature, which results in higher distributions to the Strategic Investment and Improvements fund during the second year of each biennia versus the first year.
- During fiscal year 2021, the Common School Trust fund received a one-time transfer from the State General Fund in the amount of \$64,370,000. This transfer was legislated to cover underpayments of oil extraction taxes owed to the Common School Trust fund and collected between August 2008 and February 2019.
- Investment income totaled \$145,540,697 in fiscal year 2021, an increase of \$11,171,826 over fiscal year 2020. Investment income totaled \$134,368,871 in fiscal year 2020, a decrease of \$16,029,825 over fiscal year 2019. Investment income totaled \$150,398,696 in fiscal year 2019. The increase of investment income in fiscal year 2021 was a result of strong market rally after the country reopened following COVID restrictions. The decrease in investment income in fiscal year 2020 was a result of a significant stress on the investment market as a result of the COVID-19 pandemic.

- The change in fair value of investments, otherwise known as capital gains/loss, totaled \$907,771,770 in net gains for fiscal year 2021, an increase of \$1,099,139,492 compared to the loss of \$191,367,722 in fiscal year 2020. The change in fair value of investments in fiscal year 2020 decreased by \$266,158,632 compared to the gain of \$74,790,910 in fiscal year 2019. The gain in fiscal year 2021 is attributed to the strong market rally after the country reopened following COVID restrictions. The decline in fiscal year 2020 is attributed to the significant market correction, related to the COVID-19 pandemic, that adversely impacted the permanent trust's master limited partnerships, natural resources equities, and commodity futures investments, which declined by nearly 50%, 40% and 30%, respectively.

Overview of the Financial Statements

This report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a section that presents combining statements for non-major government funds. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements. The *government-wide financial statements* provide broad information about the Department's financial condition.

The *statement of net position* presents information on all assets and deferred inflows of resources and liabilities and deferred inflows of resources managed by the Department with the difference between these reported as *net position*. Changes in net position may at times, serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *statement of activities* presents information showing how the net position managed by the Department changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Fund Financial Statements. A *fund* is a grouping of related accounts used to maintain control of resources that have been segregated for specific objectives. The Department uses fund accounting to provide a relevant financial statement format for users and to demonstrate compliance with constitutional and legislative requirements. All funds of the Department are governmental funds except for two funds that are private purpose trust funds, Indian Cultural Education Trust and Theodore Roosevelt Presidential Library and Museum Endowment.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the Common Schools Trust fund, Coal Development Trust fund, Department of Trust Lands General fund, Oil and Gas Impact Grant fund including the Energy Impact fund, and the Strategic Investment and Improvements fund.

Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these is provided in the *combining statements* immediately following the notes to the financial statements.

Activities of the private purpose trust funds are presented separately in the statement of fiduciary net position and statement of changes to fiduciary net position for the Indian Cultural Education Trust and the Theodore Roosevelt Presidential Library and Museum Endowment.

The Department is appropriated a biennial budget from the North Dakota Legislature for its General fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements and Other Information. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, changes in net position may, at times, serve as a useful indicator of the Department's financial position. As of June 30, 2021, the Department's total net position was \$6,999,894,777. As of June 30, 2020, the Department's total net position was \$5,751,626,475. As of June 30, 2019, the Department's total net position was \$6,165,096,555. The largest portion of the Department's net position is represented by investments in financial securities. The Department uses this net position to provide distributions to educational entities and general government.

The following is a comparative summary statement of net position:

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$7,292,333,461	\$5,973,887,833	\$6,423,453,973
Capital assets	8,830,180	8,798,580	7,808,336
Total assets	<u>7,301,163,641</u>	<u>5,982,686,413</u>	<u>6,431,262,309</u>
Deferred outflows of resources:			
Pension	3,577,193	845,960	1,268,258
Other Post-Employment Benefits	51,366	34,800	34,834
	<u>3,628,559</u>	<u>880,760</u>	<u>1,303,092</u>
Long-term liabilities	5,794,468	2,002,074	3,219,895
Other liabilities	298,017,927	228,651,357	263,845,783
Total liabilities	<u>303,812,395</u>	<u>230,653,431</u>	<u>267,065,678</u>
Deferred inflows of resources:			
Pension	1,058,720	1,255,612	379,020
Other Post-Employment Benefits	26,308	31,655	24,148
	<u>1,085,028</u>	<u>1,287,267</u>	<u>403,168</u>
Net Position:			
Net position held in capital assets	8,830,180	8,798,580	7,808,336
Restricted net position			
Nonexpendable	71,010,157	70,750,577	70,213,873
Expendable	6,061,026,839	4,897,656,032	4,925,726,600
Unrestricted net position	859,027,601	774,421,286	1,161,347,746
Total net position	<u>\$6,999,894,777</u>	<u>\$5,751,626,475</u>	<u>\$6,165,096,555</u>

During fiscal year 2021, the Department's net position increased by \$1,248,268,302. The main change relates to an increase in royalty revenues, oil extraction and gross production taxes deposited into the Strategic Investment and Improvements fund, and gains in the fair value of investments during the year.

ND Department of Trust Lands
Management's Discussion and Analysis
June 30, 2021

During fiscal year 2020, the Department's net position decreased by \$413,470,080. The main change relates to the lack of oil extraction and gross production taxes deposited into the Strategic Investment and Improvements fund during the year, and losses in the fair value of investments.

The following provides a comparative statement of the Department's operations:

	Changes in Net Position		
	2021	2020	2019
<u>Revenues</u>			
<i>General Revenues:</i>			
Interest on investments	\$6,338,605	\$16,429,644	\$15,136,269
Change in fair value of investments	(3,150,562)	2,882,713	10,016,548
Interest income	21,555	-	100,445
Royalties	110,738,895	89,224,480	128,227,190
Bonuses, net of bonus refunds	(851,997)	1,167,696	2,601,964
Rents	255,544	245,978	268,279
Interest on loans	594,417	616,240	684,490
Contributions to perpetual funds	11,162,710	9,515,851	11,014,244
Taxes	442,333,437	80,816,356	870,213,807
Gain on Sale of Capital Asset Land	80,761	24,950	-
Total General Revenue	567,523,365	200,923,908	1,038,263,236
<i>Program Revenues:</i>			
Interest on loans	418,568	713,376	753,945
Interest on investments	138,167,552	116,609,611	133,723,547
Change in fair value of investments	910,922,332	(194,250,435)	64,774,362
Royalties	165,443,416	149,216,534	193,681,020
Bonuses, net of bonus refunds	1,156,307	8,432,332	1,468,284
Rents	12,838,966	14,314,097	13,295,252
Fees to Maintenance fund	8,013,262	7,960,688	4,567,223
Total Program Revenue	1,236,960,403	102,996,203	412,263,633
Total Revenues	1,804,483,768	303,920,111	1,450,526,869
<u>Expenses</u>			
<i>Governmental Activities:</i>			
General government	2,517,361	3,204,107	3,433,657
Intergovernmental	7,709,625	22,220,963	34,160,869
Education	21,596,993	24,350,910	23,306,092
Total Expenses	31,823,979	49,775,980	60,900,618
Excess before transfer	1,772,659,789	254,144,131	1,389,626,251
Transfers	(524,391,487)	(667,614,212)	(292,375,641)
Increase(decrease) in net position	1,248,268,302	(413,470,080)	1,097,250,609
Net position - beginning	5,751,626,475	6,165,096,555	5,067,845,946
Net position - ending	\$6,999,894,777	\$5,751,626,475	\$6,165,096,555

During the fiscal year ending June 30, 2021, the Department's revenues increased by a total of \$1,500,563,657. Royalty revenues increased by \$37,741,297 as commodity prices recovered following the effects of the COVID-19 pandemic. In addition, oil extraction tax and gross production tax revenues increased by \$143,398,355 and \$218,197,798, respectively, primarily due to the tax distribution formula, which resulted in higher distributions to the Strategic Investment and Improvements fund during the second year of each biennium versus the first year. Mineral lease bonus revenue decreased by \$9,298,718 due to fewer mineral acres available to lease in producing areas and by bonus refunds issued pursuant to N.D.C.C. §61-33.1. The change in fair value of investments indicates a net gain of \$1,099,139,492 for fiscal year 2021 attributed to the strong market rally after the country reopened following COVID restrictions.

During the fiscal year ending June 30, 2020, the Department's revenues decreased by a total of \$1,146,606,758. Royalty revenues decreased by \$83,467,196 as commodity prices dropped followed by the effects of the COVID-19 pandemic. In addition, oil extraction tax and gross production tax revenues decreased by \$354,023,758 and \$435,343,880, respectively, due primarily to the tax distribution formula, which resulted in higher distributions to the Strategic Investment and Improvements fund during the second year of each biennium versus the first year. Mineral lease bonus revenue increased by \$5,529,780 as one tract in prime Bakken area exceeded a single payment of \$7 million. The change in fair value of investments indicates an additional decline of \$266,158,632 for fiscal year 2020 from the previous year attributed to the significant market correction related to the COVID-19 pandemic.

Financial Analysis of the Government's Funds

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related constitutional and legislative requirements.

Governmental funds. The focus of the Department's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Department's financing requirements.

Capital Asset

The Department's capital assets for its governmental funds as of June 30, 2021, 2020 and 2019 are \$8,830,180, \$8,798,580, and \$7,808,336 (net of accumulated depreciation for equipment), respectively. These capital assets include land, equipment, and the purchasing of Microsoft Dynamics software starting in fiscal year 2020. See Note 15 to Financials Statements for additional details on capital assets.

Economic Factors

During fiscal year 2021, as the country reopened from COVID restrictions, the trust assets experienced a significant rally in the financial markets. However, the trusts also experienced swings in production and commodity prices caused by the ongoing effects of the COVID pandemic.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ND Department of Trust Lands, 1707 N 9th St., Bismarck, ND, 58501.

ND Department of Trust Lands
Statement of Net Position
June 30, 2021 and 2020

	2021 Governmental Activities	2020 Governmental Activities
Assets:		
Cash	\$551,254,547	\$145,403,990
Investments	6,212,800,429	5,525,705,618
Interest receivable	14,397,445	16,948,628
Accounts receivable	49,786,963	13,790,988
Invested securities lending collateral	278,327,959	209,667,395
Loans		
Farm loans	4,988,533	7,373,088
Energy construction loans	-	923,408
School loans - Coal	29,864,928	39,093,077
Energy impact loans	9,781,118	10,540,579
Capital asset – land	7,738,774	7,740,013
Equipment (net of accumulated depreciation)	1,091,406	1,058,567
Due from other state agencies	76,761,539	4,418,552
Due from state general fund	64,370,000	22,510
Total Assets	7,301,163,641	5,982,686,413
Deferred Outflows of Resources:		
Deferred pension outflows	3,577,193	845,960
Deferred other post-employment benefits outflows	51,366	34,800
Total Deferred Outflows of Resources	3,628,559	880,760
Liabilities:		
Accrued payroll	253,212	243,857
Accounts payable	1,260,002	1,706,091
Securities lending collateral	278,327,959	209,667,395
Due to other state agencies	1,715,320	388,476
Claimant liability	16,461,434	16,645,538
Long-term liabilities		
Compensated absences due within one year	11,559	10,652
Compensated absences due in more than one year	204,863	188,791
Pension liability	5,451,961	1,694,395
Other post-employment benefits liability	126,085	108,236
Total Liabilities	303,812,395	230,653,431
Deferred Inflows of Resources:		
Deferred pension inflows	1,058,720	1,255,612
Deferred other post-employment benefits inflows	26,308	31,655
Total Deferred Inflows of Resources	1,085,028	1,287,267
Net Position:		
Net investment in capital assets	8,830,180	8,798,580
Restricted		
Nonexpendable	71,010,157	70,750,577
Expendable	6,061,026,839	4,897,656,032
Unrestricted	859,027,601	774,421,286
Total Net Position	\$6,999,894,777	\$5,751,626,475

See Notes to the Financial Statements

ND Department of Trust Lands
Statement of Activities
For the Year Ended June 30, 2021

2021				
Functions/Programs of Governmental activities:	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
General government	\$ 2,517,361	\$ -	\$ -	\$ (2,517,361)
Intergovernmental	7,709,625	-	-	(7,709,625)
Education	21,596,993	8,013,262	1,228,947,141	1,215,363,410
Total	\$ 31,823,979	\$ 8,013,262	\$1,228,947,141	\$ 1,205,136,424
Net (expense) revenue				<u>1,205,136,424</u>
General revenues:				
Taxes:				
Coal severance				1,468,023
Oil extraction				222,667,616
Gross production				218,197,798
Contributions to special revenue fund				11,162,710
Unrestricted investment earnings				6,338,605
Net increase (decrease) in fair value of investments				(3,150,562)
Royalties				110,738,895
Bonuses, net of bonus refunds				(851,997)
Rents				255,544
Loan income				594,417
Interest income				80,761
Other revenues:				
Gain on sale of capital asset – land				21,555
Transfers:				
To/from other state agencies				(330,128,487)
Educational institutions				(194,263,000)
Total general revenues, other revenues and transfers				<u>43,131,878</u>
Total change in net position				1,248,268,302
Net position – beginning of year				<u>5,751,626,475</u>
Net position – ending				<u>\$ 6,999,894,777</u>

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Activities

For the Year Ended June 30, 2020

2020				
Functions/Programs of Governmental activities:	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
General government	\$ 3,204,107	\$ -	\$ -	\$ (3,204,107)
Intergovernmental	22,220,963	-	-	(22,220,963)
Education	24,350,910	7,960,688	95,035,515	78,645,293
Total	\$ 49,775,980	\$ 7,960,688	\$ 95,035,515	\$ 53,220,223
Net (expense) revenue				53,220,223
General revenues:				
Taxes:				
Coal severance				1,547,095
Oil extraction				79,269,261
Contributions to special revenue fund				9,515,851
Unrestricted investment earnings				16,429,644
Net increase (decrease) in fair value of investments				2,882,713
Royalties				89,224,480
Bonuses				1,167,696
Rents				245,997
Loan income				616,240
Other revenues:				
Gain on sale of capital asset – land				24,950
Transfers:				
To/from other state agencies				(473,351,212)
Educational institutions				(194,263,000)
Total general revenues, other revenues and transfers				(466,690,304)
Total change in net position				(413,470,082)
Net position – beginning of year				6,165,096,555
Net position – ending				\$ 5,751,626,475

See Notes to the Financial Statements

ND Department of Trust Lands
Balance Sheet
June 30, 2021

Assets:	General Fund	Common Schools Trust Fund	Coal Development Fund	Oil and Gas & Energy Impact Funds	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Cash	\$ 526,462	\$ 97,603,607	\$ 217,977	\$ 1,257,307	\$ 444,518,078	\$ 7,131,116	\$ 551,254,547
Investments	-	5,532,596,786	31,122,725	-	335,071,929	314,008,989	6,212,800,429
Interest receivable	-	12,551,175	66,970	-	951,922	827,378	14,397,445
Accounts receivable	-	27,159,338	-	-	20,458,978	2,168,647	49,786,963
Invested securities lending collateral	-	187,833,903	653,760	-	73,095,304	16,744,992	278,327,959
Loans							
<i>Farm loans</i>	-	4,594,849	-	-	-	393,684	4,988,533
<i>School loans - Coal</i>	-	-	29,864,928	-	-	-	29,864,928
<i>Energy impact loans</i>	-	-	9,781,118	-	-	-	9,781,118
Due from other state agencies	-	15,467,238	214,559	-	61,079,742	-	76,761,539
Due from state general fund	-	64,370,000	-	-	-	-	64,370,000
Total Assets	\$ 526,462	\$ 5,942,176,896	\$ 71,922,037	\$ 1,257,307	\$ 935,175,953	\$ 341,274,806	\$ 7,292,333,461
Liabilities:							
Accrued payroll	\$ -	\$ 187,925	\$ 105	\$ -	\$ 51,119	\$ 14,063	\$ 253,212
Accounts payable	37,334	1,103,665	310	-	53,901	64,792	1,260,002
Securities lending collateral	-	187,833,903	653,760	-	73,095,304	16,744,992	278,327,959
Due to other state agencies	40,239	13,063	150,191	610	1,510,191	1,026	1,715,320
Claimant liability	-	16,461,434	-	-	-	-	16,461,434
Total Liabilities	77,573	205,599,990	804,366	610	74,710,515	16,824,873	298,017,927
Equity:							
Fund Balance:							
Permanent funds							
<i>Nonspendable</i>	-	-	71,010,157	-	-	-	71,010,157
<i>Committed</i>	-	-	107,514	-	-	-	107,514
Special revenue funds							
<i>Restricted</i>	-	5,736,576,906	-	-	-	324,449,933	6,061,026,839
<i>Committed</i>	-	-	-	1,256,697	641,685,321	-	642,942,019
<i>Assigned</i>	-	-	-	-	218,780,117	-	218,780,117
<i>Unassigned</i>	448,889	-	-	-	-	-	448,889
Total Fund Balance	448,889	5,736,576,906	71,117,671	1,256,697	860,465,438	324,449,933	6,994,315,534
Total Liabilities and Fund Balances	\$ 526,462	\$ 5,942,176,896	\$ 71,922,037	\$ 1,257,307	\$ 935,175,953	\$ 341,274,806	\$ 7,292,333,461

