



Financial Statements  
June 30, 2024 and 2023

**NORTH DAKOTA DEPARTMENT  
OF TRUST LANDS**

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## Independent Auditor's Report

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota Department of Trust Lands, an agency of the State of North Dakota, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the North Dakota Department of Trust Lands' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota Department of Trust Lands, as of June 30, 2024 and 2023, 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.

#### *Basis for Opinions*

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

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements of North Dakota Department of Trust Lands are intended to present the financial position, changes in financial position, and statement of appropriations 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, 2024 and 2023, and the changes in its financial position and its statement of appropriations for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Contributions to NDPERS Pension Plan, Schedule of Contributions to NDPERS OPEB Plan, Schedule of Employer's Proportionate Share of Net Pension Liability, and Schedule of Employer's Proportionate Share of Net OPEB Liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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.

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2024 on our consideration of the North Dakota Department of Trust Lands' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of North Dakota Department of Trust Lands' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Department of Trust Lands' internal control over financial reporting and compliance.



Bismarck, North Dakota  
November 4, 2024

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, 2024, 2023 and 2022. Please read it in conjunction with the basic financial statements, which follow this discussion.

### Financial Highlights

- The assets and deferred outflows of resources of the Department exceeded its liabilities and deferred inflows of resources as of June 30, 2024, 2023, and 2022 by \$8,784,631,310, \$8,298,164,101, and \$7,101,953,058, respectively.
- The Department's net position increased by \$486,467,209 for the year ended June 30, 2024; increased \$1,196,211,046 for the year ended June 30, 2023; and increased \$102,058,281 for the year ended June 30, 2022. The net position increase for fiscal year 2024 is due to increase in mineral lease bonuses, as well as an increase in the fair value of investments.
- Royalty revenues totaled \$508,583,183 in fiscal year 2024, an increase of \$548,211 over the amount earned in fiscal year 2023. Royalty revenues totaled \$508,034,972 in fiscal year 2023, an increase of \$25,043,354 over the amount earned in fiscal year 2022. The modest increase in fiscal year 2024 was due to the stabilization of crude oil prices and production levels.
- Mineral lease bonus revenues totaled \$7,636,651 in fiscal year 2024, an increase of \$3,760,079 compared to fiscal year 2023. Mineral lease bonus revenues totaled \$3,876,572 in fiscal year 2023 and saw a negative balance of \$35,303,613 in fiscal year 2022. The increase in fiscal year 2024 is attributed to the expiration of certain leases in productive areas and a reduction in mineral lease bonus refunds pursuant to N.D.C.C. §61-33.1.
- During fiscal year 2024, gross production tax revenues totaled \$210,992,848 compared to \$369,452,945 in gross production tax revenue during fiscal year 2023. Gross production tax revenues were \$181,708,817 in fiscal year 2022. All gross production tax revenue was deposited into the Strategic Investment and Improvements fund as directed by the legislature, which results in higher distributions during the second year of each biennia versus the first year.
- Oil extraction tax revenues received in fiscal year 2024 totaled \$247,116,776, a decrease of \$119,655,135 over the \$366,771,911 earned in fiscal year 2023.
  - Oil extraction tax revenues received by the Common School Trust fund totaled \$126,152,811 in fiscal year 2024, compared to \$124,888,344 in fiscal year 2023. The tax revenue changes between fiscal year 2024 and 2023 show crude market prices and commodity continue to stabilize from previous years. Oil extraction tax revenues received by the Common School Trust fund totaled \$122,357,608 in fiscal year 2022.

- Oil extraction tax revenues received by