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

Total fund balances - governmental funds	\$6,994,315,534
Capital Asset - Land	7,738,774
Net book value of office equipment	1,091,406
Liability for compensated absences	(216,422)
Net OPEB liability	(126,085)
Deferred OPEB outflows	51,366
Deferred OPEB inflows	(26,308)
Net pension liability	(5,451,961)
Deferred pension outflows	3,577,193
Deferred pension inflows	(1,058,720)
Net position of governmental activities	<u>\$6,999,894,777</u>

See Notes to the Financial Statements

ND Department of Trust Lands
Balance Sheet
June 30, 2020

	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Energy Impact Grant Funds	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Assets:							
Cash	\$ 413,975	\$ 78,494,048	\$ 180,580	\$ 8,968,120	\$ 49,688,266	\$ 7,659,001	\$ 145,403,990
Investments	-	4,532,870,215	20,778,277	-	712,756,986	259,300,140	5,525,705,618
Interest receivable	-	14,852,388	71,364	-	1,069,941	954,935	16,948,628
Accounts receivable	315	8,054,248	-	-	4,555,794	1,180,631	13,790,988
Invested securities lending collateral	-	172,833,901	698,744	-	26,245,271	9,889,479	209,667,395
Loans							
<i>Farm loans</i>	-	6,791,518	-	-	-	581,570	7,373,088
<i>Energy construction loans</i>	-	923,408	-	-	-	-	923,408
<i>School loans - Coal</i>	-	-	39,093,077	-	-	-	39,093,077
<i>Energy impact loans</i>	-	-	10,540,579	-	-	-	10,540,579
Due from other state agencies	-	4,194,151	224,401	-	-	-	4,418,552
Due from other funds	-	-	22,510	-	-	-	22,510
Total Assets	<u>\$ 414,290</u>	<u>\$ 4,819,013,877</u>	<u>\$ 71,609,532</u>	<u>\$ 8,968,120</u>	<u>\$ 794,316,258</u>	<u>\$ 279,565,756</u>	<u>\$ 5,973,887,833</u>
Liabilities:							
Accrued payroll	\$ -	\$ 185,033	\$ 89	\$ 1,173	\$ 42,349	\$ 15,213	\$ 243,857
Accounts payable	61,057	1,262,040	3,041	-	309,930	70,023	1,706,091
Securities lending collateral	-	172,833,901	698,744	-	26,245,271	9,889,479	209,667,395
Due to other state agencies	31,144	20,691	157,081	625	177,252	1,683	388,476
Claimant liability	-	16,645,538	-	-	-	-	16,645,538
Total Liabilities	<u>92,201</u>	<u>190,947,203</u>	<u>858,955</u>	<u>1,797</u>	<u>26,774,802</u>	<u>9,976,398</u>	<u>228,651,357</u>
Equity:							
Fund Balance:							
Permanent funds							
<i>Nonspendable</i>	-	-	70,750,577	-	-	-	70,750,577
Special revenue funds							
<i>Restricted</i>	-	4,628,066,674	-	-	-	269,589,358	4,897,656,032
<i>Committed</i>	-	-	-	8,966,322	538,216,407	-	547,182,729
<i>Assigned</i>	-	-	-	-	229,325,049	-	229,325,049
<i>Unassigned</i>	322,089	-	-	-	-	-	322,089
Total Fund Balance	<u>322,089</u>	<u>4,628,066,674</u>	<u>70,750,577</u>	<u>8,966,322</u>	<u>767,541,456</u>	<u>269,589,358</u>	<u>5,745,236,476</u>
Total Liabilities and Fund Balances	<u>\$ 414,290</u>	<u>\$ 4,819,013,877</u>	<u>\$ 71,609,532</u>	<u>\$ 8,968,120</u>	<u>\$ 794,316,258</u>	<u>\$ 279,565,756</u>	<u>\$ 5,973,887,833</u>

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

Total fund balances - governmental funds	\$5,745,236,476
Capital asset - land	7,740,013
Net book value of office equipment	1,058,567
Liability for compensated absences	(199,443)
Net OPEB liability	(108,236)
Deferred OPEB outflows	34,800
Deferred OPEB inflows	(31,655)
Net pension liability	(1,694,395)
Deferred pension outflows	845,960
Deferred pension inflows	(1,255,612)
Net position of governmental activities	<u>\$5,751,626,475</u>

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2021

Revenues:	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Energy Impact Funds	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Investment income	\$ -	\$ 130,235,307	\$ 347,962	\$ -	\$ 5,792,985	\$ 7,477,107	\$ 143,853,361
Interest income	23	-	-	-	21,532	-	21,555
Loan income	-	-	-	-	-	-	-
Farm loans	-	362,392	-	-	-	30,995	393,387
Energy construction loans	-	25,181	-	-	-	-	25,181
School loans - Coal	-	-	594,417	-	-	-	594,417
Net increase (decrease) in fair value of investments	-	862,501,389	(196,739)	-	(2,921,994)	48,389,141	907,771,797
Securities lending income	-	482,128	1,174	-	131,271	38,223	652,796
Royalties	-	153,825,247	-	-	109,747,506	12,609,558	276,182,311
Bonuses, net of bonus refunds	-	1,103,212	-	-	(854,157)	55,255	304,310
Rental income	-	11,769,950	-	-	67,873	1,256,687	13,094,510
Coal severance tax	-	-	1,468,023	-	-	-	1,468,023
Gross production tax	-	-	-	-	218,197,798	-	218,197,798
Oil extraction tax	-	68,855,764	-	-	153,811,852	-	222,667,616
Unclaimed property collections	-	11,162,710	-	-	-	-	11,162,710
Indirect recovery costs	8,013,262	-	-	-	-	-	8,013,262
Total Revenues	8,013,285	1,240,323,280	2,214,837	-	483,994,666	69,856,966	1,804,403,034
Expenditures:							
Current	-	-	20,127	-	1,644,730	43,014	1,707,871
General government	-	-	-	-	-	-	-
Intergovernmental	-	-	-	7,709,625	-	-	7,709,625
Education	7,886,485	12,887,048	-	-	-	823,460	21,596,993
Total Expenditures	7,886,485	12,887,048	20,127	7,709,625	1,644,730	866,474	31,014,489
Excess of revenue over (under) expenditures	126,800	1,227,436,232	2,194,710	(7,709,625)	482,349,936	68,990,492	1,773,388,545
Other Financing Sources (Uses):							
Transfer to Public Instruction	-	(183,378,000)	-	-	-	-	(183,378,000)
Transfer to Educational Institutions	-	-	-	-	-	(10,885,000)	(10,885,000)
Transfer to Lignite Research Fund	-	-	(1,027,616)	-	-	-	(1,027,616)
Transfer to Agricultural Department	-	-	-	-	(92,071)	(2,200,000)	(2,292,071)
Transfer to Attorney General	-	-	-	-	(422,685)	-	(422,685)
Transfer to Dakota College at Bottineau	-	-	-	-	(2,500,000)	-	(2,500,000)
Transfer to Department of Human Services	-	-	-	-	(1,296,969)	-	(1,296,969)
Transfer to Environmental Quality	-	-	-	-	(1,057,658)	-	(1,057,658)
Transfer to Facilities Management	-	-	-	-	(500,000)	-	(500,000)
Transfer to Industrial Commission	-	-	-	-	(1,219,082)	-	(1,219,082)
Transfer to Lake Region State College	-	-	-	-	(363,000)	-	(363,000)
Transfer to State General Fund	-	-	(800,000)	-	(382,200,000)	-	(383,000,000)
Transfer to Tax Commissioner	-	-	-	-	(13,683)	-	(13,683)
Transfer to Office of Management & Budget	-	-	-	-	(872,680)	-	(872,680)
Transfer to Legislative Council	-	-	-	-	-	(74,918)	(74,918)
Transfer to Supreme Court	-	-	-	-	-	(970,000)	(970,000)
Transfer from Department of Commerce	-	-	-	-	119,262	-	119,262
Transfer from Department of Corrections	-	-	-	-	123,426	-	123,426
Transfer from Environmental Quality	-	-	-	-	126,023	-	126,023
Transfer from Information Technology	-	-	-	-	743,163	-	743,163
Transfer from State General Fund	-	64,370,000	-	-	-	-	64,370,000
Proceeds from sale of capital asset (land)	-	82,000	-	-	-	-	82,000
Total Other Financing Sources (Uses)	-	(118,926,000)	(1,827,616)	-	(389,425,954)	(14,129,918)	(524,309,488)
Net Change in Fund Balance	126,800	1,108,510,232	367,094	(7,709,625)	92,923,982	54,860,574	1,249,079,058
Fund Balance - beginning	322,089	4,628,066,674	70,750,577	8,966,322	767,541,456	269,589,358	5,745,236,476
Fund Balance - ending	\$ 448,889	\$ 5,736,576,906	\$ 71,117,671	\$ 1,256,697	\$ 860,465,438	\$ 324,449,932	\$ 6,994,315,534

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

Net change in fund balance	\$1,249,079,058
Net value of capital asset - land transaction	(1,319)
Net value of capital asset - acquired land	80
Depreciation expense on equipment	(363,697)
Office equipment additions	396,536
Increase in compensated absences liability	(16,979)
Increase in net OPEB liability	(17,822)
Changes in deferred outflows and inflow resources related to net OPEB liability	21,913
Increase in net pension liability	(3,757,566)
Changes in deferred outflows and inflows resources related to net pension liability	2,928,124
Change in net position of governmental activities	\$1,248,268,328

See Notes to the Financial Statements

ND Department of Trust Lands
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2020

Revenues:	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Energy Impact Grant Funds	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Investment income	\$ -	\$ 107,738,882	\$ 374,639	\$ -	\$ 14,939,072	\$ 6,287,035	\$ 129,339,628
Loan income	-	-	-	-	-	-	-
<i>Farm loans</i>	-	614,539	-	-	-	52,564	667,103
<i>Energy construction loans</i>	-	46,273	-	-	-	-	46,273
<i>School loans - Coal</i>	-	-	616,240	-	-	-	616,240
Net increase (decrease) in fair value of investments	-	(184,010,553)	72,574	-	2,787,437	(10,217,180)	(191,367,722)
Securities lending income	-	2,574,284	25,259	-	948,732	151,352	3,699,627
Royalties	-	138,156,616	-	-	88,216,919	12,067,479	238,441,014
Bonuses	-	8,411,282	-	-	1,166,894	21,852	9,600,028
Rental income	-	13,254,947	-	-	64,823	1,240,305	14,560,075
Coal severance tax	-	-	1,547,095	-	-	-	1,547,095
Oil extraction tax	-	79,269,261	-	-	-	-	79,269,261
Unclaimed property collections	-	9,515,851	-	-	-	-	9,515,851
Indirect recovery costs	7,960,688	-	-	-	-	-	7,960,688
Total Revenues	7,960,688	175,571,382	2,635,807	-	108,123,877	9,603,407	303,895,161
Expenditures:							
Current	-	-	-	-	-	-	-
General government	-	-	38,647	-	4,024,521	42,623	4,105,791
Intergovernmental	-	-	-	22,220,963	-	-	22,220,963
Education	7,710,536	15,667,545	-	-	-	972,829	24,350,910
Total Expenditures	7,710,536	15,667,545	38,647	22,220,963	4,024,521	1,015,452	50,677,664
Excess of revenue over expenditures	250,152	159,903,837	2,597,160	(22,220,963)	104,099,356	8,587,955	253,217,497
Other Financing Sources (Uses):							
Transfer to Public Instruction	-	(183,378,000)	-	-	-	-	(183,378,000)
Transfer to Educational Institutions	-	-	-	-	-	(10,885,000)	(10,885,000)
Transfer to Lignite Research Fund	-	-	(1,082,966)	-	-	-	(1,082,966)
Transfer to State General Fund	-	-	(1,082,478)	-	(382,200,000)	-	(383,282,478)
Transfer to Facilities Management	-	-	-	-	-	(2,270,000)	(2,270,000)
Transfer to Adjutant General	-	-	-	-	(2,502,253)	-	(2,502,253)
Transfer to Aeronautics Commission	-	-	-	-	(20,000,000)	-	(20,000,000)
Transfer to Bank of North Dakota	-	-	-	-	(25,137,707)	-	(25,137,707)
Transfer to Department of Commerce	-	-	-	-	(3,000,000)	-	(3,000,000)
Transfer to Department of Corrections	-	-	-	-	(1,218,000)	-	(1,218,000)
Transfer to Energy Impact Fund	-	-	-	-	(2,000,000)	-	(2,000,000)
Transfer to Department of Human Services	-	-	-	-	(4,300,030)	-	(4,300,030)
Transfer to Industrial Commission	-	-	-	-	(270,000)	-	(270,000)
Transfer to Information Technology	-	-	-	-	(25,150,000)	-	(25,150,000)
Transfer to NDSU Extension	-	-	-	-	(940,465)	-	(940,465)
Transfer to Office of Management and Budget	-	-	-	-	(663,275)	-	(663,275)
Transfer to Park and Recreation	-	-	-	-	(3,755,000)	-	(3,755,000)
Transfer to State Treasurer	-	-	-	-	(35,000)	-	(35,000)
Transfer to Legislative Council	-	-	-	-	-	(54,360)	(54,360)
Transfer from Attorney General	-	-	-	-	6,387	-	6,387
Transfer from Department of Commerce	-	-	-	-	111,895	-	111,895
Transfer from Department of Health	-	-	-	-	67,310	-	67,310
Transfer from Highway Patrol	-	-	-	-	49,403	-	49,403
Transfer Public Service Commission	-	-	-	-	52,818	-	52,818
Transfer from Strategic Investment & Improvement fund	-	-	-	2,000,000	-	-	2,000,000
Transfer from State General Fund	-	-	22,510	-	-	-	22,510
Proceeds from sale of capital asset (land)	-	25,000	-	-	-	-	25,000
Total Other Financing Sources (Uses)	-	(183,353,000)	(2,142,934)	2,000,000	(470,883,917)	(13,209,360)	(667,589,212)
Net Change in Fund Balance	250,152	(23,449,163)	454,226	(20,220,963)	(366,784,562)	(4,621,405)	(414,371,715)
Fund balance - beginning	71,937	4,651,515,837	70,296,351	29,187,285	1,134,326,018	274,210,763	6,159,608,191
Fund Balance - ending	<u>\$ 322,089</u>	<u>\$ 4,628,066,674</u>	<u>\$ 70,750,577</u>	<u>\$ 8,966,322</u>	<u>\$ 767,541,456</u>	<u>\$ 269,589,358</u>	<u>\$ 5,745,236,476</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	(\$414,371,716)
Net value of capital asset - land transaction	(50)
Depreciation expense on equipment	(265,755)
Office equipment additions	1,256,049
Increase in compensated absences liability	(2,334)
Decrease in net OPEB liability	18,647
Changes in deferred outflows and inflow resources related to net OPEB liability	(7,541)
Increase in net pension liability	1,201,508
Changes in deferred outflows and inflows resources related to net pension liability	(1,298,890)
Change in net position of governmental activities	<u>(\$413,470,082)</u>

See Notes to the Financial Statements

NORTH DAKOTA DEPARTMENT OF TRUST LANDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021 AND 2020

	2021 Indian Cultural Education Trust	2020 Indian Cultural Education Trust
<u>Assets</u>		
Cash	\$ 2,102	\$ 3,333
Investments	1,436,653	1,215,125
Interest receivable	2,584	3,181
Invested securities lending collateral	48,796	46,379
Total Assets	1,490,138	1,268,019
<u>Liabilities</u>		
Accounts payable	280	331
Securities lending collateral	48,796	46,379
Total Liabilities	49,076	46,710
<u>Net Position</u>		
Net position, restricted for education	1,441,059	1,221,309
Total Net Position	\$ 1,441,059	\$ 1,221,309

See Notes to the Financial Statements

NORTH DAKOTA DEPARTMENT OF TRUST LANDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021 and 2020

	2021 Theodore Roosevelt Presidential Library and Museum Endowment	2020 Theodore Roosevelt Presidential Library and Museum Endowment
<u>Assets</u>		
Cash	\$ 132,929	\$ 133,526
Investments	56,140,784	14,770,119
Interest receivable	1,056	19,393
Invested securities lending collateral	1,903,436	563,017
Total Assets	58,178,205	15,486,055
<u>Liabilities</u>		
Accounts payable	10,917	4,017
Loan payable	17,500,000	-
Interest payable	317,158	-
Due to other fund	-	315
Securities lending collateral	1,903,436	563,017
Total Liabilities	19,731,510	567,349
<u>Net Position</u>		
Net position, restricted for library	38,446,695	14,918,706
Total Net Position	\$ 38,446,695	\$ 14,918,706

See Notes to the Financial Statements

NORTH DAKOTA DEPARTMENT OF TRUST LANDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED June 30, 2021 AND 2020

	2021 Indian Cultural Education Trust	2020 Indian Cultural Education Trust
Additions		
Contributions:		
Donations	\$ -	\$ -
Total Contributions	-	-
Investment income:		
Net change in fair value of investments	228,427	(48,688)
Interest	34,715	29,208
Less investment expense	2,286	3,040
Net Investment Income	260,855	(22,520)
Securities Lending Activity:		
Securities lending income	125	691
Net Securities Lending Income	125	691
Miscellaneous Income	2,906	3,068
Total Additions	263,886	(18,761)
Deductions		
Payments in accordance with Trust agreement	42,556	42,556
Administrative expenses	1,580	2,639
Total Deductions	44,136	45,195
Change in net position held in Trust for:		
Indian Cultural Education Trust	219,750	(63,956)
Total Change in Net Position	219,750	(63,956)
Net Position – Beginning of Year	1,221,309	1,285,265
Net Position – End of Year	\$ 1,441,059	\$ 1,221,309

See Notes to the Financial Statements

NORTH DAKOTA DEPARTMENT OF TRUST LANDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED June 30, 2021 and 2020

	2021 Theodore Roosevelt Presidential Library and Museum Endowment	2020 Theodore Roosevelt Presidential Library and Museum Endowment
Additions		
Contributions:		
Donations	\$ 17,500,000	\$ -
Total Contributions	<u>17,500,000</u>	<u>-</u>
Investment income:		
Net change in fair value of investments	5,447,322	(461,887)
Interest	963,321	272,080
Less investment expense	70,104	33,206
Net Investment Income	<u>6,340,539</u>	<u>(223,013)</u>
Securities Lending Activity:		
Securities lending income	4,886	8,386
Net Securities Lending Income	<u>4,886</u>	<u>8,386</u>
Miscellaneous Income	221	82,900
Total Additions	<u>23,845,646</u>	<u>(131,727)</u>
Deductions		
Payments in accordance with Trust agreement	-	-
Administrative expense	500	315
Interest expense	317,158	-
Total Deductions	<u>317,658</u>	<u>315</u>
Change in net position held in Endowment for:		
Presidential Library and Museum	23,527,989	(132,042)
Total Change in Net Position	<u>23,527,989</u>	<u>(132,042)</u>
Net Position – Beginning of Year	14,918,706	15,050,748
Net Position – End of Year	<u>\$ 38,446,695</u>	<u>\$ 14,918,706</u>

See Notes to the Financial Statements

ND Department of Trust Lands
Statement of Appropriations
June 30, 2021

	Approved 2019-21 Biennial Appropriation	Final Adjusted Appropriation	2020 Expenditures	2021 Expenditures	Unexpended Appropriation
General Fund Appropriated Expenditures:					
Salaries and Wages	\$ 5,725,379	\$ 5,729,122	\$ 2,504,975	\$ 2,989,665	\$ 234,481
Operating Expenses	2,633,022	2,730,167	750,654	1,067,233	912,280
Capital Assets	-	3,389,529	1,371,416	609,059	1,409,054
Contingencies	100,000	100,000	-	-	100,000
	<u>\$ 8,458,401</u>	<u>\$ 11,948,818</u>	<u>\$ 4,627,045</u>	<u>\$ 4,665,957</u>	<u>\$ 2,655,815</u>

Continuing Appropriations:

Investments			\$ 23,071,463	\$ 36,896,722	
Land Management – Grant and Non-Grant			542,853	395,436	
County Services - Roads & Bridges			122,865	133,396	
In Lieu Property Taxes			129,842	133,038	
Strategic Investment and Improvements fund			1,350,154	436,130	
Office Building			183,204	414,991	
Uniform Unclaimed Property			352,315	57,893	
Total *			<u>\$ 25,752,696</u>	<u>\$ 38,467,606</u>	

*This total represents the Department's expenditures through the State Treasurer's Office using the State's PeopleSoft system apart from investments. Investment manager fees are generally paid through the PTF Cash account at Northern Trust on a quarterly basis, although some managers withhold fees directly from the mutual or commingled fund investments.

See Note 21 to Financial Statements on the Department's continuing appropriation authority of funding.

Oil and Gas Impact Grant Fund:

	Approved 2019-21 Biennial Appropriation	Final Adjusted Appropriation	2020 Expenditures	2021 Expenditures	Unexpended Appropriation
Energy Infrastructure and Impact Grants	\$ 2,000,000	\$ 41,041,401	\$19,578,959	\$ 5,294,818	\$ 16,167,624
Energy Infrastructure and Impact Operating	-	158,842	39,491	19,878	99,473
	<u>\$ 2,000,000</u>	<u>\$ 41,200,243</u>	<u>\$19,618,450</u>	<u>\$ 5,314,696</u>	<u>\$ 16,267,097</u>

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Strategic Investment and Improvements Fund:

	Approved 2019-21 Biennial Appropriation	2020 Expenditures	2021 Expenditures	2021-23 Biennial Emergency Clause (67 th Legislative Assembly)	Unexpended Appropriation
ND Aeronautics Commission (HB 1006)	\$ 20,000,000	\$ 20,000,000	\$ -	\$ -	\$ -
Energy Infrastructure & Impact Office (HB 1013)	2,000,000	2,000,000	-	-	-
ND Industrial Commission (HB 1014)	270,000	270,000	-	-	-
ND Industrial Commission (HB 1014)	25,137,707	25,137,707	-	-	-
ND Department of Corrections & Rehabilitation (HB 1015)	1,218,000	1,218,000	-	-	-
ND Department of Commerce (HB 1018)	3,000,000	3,000,000	-	-	-
NDSU Extension (HB 1020)	940,465	940,465	-	-	-
ND Information Technology (HB 1021)	4,000,000	4,000,000	-	-	-
ND Information Technology (HB 1021)	1,150,000	1,150,000	-	-	-
ND Department of Environmental Quality (HB 1024)	1,040,000	-	1,040,000	-	-
ND State Radio (HB 1435)	20,000,000	20,000,000	-	-	-
ND State Treasurer (SB 2005)	35,000	35,000	-	-	-
ND Department of Human Services (SB 2012)	11,490,695	4,300,030	1,296,969	-	5,893,696
Office of Management & Budget (SB 2015)	100,000	100,000	-	-	-
Office of Management & Budget (SB 2015)	4,000,000	563,275	1,636,841	-	1,799,884
Office of Management & Budget (SB 2015)	764,400,000	382,200,000	382,200,000	-	-
ND Department of Veterans Affairs – Adjutant General (SB 2016)	600,000	600,000	-	-	-
ND Department of Veterans Affairs – Adjutant General (SB 2016)	1,902,253	1,902,253	-	-	-
ND Park and Recreation (SB 2019)	1,755,000	1,755,000	-	-	-
ND Park and Recreation (SB 2019)	2,000,000	2,000,000	-	-	-
Bank of North Dakota (SB 2296)	50,000,000	-	29,664,702	-	20,335,298
ND University System – Lake Region State College (SB 2003)	-	-	-	363,000	-
ND University System – Dakota College (SB 2003)	-	-	-	2,500,000	-
	<u>\$ 915,039,120</u>	<u>\$ 471,171,730</u>	<u>\$ 415,838,512</u>	<u>\$ 2,863,000</u>	<u>\$ 28,028,878</u>

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 created under Article IX, Section 3 of the North Dakota State Constitution, and operates through the legislative authority of the N.D.C.C. Title 15, Chapters 47-30.1 and 57-62. The Board is the governing authority of the Department. As a state agency, the Department is considered a department of the State of North Dakota and 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) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, the Department has included all funds and has considered 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.

The 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 to be included within the Department's statements and the Department is a reporting entity within the State of North Dakota as a reporting entity.

Fund Accounting Structure

The Department uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate constitutional and legislative compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund balance is classified on a hierarchy that shows, from the highest to the lowest, the level or form of constraints on fund balance and accordingly, the extent to which the Department is bound to honor them: nonspendable, restricted, committed, assigned and unassigned.

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

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

General Fund – include operating fund activities financed by the trusts that are legislatively assigned for specified purposes.

The Department maintenance fund is used to pay operating expenses of the department. The Department maintenance fund is the general fund.

Permanent Fund – report resources that are constitutionally 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. The Trust transfers a portion of the coal severance tax to the lignite research fund for lignite research and clean coal projects as enacted by the legislative assembly for future distribution. As described in N.D.C.C. Chapters 15.1-36 and 57-62, the Trust also makes loans to coal development impacted counties, cities and school districts and low interest loans to school districts for new construction. Interest earned on moneys in the Trust is distributed to the State general fund.

Special Revenue Funds - include fund 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 fund are publicly funded schools, grades K-12. 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 assets held by the Ellendale Trust are allocated 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. The benefits of the original grant to the School of Mines are distributed to the University of North Dakota. The Trusts own assets in the form of 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 accounts for producing and non-producing mineral interests formerly owned by the Bank of North Dakota (BND) and State Treasurer, and acres located under navigable streams, rivers, and lakes, which are owned by North Dakota as a sovereign state. 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 certain thresholds are met. In accordance with NDCC 15-08.1-08, the SIIF may be expended as the legislature provide for one-time expenditures related to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government.

The Energy Infrastructure and Impact Office provides grant assistance to counties, cities, school districts and other political subdivisions impacted by oil or gas development through the oil and gas impact grant fund. The program is funded with a percentage of the oil and gas gross production tax as enacted by the legislative assembly or other legislative funding transfers. In addition, the Energy Infrastructure and Impact Office administers the Energy Impact Fund by providing grants to the Williston Airport when federal funding is committed and available for the new airport construction project.

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, Oil and Gas & Energy Impact fund, and Strategic Investment and Improvements Trust fund as major governmental funds.

Private Purpose Trust Fund – accounts for resources of trust arrangements 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 is created for the purpose of generating income to be used for the operations and maintenance of the library and museum, but only after the Theodore Roosevelt Presidential Library Foundation has raised or secured binding pledges of \$100 million.

Basis for Accounting

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally, when they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers tax revenues to be available if they are collected within one year of the end of the fiscal period.

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Budgetary Policies and Procedures

The Department operates through a biennial appropriation provided by the State Legislature and other continuing appropriations. The Department prepares a biennial budget which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. Before signing the appropriation bills, the Governor may veto any specific appropriation, subject to legislative override. Changes to the appropriation are limited to Emergency Commission authorization, initiative, or referendum action. Unexpended appropriations lapse at the end of the biennium.

Due to the lack of a formal revenue budget, a Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual statement cannot be prepared as required by GAAP. In its place, a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the modified accrual basis and encumbrance accounting is not used.

Cash Deposits and Investments

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

Investments are reported at fair value. All investment income, including changes in the fair value, is recognized in the statements of revenues, expenditures, and changes in fund balance.

Cash for all funds is pooled and invested to the extent possible. Income earned from pooled investments is allocated to each of the funds based on the fund's total contribution to the pool.

Accounts Receivable

Accounts receivable represents accrued amounts on royalty revenue and interest on investments not available on June 30, 2021 for funding of current operations. A majority of accrued royalty revenue is expected to be collected within the first 90 days following June 30, 2021. All receivables are considered collectible.

Loans

Loans are stated at their outstanding unpaid principal balance. Interest income on loans is accrued at a specific rate on the unpaid principal balance.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

Allowance for Loan Losses

The Department uses the allowance method in providing for loan losses. Accordingly, the allowance is increased or reduced by the current period's provision of loan losses charged to operations and reduced by net charge-offs.

The adequacy of the allowance for loan losses and the provisions for loan losses charged to operations are based on management's evaluation of several factors, including recent loan loss experience, continuous evaluation of the loan portfolio quality including estimated value of any underlying collateral, current and anticipated economic conditions, and other pertinent factors. Loans are charged to the allowance when management believes the collection of the principal is doubtful. Based on this assessment there was no allowance for loan losses on June 30, 2021 or 2020.

Claimant Liability

Claimant liability represents the value of property escheated to the Department and expected to be repaid to the rightful owners or their heirs. Escheated property can be reclaimed into perpetuity and thus is a liability for the amounts expected to be reclaimed and paid.

Long-Term Debt

The Theodore Roosevelt Presidential Library and Museum fund has issued long-term debt which is reported as a liability in the Statement of Fiduciary Net Position.

Capital Assets

Capital assets includes original grant, pre-1980 acquired properties and cancelled contract lands valued at \$10.00 per acre, and post-1980 acquired properties valued at historical cost or fair value, and equipment valued at historical cost or at estimated historical cost if actual cost is not available. Donated capital assets are valued at their acquisition value on the date of donation.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable governmental activities' columns in the government-wide financial statements in accordance with N.D.C.C. Chapter 54-27-21. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

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

Land is not depreciated. Other capital assets are depreciated using the straight-line method over 3 to 10 years for all furniture and equipment.

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/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 the North Dakota Public Employees Retirement System (NDPERS) and additions to/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 / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Department has two items reported on the statement of net position as *cost sharing defined benefit pension plan and cost sharing defined benefit OPEB*, which represents actuarial differences within the NDPERS pension plans. See Notes 24 and 25 to financial statements for additional details on Department's Pension Plan and OPEB Plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will *not* be recognized as an inflow of resources (revenue) until that time. The Department has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. See Notes 24 and 25 to financial statements for additional details on Department's Pension Plan and OPEB Plan.

Compensated Absences Payable

N.D.C.C. Chapter 54-06-14 allows employees to accrue annual leave at a varying rate between one and two days per month based on years of service. In general, accrued annual leave cannot exceed thirty days at each calendar year end. Employees are paid for unused annual leave upon termination or retirement.

Sick leave is accrued at the rate of one day per month without limitation on the amount that can be accumulated. Employees vest in sick leave at ten years of service at which time the State is liable for ten percent of the employee's accumulated unused sick leave.

Assets of the maintenance fund are used to pay off these 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Indirect Recovery Costs

N.D.C.C. Chapter 15-03-01.2 created a special fund designated as the state lands maintenance fund (general fund), which is funded by the trust fund assets. All administrative salaries and operating expenses of the Department must be paid from the state lands maintenance fund (general fund). The indirect recovery costs represent the reimbursement of these expenditures.

NOTE 2 - ORGANIZATION AND RELATED PARTY TRANSACTIONS

As stated in Note 1, the Department is an entity of the state of North Dakota and as such, other state agencies of the state and political subdivisions are related parties.

NOTE 3 – CASH**Custodial Credit Risk**

State law generally requires that all state funds be deposited in the BND. N.D.C.C. Chapter 21-04-01 provides that public funds belonging to or in the custody of the state shall be deposited in the BND. Also, N.D.C.C. Chapter 6-09-07 states, “[a]ll state funds ... must be deposited in the Bank of North Dakota” or must be deposited in accordance with constitutional and statutory provision.

The carrying amount of deposits with the Bank of North Dakota as of June 30, 2021 was \$551,254,547 and the bank balance was \$519,631,648. As of June 30, 2020, the carrying amount of deposits with the Bank of North Dakota was \$145,403,990 and the bank balance was \$135,872,949. These differences result from timing differences of deposits processed by the Bank at year-end. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, deposits held at the BND are guaranteed by the State of North Dakota through N.D.C.C. Chapter 6-09-10.

NOTE 4 – FUND BALANCE CLASSIFICATION

The following fund balance classifications describe 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 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 State Constitution. This fund is held in trust and administered by the Board for loans to coal impacted counties, cities, and school districts and for loans to school districts throughout the state. The Coal Development Trust fund balance includes the corpus (or principal) of this fund and the long-term portion of loans receivable, therefore is not in spendable form.

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

The Common School and other Perpetual Education trust funds were created under the State Constitution to support school and public institutions. All revenue resources are restricted for the purpose of 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 is subject to legislative appropriation each biennium.

Committed: this classification includes amounts that can be used only for the specific purpose imposed by formal action of the legislative assembly or the Board.

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

The Oil and Gas Impact Grant fund holds funds appropriated by the state legislature to assist local political subdivisions in dealing with problems arising from oil and gas development. Any changes to the fund balance commitment would require an appropriation bill action of the legislative assembly.

The Strategic Investment and Improvements fund was established by legislation and consists of mineral acres formerly owned by the BND and State Treasurer, minerals located under navigable streams, rivers, and lakes, which are owned by North Dakota as a sovereign state, and various financial assets. The balance of this fund is subject to appropriation by the legislature. Any changes to the fund balance commitment would require action of the legislative assembly to change the North Dakota century code.

Assigned: this classification includes amounts that can be used only for the specific purpose imposed by formal action of the legislative assembly or the Board, but do not meet the criteria to be classified as restricted or committed.

The Strategic Investment and Improvements fund has assigned funds by the Board to indicate that these funds should not be transferred out of this fund until potential title disputes related to riverbed leases have been resolved.

Unassigned: the residual classification for the general fund, as well as reflecting negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, the Department's preference 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, 2021 and 2020

Fiscal Year Ended June 30, 2021

	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Flood Impact Grant Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Fund Balances							
Permanent Funds:							
<u>Nonspendable</u>							
Permanent fund principal	\$ -	\$ -	\$71,010,157	\$ -	\$ -	\$ -	\$71,010,157
<u>Committed</u>							
Designated for transfer to State general fund	-	-	107,514	-	-	-	107,514
Special Revenue Funds:							
<u>Restricted</u>							
Distribution to educational beneficiaries	-	5,736,576,906	-	-	-	320,987,447	6,057,564,353
Capitol building maintenance	-	-	-	-	-	3,462,486	3,462,486
<u>Committed</u>							
Grants	-	-	-	1,256,697	-	-	1,256,697
Designated for transfer to(from):							
Agricultural Department	-	-	-	-	92,071	-	92,071
Attorney General Office	-	-	-	-	422,685	-	422,685
Bank of North Dakota	-	-	-	-	29,664,702	-	29,664,702
Dakota College at Bottineau	-	-	-	-	2,500,000	-	2,500,000
Department of Commerce	-	-	-	-	(119,262)	-	(119,262)
ND Department of Corrections	-	-	-	-	(123,426)	-	(123,426)
Department of Human Services	-	-	-	-	1,296,969	-	1,296,969
Department of Environmental Quality	-	-	-	-	931,635	-	931,635
Facility Management (OMB)	-	-	-	-	500,000	-	500,000
Industrial Commission	-	-	-	-	1,219,082	-	1,219,082
Information Technology	-	-	-	-	(743,163)	-	(743,163)
Lake Region State College	-	-	-	-	363,000	-	363,000
Office of Management and Budget	-	-	-	-	383,072,680	-	383,072,680
Office of State Tax Commissioner	-	-	-	-	13,683	-	13,683
Operating Expenses	-	-	-	-	222,594,665	-	222,594,665
<u>Assigned</u>							
Potential mineral title disputes	-	-	-	-	218,780,117	-	218,780,117
<u>Unassigned</u>							
Operating Expenses	448,889	-	-	-	-	-	448,889
Total Fund Balances:	<u>\$448,889</u>	<u>\$5,736,576,906</u>	<u>\$71,117,671</u>	<u>\$1,256,697</u>	<u>\$ 860,465,438</u>	<u>\$324,449,933</u>	<u>\$ 6,994,315,534</u>

ND Department of Trust Lands
Notes to Financial Statements
June 30, 2021 and 2020

Fiscal Year Ended June 30, 2020

	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Flood Impact Grant Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Fund Balances							
Permanent Funds:							
<u>Nonspendable</u>							
Permanent fund principal	\$ -	\$ -	\$70,750,577	\$ -	\$ -	\$ -	\$70,750,577
Special Revenue Funds:							
<u>Restricted</u>							
Distribution to educational beneficiaries	-	4,628,066,674	-	-	-	264,053,572	4,892,120,246
Capitol building maintenance	-	-	-	-	-	5,535,786	5,535,786
<u>Committed</u>							
Grants	-	-	-	8,966,322	-	-	8,966,322
Designated for transfer to(from):							
Adjutant General	-	-	-	-	2,502,253	-	2,502,253
Aeronautics Commission	-	-	-	-	20,000,000	-	20,000,000
Bank of North Dakota	-	-	-	-	25,137,707	-	25,137,707
ND Department of Commerce	-	-	-	-	2,888,105	-	2,888,105
ND Department of Corrections	-	-	-	-	1,218,000	-	1,218,000
Energy Impact Fund	-	-	-	-	2,000,000	-	2,000,000
ND Department of Human Services	-	-	-	-	4,300,030	-	4,300,030
ND Industrial Commission	-	-	-	-	270,000	-	270,000
ND Information Technology	-	-	-	-	25,150,000	-	25,150,000
NDSU Extension	-	-	-	-	940,465	-	940,465
ND Office of Management and Budget	-	-	-	-	663,275	-	663,275
ND Park and Recreation	-	-	-	-	3,755,000	-	3,755,000
ND State Treasurer	-	-	-	-	35,000	-	35,000
ND Attorney General	-	-	-	-	(6,387)	-	(6,387)
ND Department of Health	-	-	-	-	(67,310)	-	(67,310)
ND Highway Patrol	-	-	-	-	(49,403)	-	(49,403)
ND Public Service Commission	-	-	-	-	(52,818)	-	(52,818)
Operating Expenses	-	-	-	-	449,532,490	-	449,532,490
<u>Assigned</u>							
Potential mineral title disputes	-	-	-	-	229,325,049	-	229,325,049
<u>Unassigned</u>							
Operating Expenses	322,089	-	-	-	-	-	322,089
Total Fund Balances:	<u>\$322,089</u>	<u>\$4,628,066,674</u>	<u>\$70,750,577</u>	<u>\$8,966,322</u>	<u>\$767,541,456</u>	<u>\$269,589,358</u>	<u>\$ 5,745,236,476</u>

NOTE 5 – INVESTMENTS

The Board's investment policy is to invest trust assets in a manner that balances the growth of the portfolio with the need to meet constitutionally required distributions. This is accomplished by investing in a widely diversified portfolio.

N.D.C.C. Chapter 15-03-04 requires that the Board apply the prudent investor rule in investing the funds under its control. Application of the prudent investor rule dictates that investments of the Board should be made using the same judgment and care that an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it.

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 interest rate risk by maintaining a diversified portfolio that contains a wide variety of maturity dates for the debt securities held. The Board has adopted an asset allocation schedule and approves the hiring of all managers within the various asset classes.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

For fiscal year 2021, a new table was adopted to provide a more detailed visual of the maturities of all fixed income related investments by showing the tiered legal maturities by investment type and amount of exposure. In comparison to the prior table used in fiscal year 2020 where only weighted average maturity was calculated and demonstrated.

The following tables show the investments by investment type, amount and maturity as of June 30, 2021 and 2020. When callable, maturity is calculated with the first call date.

Fiscal Year 2021

<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>	<u>Maturity</u> <u>Undetermined</u>	<u>Reason</u> <u>Undetermined</u>
Asset Backed Securities	156,969,372	472,898	71,013,139	25,602,596	59,880,739	--	
-Bank Loans	5,592,530	--	-	5,592,530	-	-	
Collateralized Bonds	2,099,042	-	-	-	2,099,042	-	
Commercial Mortgage-Backed	29,640,858	-	-	3,570,639	26,070,219	-	
Corporate Bonds	606,843,432	124,704,401	321,174,456	82,599,567	78,365,008	-	
Corporate Convertible Bonds	5,191,037	-	1,697,925	-	3,493,112	-	
Government Agencies	147,226,072	82,369,133	63,567,145	1,289,794	-	-	
Government Bonds	276,294,010	39,144,113	145,547,779	40,363,241	51,238,877	-	
Gov't Mortgage Back Securities	92,434,687	-	1,440,477	8,158,838	82,835,372	-	
Municipal/Provincial Bonds	88,848,552	17,531,536	65,634,106	5,682,910	-	-	
Non-Government Backed CMOs	94,611,600	-	4,750,041	42,761,465	47,100,094	-	
Short Term Bills and Notes	229,699,699	229,699,699	-	-	-	-	
Funds – Other Fixed Income	732,481,080	(127,967,006)	490,243,496	136,190,860	231,584,960	2,428,770	Cash/Currency Forwards Unclaimed Property
Funds – Short Term	23,029,646	22,973,627	-	-	-	56,019	Unclaimed Property
Funds – Corporate Bond	74,232	-	-	-	-	74,232	
Funds – Municipal/Provincial Bonds	12,206	-	-	-	-	12,206	
Funds – Gov't Agencies	3,281	-	-	-	-	3,281	Unclaimed Property
Total	\$2,491,051,336	\$388,928,401	\$1,165,068,564	\$351,812,440	\$582,667,423	\$2,574,508	
Limited Partnerships (LP)	\$283,256,214	\$11,723,329	\$219,945,440	\$21,737,434	\$5,431,607	\$24,418,404	Includes: Preferred Equity, Asset Acquisitions, Equity Upside & Restructuring

Certain investment managers may take short positions in securities, including fixed income securities, which may be indicated by negative balances in the maturity columns above. Such short positions are usually offset by long positions in other maturity columns. Investment managers typically take short positions as a hedge against long positions to reduce interest rate risk, market/sector risk, or credit risk.

Fiscal Year 2020

Investment Type	Maturity Amount	Weighted Average Maturity (Years)
Asset Backed Securities	\$129,797,379	8.68
Collateralized Bond	1,996,014	20.14
Commercial Mortgage-Backed	20,612,778	16.39
Corporate Bonds	362,283,402	5.30
Corporate Convertible Bonds	174,657	5.58
Funds – Government Agencies	26,258	
Funds – Other Fixed Income	3,342	
Funds – Short Term Investment	180,889,882	
Brandywine Fund	179,059,712	13.73
JP Morgan Mortgage Back	120,180,371	3.74
Government Agencies	152,270,033	1.84
Government Bonds	200,715,734	7.86
Government Mortgage-Backed Securities	111,873,753	22.97
Gov't-issued Commercial Mortgage- Backed	7,511,422	8.32
Index Linked Government Bonds	5,011,842	4.37
Municipal/Provincial Bonds	27,476,650	3.67
Non-Government Backed CMOs	38,896,274	20.18
Short Term Bills and Notes	24,400,430	0.08
Funds – Corporate Bond	63,544	
Funds – Municipal/Provincial Bond	11,632	
Total	<u>\$1,563,255,109</u>	
Weighted Average Maturity		<u>7.50</u>

Other investments included in the table above for fiscal year 2020, such as variable rate collateralized mortgage obligations (CMOs), have a high degree of sensitivity to interest rate change. As of June 30, 2020, the Board held \$35,754,853 in variable rate CMOs.

ND Department of Trust Lands

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Custodial Risk

Custodial risk is the risk, in the event of the failure of the counterparty to a transaction, the Department will not be able to recover the value of the investment that is in the possession of the outside party. The Department has existing policies in place that limit the custodial risk for investments. The Department is not exposed to any custodial risk for its investment portfolio.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The Department has existing policies in place that limit the concentration of credit risk for investments. The System's operational guidelines for investments in any corporate entity are stated in each individual manager's specific portfolio guideline.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board maintains a diversified portfolio of debt securities encompassing a wide range of credit ratings, including securities identified as U.S. Government in the tables below, which are U.S. Treasury and Agency debt securities that are either explicitly or implicitly guaranteed by the U.S. government and thus are considered to have no credit risk. Each fixed income securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit, and to what extent within the ranges, the manager may invest. The following tables present the Board's ratings as of June 30, 2021 and 2020, respectively.

Fiscal Year 2021

	AAA	AA	A	BBB	BB	B	CCC	Not Rated	US Government	Total
Asset Backed Securities	\$63,015,578	\$9,675,294	\$5,092,907	\$10,826,525	\$ -	\$ -	\$1,541,387	\$66,817,681	\$ -	\$156,969,372
Bank Loans	-	-	-	-	2,002,476	1,048,851	-	2,541,203	-	5,592,530
Collateralized Bond	-	-	-	-	-	-	-	2,099,042	-	2,099,042
Commercial Mortgage-Backed	-	-	-	2,144,756	-	-	-	27,496,102	-	29,640,858
Corporate Bonds	3,947,520	42,824,364	295,789,900	219,567,471	14,893,850	11,426,296	4,234,895	14,159,136	-	606,843,432
Corporate Convertible Bonds	-	-	171,855	500,463	2,145,677	626,131	-	1,746,911	-	5,191,037
Government Agencies	-	125,351,816	2,759,300	835,490	-	-	-	-	18,279,466	147,226,072
Government Bonds	-	636,105	1,092,035	4,696,682	195,928	-	-	4,123,592	265,549,668	276,294,010
Government Mortgage Backed Securities	-	-	-	4,658,670	5,547,444	1,276,560	-	571,030	80,380,983	92,434,687
Municipal/Provincial Bonds	23,535,643	54,162,914	6,614,519	-	-	-	-	4,535,476	-	88,848,552
Non-Government Backed C.M.O.s	6,012,106	6,921,676	14,221,970	334,493	829,698	554,802	459,621	65,277,234	-	94,611,600
Short Term Bills and Notes	-	-	-	-	-	-	-	-	229,699,699	229,699,699
Funds - Other Fixed Income	-	-	-	-	-	-	-	732,481,080	-	732,481,080
Funds - Short Term Investment	23,027,725	-	-	-	-	-	-	1,921	-	23,029,646
Funds - Corporate Bond	-	-	-	-	-	-	-	74,232	-	74,232
Funds - Municipal/Provincial Bond	-	-	-	-	-	-	-	12,206	-	12,206
Funds - Government Agencies	-	-	-	-	-	-	-	-	3,281	3,281
	\$119,538,572	\$239,572,169	\$325,742,486	\$243,564,550	\$25,615,073	\$14,932,640	\$6,235,903	\$921,936,846	\$593,913,097	\$2,491,051,336

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Fiscal Year 2020

	AAA	AA	A	BBB	BB	B	CCC	Not Rated	US Government	Total
Asset Backed Securities	\$65,717,056	\$5,552,110	\$3,425,475	\$5,166,692	\$551,014	\$ -	\$2,454,147	\$46,930,884	\$ -	\$129,797,379
Collateralized Bond	-	-	-	-	-	-	-	1,996,014	-	1,996,014
Commercial Mortgage-Backed	-	-	-	2,057,014	-	-	-	18,555,763	-	20,612,778
Corporate Bonds	2,795,478	40,030,054	172,899,468	140,890,170	-	-	-	5,668,234	-	362,283,402
Corporate Convertible Bonds	-	-	174,657	-	-	-	-	-	-	174,657
Funds - Government Agencies	-	-	-	-	-	-	-	-	26,258	26,258
Funds - Other Fixed Income	-	-	-	-	-	-	-	299,243,424	-	299,243,424
Funds - Short Term Investment	-	-	-	-	-	-	-	180,889,882	-	180,889,882
Government Agencies	-	130,150,723	2,786,015	1,973,817	-	-	-	-	17,359,478	152,270,033
Government Bonds	-	652,498	-	4,801,075	-	-	-	10,370,633	184,891,528	200,715,734
Government Mortgage Backed Securities	-	946,128	-	1,840,529	-	522,276	-	1,618,024	106,946,797	111,873,753
Gov't-issued Commercial Mortgage-Backed	-	-	-	-	-	-	-	-	7,511,425	7,511,425
Index Linked Government Bond	-	-	-	-	-	-	-	-	5,011,842	5,011,842
Municipal/Provincial Bonds	5,634,320	13,039,911	3,997,409	-	-	-	-	4,805,009	-	27,476,650
Non-Government Backed C.M.O.s	2,156,149	6,382,110	7,759,952	2,173,509	1,025,804	602,633	1,089,100	17,707,016	-	38,896,272
Short Term Bills and Notes	-	-	-	-	-	-	-	-	24,400,430	24,400,430
Funds - Corporate Bond	-	-	-	-	-	-	-	63,544	-	63,544
Funds - Municipal/Provincial Bond	-	-	-	-	-	-	-	11,632	-	11,632
	<u>\$76,303,002</u>	<u>\$196,753,534</u>	<u>\$191,042,974</u>	<u>\$158,902,805</u>	<u>\$1,576,818</u>	<u>\$1,124,909</u>	<u>\$3,543,248</u>	<u>\$587,860,060</u>	<u>\$346,147,758</u>	<u>\$1,563,255,109</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 treats currency exposure in two different ways, depending on the type of investment. For the Board's international equity portfolio, the currency exposure is not hedged as currency exposure is one of the items that add diversity to the overall portfolio. In the case of foreign bonds, the Board fully hedges the currency exposure as the purpose of this portfolio is to generate more consistent returns. The Board's exposure to foreign currency risk is presented in the following tables:

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Fiscal Year 2021

Currency	Debt	Equity	Total
Australian Dollar	\$ 188,854	\$ 60,194,805	\$ 60,383,658
Brazilian Real	4,820,736	10,717,499	15,538,235
British Pound Sterling	5,390,058	125,092,702	130,482,760
Canadian Dollar	-	68,669,589	68,669,589
Chilean Peso	9,561,953	748,717	10,310,670
Chinese Renminbi	119,276	48,624,408	48,743,684
Columbian Peso	4,134,899	215,731	4,350,630
Czech Koruna	-	917,430	917,430
Danish Krone	-	21,149,228	21,149,228
Egyptian Pounds	-	50,760	50,760
European Euro	8,179,499	250,094,039	258,273,539
Greek drachma	-	253,801	253,801
Hong Kong Dollar	-	56,800,234	56,800,234
Hungarian Forint	3,657,795	291,871	3,949,666
Indian Rupee	-	17,574,811	17,574,811
Indonesian Rupiah	228,612	9,822,037	10,050,649
Israel Shekel	-	5,581,718	5,581,718
Japanese Yen	-	200,952,889	200,952,889
Kenyan Shilling	-	1,495,925	1,495,925
Malaysian Ringgit	4,333,692	1,979,648	6,313,340
Mexican Peso	8,667,384	6,491,696	15,159,081
New Zealand Dollar	-	1,897,657	1,897,657
Norwegian Krone	-	8,868,757	8,868,757
Peruvian Nuevo Sol	-	88,830	88,830
Philippines Peso	-	989,824	989,824
Polish Zloty	9,701,109	1,463,613	11,164,723
Qatari Riyal	-	342,631	342,631
Russian Rubles	4,234,296	1,167,484	5,401,780
Saudi Arabian Riyal	-	3,350,173	3,350,173
Singapore Dollar	-	10,698,626	10,698,626
South African Rand	417,466	7,320,146	7,737,612
South Korean Won	-	24,089,725	24,089,725
Swedish Krona	-	37,842,413	37,842,413
Swiss Franc	-	68,261,271	68,261,271
Taiwan dollar	-	34,081,502	34,081,502
Thai Baht	974,087	3,459,153	4,433,240
Turkish Lira	-	571,052	571,052
UAE dirham	-	482,222	482,222
	<u>\$ 64,609,718</u>	<u>\$ 1,092,694,613</u>	<u>\$1,157,304,332</u>

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Notes to Financial Statements

June 30, 2021 and 2020

Fiscal Year 2020

Currency	Debt	Equity	Total
Australian Dollar	\$ 519,273	\$ 47,517,339	\$ 48,036,612
Brazilian Real	6,356,620	8,678,408	15,035,028
British Pound Sterling	19,338,162	99,282,468	118,620,631
Canadian Dollar	1,899,947	54,135,434	56,035,381
Chilean Peso	8,666,490	790,503	9,456,993
Chinese Renminbi	-	5,611,669	5,611,669
Columbian Peso	8,021,875	219,055	8,240,930
Czech Koruna	7,108,671	716,127	7,824,798
Danish Krone	-	15,234,430	15,234,430
Egyptian Pounds	-	66,669	66,669
European Euro	21,155,526	205,500,425	226,655,950
Hong Kong Dollar	-	69,057,269	69,057,269
Hungarian Forint	7,126,577	266,676	7,393,252
Indian Rupee	-	13,013,378	13,013,378
Indonesian Rupiah	393,931	7,866,681	8,260,612
Israel Shekel	-	4,452,899	4,452,899
Japanese Yen	-	184,979,114	184,979,114
Kenyan Shilling	-	1,212,578	1,212,578
Malaysian Ringgit	8,666,490	2,276,267	10,942,757
Mexican Peso	20,269,559	4,136,812	24,406,371
New Zealand Dollar	1,665,255	2,109,285	3,774,540
Norwegian Krone	128,064	6,610,348	6,738,412
Peruvian Nuevo Sol	-	9,524	9,524
Philippines Peso	-	971,461	971,461
Polish Zloty	9,740,848	942,889	10,683,737
Qatari Riyal	-	85,717	85,717
Russian Rubles	2,256,152	1,171,468	3,427,620
Saudi Arabian Riyal	-	885,744	885,744
Singapore Dollar	-	9,210,493	9,210,493
South African Rand	411,837	5,754,967	6,166,804
South Korean Won	9,078,327	16,708,398	25,786,726
Swedish Krona	-	28,078,714	28,078,714
Swiss Franc	-	60,634,123	60,634,123
Taiwan dollar	-	24,637,988	24,637,988
Thai Baht	-	3,312,610	3,312,610
Turkish Lira	-	790,503	790,503
UAE dirham	-	57,145	57,145
	<u>\$ 132,803,604</u>	<u>\$ 886,985,578</u>	<u>\$1,019,789,182</u>

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the Board allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the Statement of Net Position. At June 30, 2021 and 2020, the Board had one type of derivative security: currency forwards.

Currency Forwards

Currency forwards represent forward exchange contracts that are obtained to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase or sell a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Position with loss of \$714,178 for fiscal year 2021 and a gain of \$424,327 fiscal year 2020. At June 30, 2021 and 2020, the Board’s investment portfolio included the currency forwards balances shown below.

Currency	Cost	Purchases	Sales	Fair Value	
				June 30, 2021	June 30, 2020
European Euro	(16,273,219)	539,640	(16,690,163)	(\$16,150,523)	\$ -
Great Britain pound sterling	(24,365,876)	-	(24,149,734)	(24,149,735)	-
United States Dollar	40,639,096	41,193,940	(554,844)	40,639,096	-
Total forwards subject to currency risk				<u>\$ 338,839</u>	<u>\$ -</u>

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 irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the fair 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-U.S. securities are loaned versus collateral valued at 105% of the fair value of the securities plus any accrued interest.

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 148 days as of June 30, 2021 and 76 days as of June 30, 2020.

Cash open collateral is invested in a short-term investment pool, the NDLAN Custom fund, which had an interest sensitivity of 37 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 is not exposed to custodial credit risk.

The following represents the Board's balances related to securities lending transactions at June 30, 2021 and 2020.

Fiscal Year 2021

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non- Cash Collateral	Non-Cash Collateral
US Agencies	44,520,144	45,343,835	-	-
US Corporate Fixed	61,873,620	63,375,035	2,012,194	2,064,173
US Equities	43,454,774	44,663,347	11,018,014	11,288,812
US Government Fixed	124,454,200	126,897,974	9,524,736	9,728,706
	<u>\$ 274,302,738</u>	<u>\$280,280,191</u>	<u>\$ 22,554,944</u>	<u>\$ 23,081,691</u>

Market Value of Securities on Loan against Cash Collateral \$ 274,302,738

Market Value of Securities on Loan against Non-Cash Collateral 22,554,944

Total Market Value of Securities on Loan \$ 296,857,682

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Fiscal Year 2020

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non-Cash Collateral	Non-Cash Collateral
GLOBAL Equities	\$ -	\$ -	\$ 107,123	\$ 116,300
US Agencies	11,342,896	11,576,050	5,828,587	5,953,908
US Corporate Fixed	22,322,732	22,725,631	-	-
US Equities	23,761,035	24,186,237	2,225,058	2,242,021
US Government Fixed	148,640,158	151,788,871	18,143,293	18,497,865
	<u>\$ 206,066,821</u>	<u>\$210,276,789</u>	<u>\$ 26,304,061</u>	<u>\$ 26,810,094</u>

Market Value of Securities on Loan against Cash Collateral \$ 206,066,821

Market Value of Securities on Loan against Non-Cash Collateral 26,304,061

Total Market Value of Securities on Loan \$ 232,730,882

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 will be determined at the time of the sale and will be based on market conditions on that date.

Fair Value Hierarchy

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

- Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity 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, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Determination of Fair Value

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

The equity, fixed income and other investment assets classified as Level 1 of the fair value hierarchy are either individual securities, mutual funds or ETFs that are valued using prices quoted in active markets for those securities or funds. The short-term bills and notes, equity, fixed income and other investment assets classified as Level 2 of the fair value hierarchy are primarily debt instruments and funds whose pricing is determined by pricing vendors using quoted prices for similar assets in active markets. Level two assets also include some low traded equities in the unclaimed property account, as well as currencies and forward foreign currency exchange contracts held in the portfolio that are used to hedge certain portions of the fixed income portfolio.

Level 3 assets are primarily common stock and commercial mortgage-backed fixed income securities. Level 3 assets with non-readily available market prices are based on a cash flow analysis with true-up adjustments provided by Northern Trust.

Assets classified as being measured by NAV include certain investments in four different equity common trust funds that have either daily or monthly liquidity, investments in three bond funds which have daily liquidity; and investments in five different open ended real estate funds/partnerships that are priced quarterly by the general partner and have redemption notice requirements of 90 days; and five private debts limited partnership fund that has a 5-year lock up period after the expiration of the commitment period; and one private equity investment. Items classified as being valued at other than FV include cash held in money markets accounts at Northern Trust as well as adjustments to cash for pending sales and purchases.

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Assets and Liabilities Recorded at Fair Value on a Recurring Basis

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2021.

	Fair Value at 6/30/21	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	\$ 245,348,866	\$ 15,649,167	\$ 229,699,699	\$ -
Total Short-Term Securities	245,348,866	15,649,167	229,699,699	-
Equity Investments				
Common Stock	257,223,092	257,222,095	553	444
Equity Funds/ETFs	250,594,974	2,074,571	248,502,403	-
Convertible Equity	637,145	637,145	-	-
Preferred Stock	46,414	46,414	-	-
Total Equity Investments	508,501,625	259,980,225	248,520,956	444
Fixed Income Investments				
Asset Backed Securities	108,442,777	-	107,344,863	1,097,914
Bond Funds/ETFs	122,739,437	93,999	122,645,438	-
Collateralized Mortgage	94,611,600	-	92,259,594	2,352,006
Commercial Mortgage Backed	31,000,437	-	27,293,501	3,706,936
Corporate Bonds	612,037,468	-	612,034,468	-
Government Agencies	69,976,302	-	69,976,302	-
Government Bonds	365,142,562	-	365,142,562	-
Government Mortgage Backed	169,684,457	-	169,684,457	-
Collateralized Debt	49,266,058	-	48,080,158	1,185,900
Bank Loans	5,592,530	-	5,592,530	-
Total Fixed Income Investments	1,628,490,628	93,999	1,620,053,873	8,342,756
Other Investment Assets				
Commodity ETF	435	435	-	-
Currency	1,191,532	1,191,532	-	-
FX Contracts	306,531	306,531	-	-
Global Tactical Asset Allocation MF	878,935,754	-	878,935,754	-
Master Limited Partnership	1,085,673	1,085,672	-	1
REITs	12,543,304	12,543,304	-	-
Rights/Warrants	236	236	-	-
Miscellaneous	175	-	-	175
Total Other Investment Assets	894,063,640	15,127,710	878,935,754	176
Total Investments at Fair Value	\$3,276,404,759	\$290,851,101	\$2,977,210,282	\$ 8,343,376

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$1,778,806,900	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	136,806,566	-	Daily	< 5 days
Real Estate Funds	781,207,960	-	Quarterly	90 days
Private Debt Fund	283,256,214	296,000,000	NA	NA
Private Equity	11,229,716	249,000,000	NA	NA
Total Investments measured at NAV	<u>\$2,991,307,356</u>	<u>\$ 545,000,000</u>		
Investments at other than fair Value				
Cash and adjustments to Cash	<u>\$ 1,656,019</u>			
Total Investment at other than FV	<u>\$ 1,656,019</u>			
Value	7,761			
Indeterminable/Worthless/Delisted				
Total Investments	<u>\$6,269,375,895</u>			

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2020.

		Fair Value Measures Using		
	Fair Value at 6/30/20	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	<u>\$ 24,407,603</u>	<u>\$ 24,407,603</u>	<u>\$ -</u>	<u>\$ -</u>
Total Short-Term Securities	<u>24,407,603</u>	<u>24,407,603</u>	<u>-</u>	<u>-</u>
Equity Investments				
Common Stock	158,669,035	158,497,328	171,133	574
Equity Funds/ETFs	243,059,985	243,059,985	-	-
Preferred Stock	83,059	83,059	-	-
Total Equity Investments	<u>401,812,079</u>	<u>401,640,372</u>	<u>171,133</u>	<u>574</u>
Fixed Income Investments				
Asset Backed Securities	112,808,708	-	112,808,708	-
Bond Funds/ETFs	488,043,922	488,043,922	-	-
Collateralized Mortgage	38,896,274	-	38,896,274	-
Commercial Mortgage Backed	28,124,203	-	28,124,203	-
Corporate Bonds	362,458,059	-	362,458,059	-
Government Agencies	55,299,663	-	55,299,663	-
Government Bonds	228,192,383	-	228,192,383	-
Government Mortgage Backed	208,844,123	-	208,844,123	-
Index linked Government Bonds	5,011,842	-	5,011,842	-
Collateralized Debt	18,984,686	-	18,984,686	-
Total Fixed Income Investments	<u>1,546,663,863</u>	<u>488,043,922</u>	<u>1,058,619,941</u>	<u>-</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

Other Investment Assets				
Currency	6,109,341	6,109,341	-	-
Global Tactical Asset Allocation MF	453,359,745	453,359,745	-	-
Master Limited Partnership	45,372,621	45,372,621	-	-
REITs	6,551,426	6,551,426	-	-
Rights/Warrants	28	28	-	-
Total Other Investment Assets	<u>511,393,161</u>	<u>511,393,161</u>	<u>-</u>	<u>-</u>
Total Investments at Fair Value	<u>\$2,484,276,706</u>	<u>\$1,425,485,058</u>	<u>\$1,058,791,074</u>	<u>\$ 574</u>
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$1,430,364,056	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	179,059,712	-	Daily	< 5 days
Real Estate Funds	723,838,754	-	Quarterly	90 days
Private Debt Fund	152,350,463	-	NA	NA
Total Investments measured at NAV	<u>\$2,485,612,985</u>	<u>\$ -</u>		
Investments at other than fair Value				
Cash and adjustments to Cash	<u>\$ 571,092,074</u>			
Total Investment at other than FV	<u>\$ 571,092,074</u>			
Total Investments	<u>\$5,540,981,765</u>			

In addition, the Department holds unclaimed mutual funds and other securities for owners. Actual gains and losses realized will be determined at the time of the sale and will be based on market conditions at that date. As of June 30, 2021, and 2020 the Board held \$693,041 and \$339,686, respectively in unclaimed mutual funds.

The Common Schools Trust Fund owns the building occupied by the Department. For the period ending June 30, 2021 and 2020, the book value of the building was \$438,988 and \$498,575, respectively. The book value of the building is included in the investments line of the balance sheet.

NOTE 8 – INVESTMENT EXPENSES

	2021	2020
Investment managers' fees:		
Large cap equity	\$67,603	\$58,756
Mid cap equity	31,171	25,856
Small cap equity	964,582	717,285
International equity	1,302,910	990,747
Emerging markets equity	1,785,458	1,569,100
Core fixed income	1,132,812	1,771,827
Non-core fixed income	8,973,275	2,516,912
Loan pools	30,791	46,986
Core real estate	3,604,149	3,460,122
Non-core real estate	7,786,380	3,028,315
Inflation protected	560,811	2,275,177
Global tactical	7,119,337	6,020,335
Private equity	54,803	-
Credit opportunities	2,646,227	-
Transition account	143,895	-
Total investment managers' fees	36,204,204	22,481,418
Custody fees	101,235	118,792
Investment consultant fees:		
General consultant fees	162,233	157,633
Specialty consultant fees	31,606	15,355
Miscellaneous expenses	397,444	298,265
Total investment expenses	\$36,896,722	\$23,071,463

Reconciliation of investment expenses to financial statements

	2021	2020
Investment expenses as reflected in the financial statements	\$ 9,389,494	\$10,450,272
Plus, investment management fees included in investment income		
Large cap equity	5,814	4,897
Small cap equity	(217)	(315)
International equity	7,839	10,795
Emerging markets equity	1,785,458	1,569,100
Core fixed income	304,964	420,654
Non-core fixed income	7,793,859	1,426,167
Loan pools	30,791	46,986
Core real estate	(2,059)	(214,940)
Non-core real estate	7,786,380	3,028,315
Global tactical	7,119,337	6,289,932
Private equity	25,182	-
Credit opportunities	2,646,227	-
Specialty consultant fees	3,653	-
General consultant fees	-	39,600
Investment expenses per schedule	<u>\$36,896,722</u>	<u>\$23,071,463</u>
	2021	2020
BND loan pool management expenses:		
Expenses as reflected in the financial statements	\$29,594	\$44,469
Plus expenses as reflected in interest income	1,197	2,516
Total loan pool expenses	<u>\$30,791</u>	<u>\$46,985</u>

NOTE 9 – FARM LOAN POOL AND FARM REAL ESTATE

The Board is authorized to invest in first mortgage farm loans, as governed by N.D.C.C. Chapter 15-03. All purchased loans are credited to the pool and the investments, repayments, interest, and income are credited to the various trusts in proportion to their participation. The pool is administered by the BND in accordance with standard banking practices, including executing all instruments on behalf of the Board and handling foreclosures.

As of June 30, 2021, the non-current and current portions of the loans were \$4,447,996 and \$540,537, respectively. As of June 30, 2020, the non-current and current portions of the loans were \$6,594,734 and \$778,354, respectively.

As of June 30, 2021, and 2020, the pool had a net position of \$6,731,563 and \$9,367,768, respectively. For the same period, the pool earned net income of \$363,794 and \$622,633.

NOTE 10 – ENERGY CONSTRUCTION LOAN PROGRAM

The Board approved participation in an energy construction loan program with the Bank of North Dakota (BND) for the purpose of new construction loans in areas of North Dakota impacted by oil development. The primary focus of the loan program is for multi-family housing and commercial loans. The Board will participate up to 50% of a first mortgage at market rates; loans are to be amortized over 20 years or less. The Board authorized the Commissioner to allocate up to \$20,000,000 to this program. The Common School Trust fund is the only trust participating in this program.

The loan program meets the “exclusive benefit” rule, whereby any investment decision made must be for the sole benefit of the Common School Trust fund. The loan program is administered by the BND who charges an annual fee of one-quarter percent on all outstanding loans.

In January 2021, the Board was notified by the BND one of two loans were in default. The BND proposed to buyout all outstanding principal and interest owed to the Common School Trust fund from the Energy Construction Loan Program in the amount of \$937,997. The Board accepted the proposal, and the buyout was finalized in March 2021 and the loan program account was closed.

As of June 30, 2020, the non-current and current portions of the loans were \$892,811 and \$30,597, respectively.

As of June 30, 2020, the program had a net position of \$941,672. The program earned net income of \$25,154 and \$46,273 during the years ended June 30, 2021 and 2020.

NOTE 11 - COAL WARRANTS

The Board is authorized to make loans to coal development impacted counties, cities, and school districts from the Coal Development Trust fund, as governed by N.D.C.C. Chapter 57-62. A warrant is executed by the governing body as evidence of the loan. The loans bear interest at 3, 3.2 or 3.75 percent annually, depending on the loan date. The coal warrants are payable only from the borrowing entities share of coal severance tax payments and do not constitute a general obligation of the entity. No losses are anticipated on the warrants and an allowance has not been provided.

As of June 30, 2021, the non-current and current portions of the loans were \$8,998,483 and \$782,635, respectively. The same amounts as of June 30, 2020, were \$9,784,389 and \$756,190, respectively.

NOTE 12 - SCHOOL CONSTRUCTION LOAN PROGRAM

The school construction loan program, funded by the Coal Development Trust Fund, is governed by N.D.C.C. Chapter 15.1-36-02, authorizing the Board to fund low-interest school construction loans; of which the outstanding principal balance of loans made from this fund may not exceed sixty million dollars.

A proposed construction project must be submitted and approved by the superintendent of public instruction. The application may be submitted before or after authorization of a bond issue in accordance with N.D.C.C. Chapter 21-03. The superintendent determines the loan amount, the term of the loan, and the interest rate to be paid. To be eligible for a loan, the school district must have an existing indebtedness equal to at least fifteen percent of the school district's taxable valuation. The interest rate discount on a loan must be at least one percent but cannot exceed four percent of the interest rate charged on comparable tax-exempt bond rates.

The BND processes and services all regular school construction loans. The BND receives payments of principal and interest from the school districts and remits these payments to the Department for deposit in the Coal Development Trust fund.

In 2013, the legislature changed the program to allow certain school districts in oil producing areas to use a portion of the gross production tax due to the district under N.D.C.C. Chapter 57-51 to repay school loans. For gross production tax backed school loans, the amount of the loan does not count as debt for the borrowing entity and repayment of the loan will be accomplished by the State Treasurer capturing a school district's gross production tax payments each month and remitting those funds to appropriate trust fund until such time that year's scheduled loan payment has been captured. As of June 30, 2021, there are two (2) gross production tax backed school construction loans processed with Coal Development Trust funding.

As of June 30, 2021, the non-current and current portions of loans from the Coal Development Trust Fund were \$27,332,836 and \$2,532,092, respectively. The same amounts as of June 30, 2020, were \$36,026,854 and \$3,066,223, respectively.

NOTE 13 – FUEL PRODUCTION FACILITY LOAN GUARANTEE PROGRAM

The Guarantee Loan Program is administered by the BND and governed by N.D.C.C. Chapter 6-09.7. Under this program, the BND shall establish and maintain a guarantee reserve fund in a special account at the BND not to exceed \$50 million of the Strategic Investment and Improvements fund to maintain one hundred percent of the guarantee reserve fund balance. Moneys in the guarantee reserve fund are available to reimburse lenders for guaranteed loans in default. The amount of the reserves for all guaranteed loans must be determined by a formula that will assure, as determined by the BND, an adequate amount of reserve. As of June 30, 2021, the balance in the reserve fund at the BND is \$29,686,234. As of June 30, 2020, there were no loans made from the loan guarantee program.

NOTE 14 - OFFICE LEASE COMMITMENT

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

For the period ending June 30, 2021 and 2020, rent of \$70,702 and \$72,156, respectively, was paid by the non-Common Schools Trusts funds.

NOTE 15 - CAPITAL ASSETS

Governmental Activities:	Balance 7/1/20	Additions	Retirements	Balance 6/30/21
Land	\$7,740,013	\$80	\$1,319	\$7,738,774
Equipment	1,339,761	396,536	-	1,736,297
Less accumulated depreciation:				
Equipment	(281,194)	(363,697)	-	(644,891)
Net capital assets	\$8,798,580	\$32,919	\$1,319	\$8,830,180

Governmental Activities:	Balance 7/1/19	Additions	Retirements	Balance 6/30/20
Land	\$7,740,063	\$ -	\$50	\$7,740,013
Equipment	83,712	1,256,049	-	1,339,761
Less accumulated depreciation:				
Equipment	(15,439)	(265,755)	-	(281,194)
Net capital assets	\$7,808,336	\$990,294	\$50	\$8,798,580

Under the provisions of the Enabling Act, land was granted to the State for the support of the common schools and other institutions. Under Constitutional authority, no grant land may be sold for less than ten dollars an acre which is the value per acre used for statement of net position purposes. During fiscal year 2021, no acres were acquired, and 113.68 acres were sold. In fiscal year 2020, no acres were acquired, and 5.02 acres were sold.

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

A total of \$363,697 and \$265,755 in equipment depreciation for fiscal years ending June 30, 2021 and 2020, respectfully, was charged to the education fund.

NOTE 16 - DUE FROM (TO) OTHERS

As stated in Note 1 of these financial statements, the Department is a state agency of North Dakota, as such, the other state agencies of the State and political subdivision are related parties.

The following is detail of amounts due from and to other state agencies as of June 30, 2021 and 2020. The *due from other state agencies* represents revenues earned during the year ended June 30, 2021 that were not received as of June 30, 2021 and 2020. The *due to other state agencies* represents services rendered to the Department during the years ended June 30, 2021 and 2020 that were not paid as of June 30, 2021 and 2020.

Fund	2021		2020	
	Due from other state agencies	Due to other state agencies	Due from other state agencies	Due to other state agencies
General fund:				
Attorney General	\$ -	\$ 9,084	\$ -	\$ 2,922
Dept. of Transportation	-	3,082	-	4,431
Information Technology Department	-	27,802	-	20,594
Central Services	-	-	-	2,150
Office of Management and Budget	-	271	-	1,046
	-	40,239	-	31,143
Common School Trust fund:				
State Treasurer	15,467,238	-	4,194,151	-
Attorney General Office	-	-	-	315
Bank of North Dakota	-	12,005	-	19,669
Information Technology Department	-	791	-	584
Office of Management and Budget	64,370,000	267	-	123
	79,837,238	13,063	4,194,151	20,691
Perpetual funds:				
Bank of North Dakota	-	1,026	-	1,683
	-	1,026	-	1,683
Strategic Investment & Improvements fund:				
State Treasurer	59,967,868	-	-	-
Department of Environmental Quality	126,023	-	-	-
Department of Commerce	119,262	-	-	2,746
Department of Corrections	123,426	-	-	-
Information Technology Department	743,163	1,705	-	1,705
Attorney General	-	190,852	-	-
Industrial Commission	-	817,634	-	-
Office of Management & Budget	-	-	-	172,802
OMB – Facility Management	-	500,000	-	-
	61,079,742	1,510,191	-	177,252

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

Coal Development Trust fund:

State Treasurer	214,559		224,401	157,081
	214,559	150,191	224,401	157,081

Oil and Gas Impact fund

Information Technology Department	-	607	-	620
Office of Management and Budget	-	3	-	5
		610		625

Total Due From/Due To

\$ 141,131,539	\$ 1,715,320	\$ 4,418,552	\$ 388,476
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NOTE 17 – PERPETUAL FUND DISTRIBUTION POLICY

According to Section 2 of Article IX of the North Dakota State Constitution, biennial distributions from the perpetual trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. The average value of trust assets is determined by using the ending net value of each trusts' financial assets for the fiscal year that ends one year before the beginning of the biennium and the assets' ending value for the four preceding fiscal years. Equal amounts must be distributed during each year of the biennium.

NOTE 18 – TRANSFERS FROM (TO) OTHER AGENCIES

The following detail represents amounts transferred to beneficiaries and other state agencies as of June 30, 2021 and 2020.

Fund	2021		2020	
	Transfers from other agencies	Transfers to other agencies	Transfers from other agencies	Transfers to other agencies
Perpetual Funds:				
Ellendale	\$ -	\$ 847,000	\$ -	\$ 847,000
Industrial School	-	932,000	-	932,000
Mayville State University	-	334,000	-	334,000
ND State University	-	2,958,000	-	2,958,000
School of Mines	-	873,000	-	873,000
School of Science	-	747,000	-	747,000
School of the Blind	-	440,000	-	440,000
School of the Deaf	-	949,000	-	949,000
State Hospital	-	664,000	-	664,000
University of ND	-	1,379,000	-	1,379,000
Valley City State University	-	517,000	-	517,000
Veterans Home	-	245,000	-	245,000
	-	10,885,000	-	10,885,000

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

Commons School Trust Fund

Department of Public Instruction	-	183,378,000	-	183,378,000
State General Fund	64,370,000	-	-	-
	<u>64,370,000</u>	<u>183,378,000</u>	<u>-</u>	<u>183,378,000</u>

Strategic Investment and Improvements :

General Fund of North Dakota	-	382,200,000	-	382,200,000
Adjutant General	-	-	-	2,502,253
Aeronautics Commission	-	-	-	20,000,000
Attorney General	-	422,685	6,387	-
Bank of North Dakota	-	-	-	25,137,707
Dakota College of Bottineau	-	2,500,000	-	-
Department of Agriculture	-	92,071	-	-
Department of Commerce	119,262	-	111,895	3,000,000
Department of Corrections	123,426	-	-	1,218,000
Department of Health	-	-	67,310	-
Department of Human Services	-	1,296,969	-	4,300,030
Energy Impact Fund	-	-	-	2,000,000
Environmental Quality	126,023	1,057,658	-	-
Highway Patrol	-	-	49,403	-
Industrial Commission	-	1,219,082	-	270,000
Information Technology	743,163	-	-	25,150,000
Lake Region State College	-	363,000	-	-
NDSU Extension	-	-	-	940,465
Office of Management & Budget (OMB)	-	872,680	-	663,275
OMB – Facility Management	-	500,000	-	-
Park and Recreation	-	-	-	3,755,000
Public Service Commission	-	-	52,818	-
State Treasurer	-	-	-	35,000
Tax Commissioner	-	13,683	-	-
	<u>1,111,874</u>	<u>390,537,828</u>	<u>287,813</u>	<u>471,171,730</u>

Oil & Gas Impact Grant Fund

Strategic Investments & Improvement Fund	-	-	2,000,000	-
	<u>-</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>

Coal Development Trust:

General Fund of North Dakota	-	800,000	-	1,802,478
Lignite Research Fund	-	1,027,616	-	1,082,966
	<u>-</u>	<u>1,827,616</u>	<u>-</u>	<u>2,165,444</u>

Capitol Building Trust:

Facilities Management	-	2,200,000	-	2,270,000
ND Supreme Court	-	970,000	-	-
Legislative Council	-	74,918	-	54,360
	<u>-</u>	<u>3,244,918</u>	<u>-</u>	<u>2,324,360</u>

Total Transfers	<u>\$ 65,481,874</u>	<u>\$ 589,873,362</u>	<u>\$ 2,287,812</u>	<u>\$ 669,924,534</u>
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NOTE 19 – ASSIGNED FUND BALANCE

On August 26, 2021 the Board of University and School Lands classified \$218,780,117 of the Strategic Investment and Improvements fund as an assigned fund balance for fiscal year 2021 financial statement purposes. On July 29, 2020, the Board of University and School Lands classified \$229,325,049 of the Strategic Investment and Improvements fund as an assigned fund balance for fiscal year 2020 financial statement purposes. These commitment were 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 20 – LITIGATION

The Board of University and School Lands (Board) is currently involved in litigation relating to mineral ownership, royalty payments, and unclaimed property payments. The following is a list of pending lawsuits:

William S. Wilkinson, et al. v. Board of University and School Lands, Brigham Oil & Gas, LLP, and EOG Resources, Inc.

On January 10, 2012, the Wilkinson family filed a suit in state court asserting that they own shore zone minerals in about 200 acres west of Williston. In July 2014, Plaintiffs filed an Amended Complaint and added claims of unconstitutional takings, conversion, constructive trust and unjust enrichment, civil conspiracy, and deprivation of rights under 42 U.S.C. § 1983. The plaintiffs allege that the Board should be issuing leases on the west side of the Highway 85 Bridge pursuant to the Phase II delineation study which determined the location of the historic Missouri River channel, prior to the Garrison Dam project. The district court granted a summary judgment motion brought by the State and found in the State's favor determining that the minerals under the property in question are owned by the State of North Dakota and dismissing the remaining counts in the complaint. Plaintiffs and two of the defendants appealed the decision to the North Dakota Supreme Court and the Supreme Court remanded the case to district court. The district court issued an order dated December 4, 2017, staying these proceedings until such time as final review findings under N.D.C.C. § 61-33.1-03 are adopted by the North Dakota Industrial Commission. The Court issued its Order on December 12, 2018, denying the Motion for Continued Stay. Plaintiffs filed a Motion for Summary Judgment and the defendants responded. A hearing was held on July 30, 2019. The Order Granting Plaintiffs' Motion for Summary Judgment was entered on September 6, 2019. The Judgment and Notice of Entry of Judgment were filed with the District Court on September 16, 2019. The Board, State Engineer, and Statoil Oil & Gas LP f/k/a Brigham Oil & Gas, LLP, appealed to the North Dakota Supreme Court. The North Dakota Supreme Court issued its Opinion of the Court on August 27, 2020. Trial was held in July 2021 on the issue of damages and attorneys' fees. Post-trial briefing is ongoing.

Whitetail Wave LLC v. XTO Energy, Inc., Board of University and School Lands, and the State of North Dakota

This case is also challenging the State's determination of the ordinary high watermark, but the tract is located on the east side of the Highway 85 Bridge where the Department has currently leased only the historic channel of the Missouri River. Plaintiffs are requesting that title to the minerals be quieted and have alleged claims of unconstitutional takings, trespass, slander of title and constructive trust/unjust enrichment against the State. The Complaint also makes several claims against XTO individually. The district court issued an order dated August 21, 2017, staying these proceedings until such time as final review findings under N.D.C.C. § 61-33.1-03 are adopted by the North Dakota Industrial Commission. A continued stay was affirmed on November 27, 2018. Stay has been lifted and summary judgment motions are due in October 2021 with a trial being scheduled in December 2021.

Whiting Oil and Gas Corporation v. Arlen A. Dean, et. al.

Whiting filed an interpleader for the lands underlying a spacing unit located near the Montana border for which the Yellowstone River runs through. Whiting is requesting 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) 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 has been unable to conduct field work. 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. Stay was lifted and is scheduled for trial in September 2022.

Continental Resources, Inc. v. North Dakota Board of University and School Lands, United States

This is an interpleader action filed by Continental Resources, Inc. for certain lands underlying Continental operated wells located in McKenzie, Mountrail, and Williams Counties which are being claimed by both the State of North Dakota and the United States. Continental is requesting the Court determine the property interests for the lands so that Continental can correctly distribute stay lifted - proceeds from the wells. The United States filed a motion to dismiss. The Board and Continental filed oppositions to the motion and the parties are awaiting a decision on the motion from the court. An Amended Complaint was filed by Plaintiffs and Defendants filed their Answers to the Amended Complaint. A Status Conference is set for October 11, 2019. However, this was continued to January 13, 2020. A status conference was held on April 7, 2020, and a briefing schedule set. The United States and the Board filed separate Motions for Partial Summary Judgment on May 7, 2020, with their responses filed June 5, 2020. Court issued mandate against State in August 2021.

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)

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. The 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 the BLM's resurvey, but the BLM's Montana Office rejected the challenged. 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 have both filed briefs with the IBLA regarding their respective positions and are awaiting a decision from the IBLA. 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, Interior Board of Land Appeals (Interior Board) denying the state's appeal. Case is stayed pending further order of the Court. Parties will file a joint status report proposing further proceedings in this case within 21 days of an order addressing the parties pending motions in Continental Resources, Inc.

Continental Resources, Inc. v. North Dakota Board of University & School Lands and North Dakota Department of Trust Lands

Continental is seeking a Declaratory Judgment that it is currently paying royalties properly under the Board's lease. Specifically, Continental is asking the Court to order that Continental is allowed to deduct certain costs from royalty payments and that it does not owe the Defendants any additional royalty payments based on previous deductions. A Complaint and Answer with Counterclaims have been filed. Continental filed an Answer to Counterclaims. The parties both completed discovery. The parties filed a Joint Motion for Stay, requesting the Court stay all proceedings pending the North Dakota Supreme Court's resolution of the petition for rehearing in the Newfield lawsuit and the Court granted this request.

Newfield Exploration Company, Newfield Production Company, and Newfield RMI LLC v. State of North Dakota, ex rel. the North Dakota Board of University and School Lands and the Office of the Commissioner of University and School Lands, a/k/a the North Dakota Department of Trust Lands

Plaintiff is seeking a Declaratory Judgment that it is currently paying gas royalties properly under the Board's lease. Specifically, Plaintiff is asking the Court to order that gas royalty payments made by the Plaintiff be based on the gross amount received by the Plaintiff from an unaffiliated third-party purchaser, not upon the gross amount paid to a third party by a downstream purchaser, and that Plaintiff does not owe the Defendants any additional gas royalty payments based on previous payments. A Complaint and Answer with Counterclaims have been filed. Newfield filed an Answer to Counterclaims. A Scheduling conference was held July 27, 2018, and a trial was scheduled for September 10 and 11, 2019, at the McKenzie County Courthouse. Newfield filed a Motion for Summary Judgment and supporting documents on August 13, 2018. Defendants' filed their response and Cross Motion for Summary Judgment on September 12, 2018. A hearing on the Motion for Summary Judgment was held in January 2019 and the Judgment was entered March 1, 2019. The Defendant appealed to the North Dakota Supreme Court. On July 11, 2019, the Supreme Court entered its Judgment reversing the Judgment of the McKenzie County District Court. On July 25, 2019, Newfield filed Appellee's Petition for Rehearing and Amicus Curiae Briefs were filed by Western Energy Alliance and the North Dakota Petroleum Council. The North Dakota Supreme Court requested Defendants file a Response to the Petition for Rehearing and the two Amicus Curiae Briefs which was filed on September 4, 2019. A Corrected Opinion was filed by the North Dakota Supreme Court on September 9, 2019, changing the page number of a citation. On September 12, 2019, the North Dakota Supreme Court entered an order denying Newfield's Petition for Rehearing. On September 20, 2019, the opinion and mandate of the Supreme Court was filed with McKenzie County District Court. A Telephonic Status Conference was held October 8, 2019, before the District Court. On October 9, 2019, the District Court issued an Order Setting Briefing Schedule which ordered "the parties to file a brief regarding how they suggest the case proceed after the Supreme Court's decision." The parties filed briefs with the District Court on November 6, 2019. Telephonic Status Conference was scheduled for March 17, 2020, before the District Court. On May 14, 2020, the Court scheduled a five-day Court Trial to start on October 4, 2021, McKenzie County Courthouse. On July 28, 2020, a Stipulated Scheduling Order was entered, setting dates for various deadlines.

XTO Energy, Inc., and XTO Holdings, LLC v. North Dakota Board of University and School Lands and the United States of America

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 lands 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.

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

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 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.

Marvin Nelson, Michael Coachman & Paul Sorum v. The Board of University and School Lands of the State of North Dakota and the State of North Dakota

The Board was named as a defendant in the above reference case which was served on July 26, 2021. Plaintiffs have filed a Summons for Petition or Quiet Title, Petition for Quiet Title, and a Memorandum in Support of Petition for Quiet Title. Plaintiffs are seeking to quiet title to the property described as: That area of the bed of Lake Sakakawea known as Lake Jesse (Jesse Lake) delineated by the US Army Corps of Engineers Shoreline Survey used in acquiring land for the creation of Lake Sakakawea in Section 30 of Township 153 North Range 98 West and in Sections 23,24,25,26 in Township 153 North Range 99 West (approximately 488.68 acres). On August 5, 2021, Paul Sorum emailed a Request for Setting for Petition for Quiet Title and Memorandum in Support of Quiet Title requesting the Court schedule a one-hour hearing on Petitioners' Petition for Quiet Title and Petitioners' Memorandum in Support of Petition for Quiet Title. On August 16, 2021, Defendants filed a Motion to Dismiss. Hearing is scheduled for October 2021

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

NOTE 21 – CONTINUING APPROPRIATIONS

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 the trust asset.

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.

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 all expense deductions under this section.

NOTE 22 – CLAIMANT LIABILITY

Claimant liability represents the value of property escheated to the Department and expected to be reclaimed by the rightful owner or their heirs. The claimant liability increases with collections of escheated property and decreases when property is reclaimed and paid to the rightful owner or their heirs. Unclaimed property is accreted into net position of the Common School Trust fund based on estimate of historical claims in the previous ten years. The following is a detail of the changes in claimant liability for the years ended June 30, 2021 and 2020.

Claimant Liability – July 1, 2019	\$ 16,551,604
June 30, 2020	
Collections subject to liability	15,111,069
Less claims paid	5,308,927
Decrease accreted into net position	9,708,208
Claimant Liability – June 30, 2020	\$ 16,645,538
June 30, 2021	
Collections subject to liability	17,913,264
Less claims paid	6,794,785
Decrease accreted into net position	11,302,583
Claimant Liability – June 30, 2021	\$ 16,461,434

NOTE 23 – LONG TERM LIABILITIES***Compensated Absences Payable***

The Department employees can earn annual leave at a varying rate based on years of service. The amount of annual leave earned ranges from one to two days per month and accrued annual leave cannot exceed 30 days as of April 30th of each year. The Department employees earn sick leave at the rate of one working day per month of employment without limitation on the amount that can be accumulated. At 10 years of continuous service, the State is liable for 10 percent of the employee's accumulated unused sick leave.

	Balance <u>7/1/20</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Amounts Due <u>Thereafter</u>	Balance <u>6/30/21</u>
Governmental Activities-						
Other long-term liabilities:						
Compensated absences	\$199,443	\$142,042	\$125,062	\$11,559	\$204,863	\$216,422

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

	Balance <u>7/1/19</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Amounts Due <u>Thereafter</u>	Balance <u>6/30/20</u>
Governmental Activities- Other long-term liabilities:						
Compensated absences	\$197,109	\$115,645	\$113,311	\$10,652	\$188,792	\$199,443

The reported liabilities for compensated absences were \$216,422 and \$199,443 at June 30, 2021 and 2020. This balance includes the employer's share of FICA taxes.

Long-Term Debt

The following is a summary of the long-term debt from the Bank of North Dakota to the Theodore Roosevelt Presidential Library and Museum Endowment fund for the year ending June 30, 2021.

	Balance <u>7/1/20</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Balance <u>6/30/21</u>
Fiduciary Activities - Liabilities					
Loan payable	\$ -	\$ 35,000,000	\$ 17,500,000	\$ 17,500,000	\$ 17,500,000

In accordance with Senate Bill No. 2001 enacted by the 2019 Legislature, the Theodore Roosevelt Presidential Library and Museum Endowment fund incurred a \$35,000,000 loan in November 2020. The loan is unsecured with an interest rate of 1.50% over 30-day LIBOR rate index, adjusted on the first day of each month with a floor rate of 1.75%. The original term of the loan was to be paid over six years as follows:

- One-third principal plus accrued interest to be paid at the end of Year 2;
- One-third principal plus accrued interest to be paid at the end of Year 4;
- Remaining principal plus accrued interest to be paid at the end of Year 6.

The 2021 Legislature authorized transfers from the State General Fund to the Bank of North Dakota. In accordance with House Bill No. 1025, the Theodore Roosevelt Presidential Library and Museum Endowment fund received a donation of \$17,500,000 which was used to pay down the principal balance of the loan in June 2021. In accordance with House Bill No. 1015, the Theodore Roosevelt Presidential Library and Museum Endowment fund received a donation of \$17,500,000 which was used to pay down remaining principal balance of the loan on September 17, 2021. The two \$17,500,000 donations were paid directly from the General Fund to the Bank of North Dakota.

NOTE 24 – PENSION PLAN

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to 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 a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees; and two members of the legislative assembly appointed by the chairman of the chairman of the legislative management.

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 equals 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 percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% 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, 2021 and 2020, the Department reported a liability of \$5,451,961 and \$1,694,395, respectfully, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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, 2020 the Department's proportion was 0.173297 percent which was an increase of 0.028733 percent from its proportion measured as of June 30, 2019.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

For the year ended June 30, 2021, the Department recognized pension expense of \$965,928. On June 30, 2021, 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	\$ 21,217	\$ (276,256)
Changes in assumptions	2,922,595	(483,177)
Net difference between projected and actual earnings on pension plan investment	175,962	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	308,857	(299,287)
Employer contributions subsequent to the measurement date	148,562	-
TOTAL	\$ 3,577,193	\$ (1,058,720)

The \$148,562 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, 2022.

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>
2022	\$ 695,155
2023	578,242
2024	490,547
2025	605,967
Thereafter	-

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

For the year ended June 30, 2020, the Department recognized pension expense of \$232,240. At June 30, 2020, 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	\$ 1,004	\$ (307,500)
Changes in assumptions	633,151	(543,615)
Net difference between projected and actual earnings on pension plan investment	29,520	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,037	(404,497)
Employer contributions subsequent to the measurement date	124,248	-
TOTAL	\$ 845,960	\$ (1,255,612)

The \$124,248 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, 2021.

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>
2021	\$ (19,914)
2022	(60,000)
2023	(161,061)
2024	(229,921)
2025	(63,004)
Thereafter	-

Actuarial assumptions.

The total pension liability in the July 1, 2020 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	7.00%, 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 weighting 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, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
Global Real Assets	19%	5.01%

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	12.00%
	1	9.50%
	2	7.25%
	Age:	
	Under 30	7.25%
	30 - 39	6.50%
	40 - 49	6.25%
	50 - 59	5.75%
	60+	5.00%

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

Investment rate of return:	7.50%, net of investment expenses
Cost-of-living adjustments	None

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

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 weighting 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, 2020

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23	2.11%
Global Real Assets	19%	5.41%

Discount rate.

For PERS, 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 the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate for the year ending June 30, 2021:

	1% Decrease in Discount Rate (3.64%)	Current Discount Rate (4.64%)	1% Increase in Discount Rate (5.64%)
Employer's proportionate share of the net pension liability	\$7,073,510	\$5,451,961	\$4,125,139

For the fiscal year ending June 30, 2020, the following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
Employer's proportionate share of the net pension liability	\$2,429,397	\$1,694,395	\$1,076,864

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 25 – DEFINED BENEFIT OPEB PLAN

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC 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 HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit 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 a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees, and two members of the legislative assembly appointed by the chairman of the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS, and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the 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 RHIC. Therefore, RHIC 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 PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of 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 employee's, 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, 2021 and 2020, the Department reported a liability of \$126,085 and \$126,883, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 and 2019, 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, 2020, the Department's proportion was 0.149888 percent, which was an increase of 0.015130 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Department recognized OPEB expense of \$14,894. At June 30, 2021, 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	\$ 2,800	\$ (3,023)
Changes in assumptions	16,906	-
Net difference between projected and actual earnings on OPEB plan investment	4,336	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,691	(23,285)
Employer contributions subsequent to the measurement date	20,633	-
TOTAL	\$ 51,366	\$ (26,308)

The \$20,633 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, 2022.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2021 and 2020

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>Pension Expense Amount</u>
2022	\$ 809
2023	1,930
2024	1,724
2025	468
2026	(227)
Thereafter	(279)

For the year ended June 30, 2020, the Department recognized OPEB expense of \$9,701. At June 30, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Resources</u>	
	<u>Outflows</u>	<u>Inflows</u>
Differences between expected and actual experience	\$ 2,671	\$ (3,381)
Changes in assumptions	12,900	-
Net difference between projected and actual earnings on OPEB plan investment	121	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(28,274)
Employer contributions subsequent to the measurement date	19,108	-
TOTAL	\$ 34,800	\$ (31,655)

The \$19,108 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, 2021.

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>Pension Expense Amount</u>
2021	\$ (3,026)
2022	(3,026)
2023	(2,018)
2024	(2,203)
2025	(3,331)
Thereafter	(2,359)

Actuarial assumptions

The total OPEB liability in the July 1, 2020 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	6.50%, 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 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%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

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

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 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%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount rate.

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on 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 pension liability to changes in the discount rate.

The following presents the net OPEB liability of the Plans as of June 30, 2020, calculated using the discount rate of 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Employer's proportionate share of the net OPEB liability	\$ 165,364	\$ 126,085	\$ 92,870

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's proportionate share of the net OPEB liability	\$ 138,149	\$ 108,236	\$ 82,630

NOTE 26 - RISK MANAGEMENT

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

The Risk Management Fund (RMF) provides liability coverage for the State of North Dakota, its agencies, and employees. The State Tort Claims Act, NDCC 32-12.2, governs the administration of the RMF and claims against the state and state employees for personal injury, death, or property damage caused by the state or a state employee acting within the scope of the employee's employment. All state agencies participate in the RMF and their fund contribution is determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence.

The Department also participates in the North Dakota Fire and Tornado Fund. The Department pays an annual premium to Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period.

The State Bonding Fund currently provides the Department with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

North Dakota Workforce Safety and Insurance is an enterprise fund of the State of North Dakota. Workforce Safety is a state insurance fund and a *"no fault"* insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to 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 insurance coverage in any of the past three fiscal years.

ND Department of Trust Lands
Combined Balance Sheet – Nonmajor Government Funds
June 30, 2021

	Special Revenue Funds													Special Revenue Funds	Total
Assets:	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capitol Building	Non-major Governmental Funds
Cash	\$ 1,863,353	\$ 312,181	\$ 253,865	\$ 136,671	\$ 732,839	\$ 209,027	\$ 397,481	\$ 1,063,886	\$ 450,131	\$ 627,841	\$ 55,922	\$ 674,030	\$ 6,777,227	\$ 353,889	\$ 7,131,116
Investments	83,051,382	14,894,428	24,043,313	16,112,705	26,751,269	14,695,094	9,632,351	28,613,833	21,359,070	25,680,563	5,932,013	40,259,160	311,025,181	2,983,808	314,008,989
Interest receivable	206,777	35,983	60,012	61,163	45,538	40,280	27,541	76,131	60,712	65,921	28,940	96,811	805,809	21,569	827,378
Accounts receivable	523,201	72,396	62,657	23,654	183,731	24,248	134,733	629,206	91,375	133,757	6,015	174,788	2,059,761	108,886	2,168,647
Invested securities lending collateral	2,822,701	506,185	817,177	548,334	908,505	499,570	327,495	972,671	726,192	872,885	202,081	1,368,193	10,571,989	6,173,003	16,744,992
Loans															
Farm loans	99,239	19,156	27,201	27,870	17,862	22,609	16,273	38,512	28,360	28,620	22,444	45,538	393,684	-	393,684
Total Assets	\$ 88,566,653	\$ 15,840,329	\$ 25,264,225	\$ 16,910,397	\$ 28,639,744	\$ 15,490,828	\$ 10,535,874	\$ 31,394,239	\$ 22,715,840	\$ 27,409,587	\$ 6,247,415	\$ 42,618,520	\$ 331,633,651	\$ 9,641,155	\$ 341,274,806
Liabilities:															
Accrued payroll	\$ 3,211	\$ 619	\$ 798	\$ 381	\$ 1,158	\$ 628	\$ 604	\$ 1,404	\$ 878	\$ 998	\$ 263	\$ 1,610	\$ 12,552	\$ 1,512	\$ 14,063
Accounts payable	16,189	2,903	4,688	3,145	5,211	2,865	1,879	5,578	4,166	5,007	1,159	7,847	60,637	4,154	64,792
Securities lending collateral	2,822,701	506,185	817,177	548,334	908,505	499,570	327,495	972,671	726,192	872,885	202,081	1,368,193	10,571,989	6,173,003	16,744,992
Due to other state agencies	258	50	71	72	46	59	42	100	74	75	59	120	1,026	-	1,026
Total Liabilities	2,842,359	509,757	822,734	551,932	914,920	503,122	330,020	979,753	731,310	878,965	203,562	1,377,770	10,646,204	6,178,669	16,824,873
Equity:															
Fund Balance:															
Special revenue funds															
Restricted	85,724,294	15,330,572	24,441,491	16,358,465	27,724,824	14,987,706	10,205,854	30,414,486	21,984,530	26,530,622	6,043,853	41,240,750	320,987,447	3,462,486	324,449,933
Total Fund Balance	85,724,294	15,330,572	24,441,491	16,358,465	27,724,824	14,987,706	10,205,854	30,414,486	21,984,530	26,530,622	6,043,853	41,240,750	320,987,447	3,462,486	324,449,933
Total Liabilities and Fund Balances	\$ 88,566,653	\$ 15,840,329	\$ 25,264,225	\$ 16,910,397	\$ 28,639,744	\$ 15,490,828	\$ 10,535,874	\$ 31,394,239	\$ 22,715,840	\$ 27,409,587	\$ 6,247,415	\$ 42,618,520	\$ 331,633,651	\$ 9,641,155	\$ 341,274,806

ND Department of Trust Lands
Combined Balance Sheet – Nonmajor Government Funds
June 30, 2020

	Special Revenue Funds													Special Revenue Funds	Total
	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capital Building	Non-major Governmental Funds
Assets:															
Cash	\$ 1,414,045	\$ 368,243	\$ 330,406	\$ 180,570	\$ 1,263,160	\$ 242,191	\$ 322,582	\$ 781,127	\$ 953,536	\$ 516,351	\$ 143,019	\$ 860,343	\$ 7,375,573	\$ 283,428	\$ 7,659,001
Investments	68,532,547	12,130,066	20,124,431	13,609,509	21,113,740	12,211,952	7,697,853	22,739,747	17,058,186	20,961,719	4,927,169	33,029,578	254,136,497	5,163,643	259,300,140
Interest receivable	241,796	42,074	70,214	68,131	54,930	46,547	31,225	86,709	68,777	76,481	31,596	113,710	932,190	22,745	954,935
Accounts receivable	168,515	26,643	21,742	10,328	95,251	10,912	25,828	555,341	59,414	73,595	1,528	63,025	1,112,122	68,509	1,180,631
Invested securities lending collateral	2,615,290	462,826	768,001	519,886	805,350	466,015	293,767	867,862	651,183	800,072	188,127	1,260,412	9,698,791	190,688	9,889,479
Loans															
Loans - Farm	146,601	28,299	40,182	41,171	26,387	33,399	24,040	56,893	41,895	42,278	33,155	67,270	581,570	-	581,570
Total Assets	\$ 73,118,794	\$ 13,058,151	\$ 21,354,976	\$ 14,429,595	\$ 23,358,818	\$ 13,011,016	\$ 8,395,295	\$ 25,087,679	\$ 18,832,991	\$ 22,470,496	\$ 5,324,594	\$ 35,394,338	\$ 273,836,743	\$ 5,729,013	\$ 279,565,756
Liabilities:															
Accrued payroll	\$ 3,344	\$ 670	\$ 813	\$ 381	\$ 1,372	\$ 618	\$ 544	\$ 1,302	\$ 1,055	\$ 987	\$ 337	\$ 2,081	\$ 13,504	\$ 1,709	\$ 15,213
Accounts payable	18,658	3,302	5,479	3,709	5,746	3,325	2,096	6,191	4,645	5,708	1,342	8,992	69,193	830	70,023
Securities lending collateral	2,615,290	462,826	768,001	519,886	805,350	466,015	293,767	867,862	651,183	800,072	188,127	1,260,412	9,698,791	190,688	9,889,479
Due to other state agencies	424	82	116	119	76	97	69	165	121	122	96	196	1,683	-	1,683
Total Liabilities	2,637,716	466,880	774,409	524,095	812,544	470,055	296,476	875,520	657,004	806,889	189,902	1,271,681	9,783,171	193,227	9,976,398
Equity:															
Fund Balance:															
Special revenue funds															
Restricted	70,481,078	12,591,271	20,580,567	13,905,500	22,546,274	12,540,961	8,098,819	24,212,159	18,175,987	21,663,607	5,134,692	34,122,657	264,053,572	5,535,786	269,589,358
Total Fund Balance	70,481,078	12,591,271	20,580,567	13,905,500	22,546,274	12,540,961	8,098,819	24,212,159	18,175,987	21,663,607	5,134,692	34,122,657	264,053,572	5,535,786	269,589,358
Total Liabilities and Fund Balances	\$ 73,118,794	\$ 13,058,151	\$ 21,354,976	\$ 14,429,595	\$ 23,358,818	\$ 13,011,016	\$ 8,395,295	\$ 25,087,679	\$ 18,832,991	\$ 22,470,496	\$ 5,324,594	\$ 35,394,338	\$ 273,836,743	\$ 5,729,013	\$ 279,565,756

ND Department of Trust Lands
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Government Funds
For the Year Ended June 30, 2021

Revenues:	Special Revenue Funds														Special Revenue Funds		Total
	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capitol Building	Non-major Govern- mental Funds		
Investment income	\$ 1,991,774	\$ 353,825	\$ 579,582	\$ 391,069	\$ 627,101	\$ 352,830	\$ 228,248	\$ 672,914	\$ 502,826	\$ 617,348	\$ 143,449	\$ 962,014	\$ 7,422,980	\$ 54,127	\$ 7,477,107		
Loan income																	
Farm loans	7,814	1,508	2,142	2,194	1,406	1,780	1,281	3,032	2,233	2,253	1,767	3,585	30,995	-	30,995		
Change in fair value of investments	13,018,118	2,314,358	3,801,094	2,564,710	4,063,148	2,313,690	1,477,686	4,371,609	3,275,212	3,997,496	935,564	6,288,258	48,420,943	(31,802)	48,389,141		
Securities lending income	7,245	1,299	2,098	1,407	2,332	1,282	841	2,497	1,864	2,241	519	3,512	27,137	11,086	38,223		
Royalties	3,123,342	488,245	382,177	151,320	1,323,516	259,165	703,916	2,079,732	754,097	1,124,074	48,798	1,179,787	11,618,169	991,389	12,609,558		
Bonuses	5,600	4,280	16,840	560	1,360	560	6,560	14,455	-	2,320	-	560	53,095	2,160	55,255		
Rental income	266,531	56,183	83,203	40,502	76,368	75,340	53,097	71,605	74,732	58,672	41,779	171,004	1,069,016	187,671	1,256,687		
Total Revenues	18,420,424	3,219,698	4,867,136	3,151,762	6,095,231	3,004,647	2,471,629	7,215,844	4,610,964	5,804,404	1,171,876	8,608,720	68,642,335	1,214,631	69,856,966		
Expenditures:																	
Current																	
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	43,014	43,014		
Education	219,208	40,397	57,212	34,797	69,681	40,902	30,594	81,517	55,421	64,389	17,715	111,627	823,460	-	823,460		
Total Expenditures	219,208	40,397	57,212	34,797	69,681	40,902	30,594	81,517	55,421	64,389	17,715	111,627	823,460	43,014	866,474		
Excess of revenue over expenditures	18,201,216	3,179,301	4,809,924	3,116,965	6,025,550	2,963,745	2,441,035	7,134,327	4,555,543	5,740,015	1,154,161	8,497,093	67,818,875	1,171,617	68,990,492		
Other Financing Uses:																	
Transfer to Educational Institutions	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	-	(10,885,000)		
Transfer to Facilities Management	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,200,000)	(2,200,000)		
Transfer to Supreme Court	-	-	-	-	-	-	-	-	-	-	-	-	-	(970,000)	(970,000)		
Transfer to Legislative Council	-	-	-	-	-	-	-	-	-	-	-	-	-	(74,918)	(74,918)		
Total Other Financing Uses	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	(3,244,918)	(14,129,918)		
Increase (decrease) in net position	15,243,216	2,739,301	3,860,924	2,452,965	5,178,550	2,446,745	2,107,035	6,202,327	3,808,543	4,867,015	909,161	7,118,093	56,933,875	(2,073,301)	54,860,575		
Net position - beginning	70,481,078	12,591,271	20,580,567	13,905,500	22,546,274	12,540,961	8,098,819	24,212,159	18,175,987	21,663,607	5,134,692	34,122,657	264,053,572	5,535,786	269,589,358		
Net position - ending	\$ 85,724,294	\$ 15,330,572	\$ 24,441,491	\$ 16,358,465	\$ 27,724,824	\$ 14,987,706	\$ 10,205,854	\$ 30,414,486	\$ 21,984,530	\$ 26,530,622	\$ 6,043,853	\$ 41,240,750	\$ 320,987,447	\$ 3,462,486	\$ 324,449,933		

ND Department of Trust Lands
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Government Funds
For the Year Ended June 30, 2020

Revenues:	Special Revenue Funds													Special Revenue Funds	Total
	N.D.S.U.	School for the Blind	School for the Deaf	State Hospital	Ellendale	Valley City State U.	Mayville State U.	Industrial School	School of Science	School of Mines	Veterans Home	U.N.D.	Total	Capitol Building	Non-major Governmental Funds
Investment income	\$ 1,659,100	\$ 293,033	\$ 488,425	\$ 332,203	\$ 512,734	\$ 296,303	\$ 186,241	\$ 550,545	\$ 414,697	\$ 504,339	\$ 121,250	\$ 793,116	\$ 6,151,986	\$ 135,049	\$ 6,287,035
Loan income															
Farm	13,250	2,558	3,632	3,721	2,385	3,019	2,173	5,142	3,786	3,821	2,997	6,080	52,564	-	52,564
Change in fair value of investments	(2,753,693)	(492,695)	(805,006)	(540,158)	(857,719)	(488,355)	(312,619)	(912,329)	(689,681)	(851,820)	(193,883)	(1,341,924)	(10,239,882)	22,702	(10,217,180)
Securities lending income	38,954	6,894	11,439	7,743	11,995	6,941	4,376	12,926	9,699	11,917	2,802	18,773	144,459	6,893	151,352
Royalties	2,414,991	526,453	567,328	160,984	1,887,666	276,198	441,728	845,465	1,234,735	1,002,419	49,177	1,652,774	11,059,918	1,007,561	12,067,479
Bonuses	10,760	-	3,698	5,659	(587)	93	408	619	80	-	-	320	21,050	802	21,852
Rental income	263,050	60,271	79,148	38,254	71,839	74,753	52,937	72,195	77,894	60,845	47,140	160,824	1,059,150	181,155	1,240,305
Total Revenues	1,646,412	396,514	348,664	8,406	1,628,313	168,952	375,244	574,563	1,051,210	731,521	29,483	1,289,963	8,249,245	1,354,162	9,603,407
Expenditures:															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	42,623	42,623
Education	252,791	47,725	70,441	42,384	87,104	47,704	35,673	82,355	74,276	78,895	20,780	132,701	972,829	-	972,829
Total Expenditures	252,791	47,725	70,441	42,384	87,104	47,704	35,673	82,355	74,276	78,895	20,780	132,701	972,829	42,623	1,015,452
Excess of revenue over expenditures	1,393,621	348,789	278,223	(33,978)	1,541,209	121,248	339,571	492,208	976,934	652,626	8,703	1,157,262	7,276,416	1,311,539	8,587,955
Other Financing Uses:															
Transfer to Educational Institutions	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	-	(10,885,000)
Transfer to Facilities Management	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,270,000)	(2,270,000)
Transfer to Legislative Council	-	-	-	-	-	-	-	-	-	-	-	-	-	(54,360)	(54,360)
Total Other Financing Uses	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	(2,324,360)	(13,209,360)
Increase (decrease) in net position	(1,564,379)	(91,211)	(670,777)	(697,978)	694,209	(395,752)	5,571	(439,792)	229,934	(220,374)	(236,297)	(221,738)	(3,608,584)	(1,012,821)	(4,621,405)
Net position - beginning as restated	72,045,457	12,682,482	21,251,344	14,603,478	21,852,065	12,936,713	8,093,248	24,651,951	17,946,053	21,883,981	5,370,989	34,344,395	267,662,156	6,548,607	274,210,763
Net position - ending	\$ 70,481,078	\$ 12,591,271	\$ 20,580,567	\$ 13,905,500	\$ 22,546,274	\$ 12,540,961	\$ 8,098,819	\$ 24,212,159	\$ 18,175,987	\$ 21,663,607	\$ 5,134,692	\$ 34,122,657	\$ 264,053,572	\$ 5,535,786	\$ 269,589,358

ND Department of Trust Lands
Schedule of Net Pension Contributions
Last Ten Fiscal Years*
June 30, 2021

<u>Fiscal Year Ending</u>	<u>Pension Plan</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Trust Land's Covered— Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
June 30						
2015	PERS	\$ 118,962	\$ (120,360)	\$ (1,398)	\$ 1,566,160	7.60%
2016	PERS	\$ 141,442	\$ (127,027)	\$ 14,415	\$ 1,953,665	7.25%
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%

*Complete data for this schedule is not available prior to 2015.

ND Department of Trust Lands
Schedule of Employer's Net Pension Liability
Last Ten Fiscal Years*
June 30, 2021

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
2015 PERS	0.176238%	\$ 1,118,320	\$ 1,484,586	75.33%	77.70%
2016 PERS	0.175799%	\$ 1,195,403	\$ 1,566,160	76.33%	77.15%
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%

*Complete data for this schedule is not available prior to 2015.

Notes to the Required Supplementary Information:

Changes to benefit terms

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes to assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

ND Department of Trust Lands
Schedule of Net OPEB Contribution
Last Ten Fiscal Years*
June 30, 2021

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%

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

ND Department of Trust Lands
Schedule of Employer's Share of Net OPEB Liability
Last Ten Fiscal Years*
June 30, 2021

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%

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, 2019.

Changes to assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

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



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), a department of the State of North Dakota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated November 1, 2021.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be a material weaknesses.

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*.

North Dakota Department of Trust Lands' Response to Findings

The Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
November 1, 2021

2021-001 **Material Audit Adjustments**
Material Weakness

Criteria: Proper internal controls include controls that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition: During the course of our engagement, we proposed material audit adjustments to the Department's recorded account balances in the areas of interest receivable and interest income and accounts payable and expenditures.

Cause: Management's reconciliation controls failed to ensure that interest receivable and accounts payable were appropriately reconciled on June 30, 2021.

Effect: The need for these adjustments indicates a risk that the Department's interim financial information may not be materially correct, which may affect management decisions made during the year.

Recommendation: We recommend the Department review internal controls to ensure the controls in place will prevent, or detect and correct, misstatements on a timely basis.

Views of Responsible Officials: Management agrees with the finding. The Department implemented a new accounting system this fiscal year, with implementation of new software processes and procedures change. Some of these changes are not fully known until the process has been performed at least once. The minor adjustment found by the auditors is immaterial when compared to the \$7 billion in assets managed by the Department. After going through the process of creating its first financial statement with the new accounting software, Management will review its internal processes to ensure transactions are properly accounted for and reflected on its balance sheet.

**2021-002 Material Audit Adjustments to the Theodore Roosevelt Presidential Library and Museum
Endowment Fund
Material Weakness**

Criteria: Proper internal controls include controls that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

Condition: During the course of our engagement, we proposed material audit adjustments to the Department's recorded account balances in the areas of long-term debt, donation revenue, interest payable, and interest expense in the Theodore Roosevelt Presidential Library and Museum Endowment fund.

Cause: Management failed to obtain necessary communication and understanding from the State of North Dakota to ensure Senate Bill and House Bill legislative intent was properly reflected in the Theodore Roosevelt Presidential Library and Museum Endowment fund.

Effect: The need for these adjustments indicates a risk that the Department's interim financial information may not be materially correct, which may affect management decisions made during the year.

Recommendation: We recommend the Department review communication processes and controls to ensure that Senate Bill and House Bill legislative intent is appropriately reflected in the financial statements.

Views of Responsible Officials: The Department manages the investment of funds for the Theodore Roosevelt Presidential Library and Museum Endowment Fund (Fund). The Fund received cash to invest from a loan entered into between the Bank of North Dakota and the Governor's office. Neither the Fund nor the Department were required to repay the loan, as such the loan was not recorded on the Department's books. The loan has subsequently been repaid by general fund, neither the Department nor the Fund ultimately repaid any portion of the loan. The loan has been repaid pursuant to House Bill 1015 (FY 2022) and 1025 (FY 2021). Management will review its communication process and controls to ensure legislative intent is followed and is appropriately reflected in the financial statements.



**North Dakota Department of Trust Lands
Auditor's Specific Comments Requested by the North Dakota Legislative Audit and
Fiscal Review Committee
Year Ended June 30, 2021**

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

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

1. What type of opinion was issued on the financial statements?

Unmodified

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes

3. Was internal control adequate and functioning effectively?

As discussed in the Schedule of Findings and Responses, there were two internal control deficiencies identified as a result of the financial statement audit.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No

5. Has action been taken on findings and recommendations included in prior year audit reports?

There were no prior year findings or recommendations.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management response.

No

Audit Committee Communications:

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

None

2. Identify any significant accounting estimates and the process used by management to determine those estimates.

Management's estimate of the fair value of investments is based on quoted market prices, estimates of fair value from investment managers, cash flow analysis, and yield currently available on comparable securities. We evaluated the key factors and assumptions used to develop the fair value estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the unclaimed property liability is based on the historical average payout percentage per subsequent year to determine the current year liability. The historical average is based on a ten-year rolling average percentage of the total unclaimed property amounts collected during a specific fiscal year paid out in subsequent fiscal years. We evaluated the key factors and assumptions and checked the clerical accuracy of the calculation used to determine the liability and determined that it is reasonable in relation to the financial statements taken as a whole.

3. Identify any significant audit adjustments.

The following material misstatements were identified as a result of the audit procedures performed which were brought to the attention of, and corrected by management:

<u>Governmental Funds Corrected Misstatements</u>	<u>Debit</u>	<u>Credit</u>
<i>General Fund</i>		
Expenditures	\$ 77,573	
Accounts payable		\$ 77,573
<i>To adjust general fund accounts payable to actual.</i>		
<i>Coal Development Trust Fund</i>		
Interest income	450,000	
Interest receivable		450,000
<i>To adjust coal development trust fund interest receivable to actual.</i>		
<u>Fiduciary Fund Corrected Misstatement</u>	<u>Debit</u>	<u>Credit</u>
<i>Theodore Roosevelt Presidential Library and Museum Endowment</i>		
Donation revenue	\$ 17,500,000	
Interest expense	317,158	
Loan payable		\$ 17,500,000
Interest payable		317,158
<i>To properly reflect legislative action from Senate Bill 2001 (2019) and House Bill 1025 (2021).</i>		

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to financial accounting, reporting, or auditing matter that could be significant to the financial statements.

None

5. Identify any significant difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accountants about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

The State Lands Information Management System (SLIMS) is a database application that supports the Department's business process over management of state lands, mineral and surface leases, royalties, investments, grants management, and general ledger accounting. There were no exceptions identified that were directly related to this application.

This report is intended solely for the information and use of the State Land Board, 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.

A handwritten signature in cursive script that reads "Erik Bailly LLP".

Bismarck, North Dakota
November 1, 2021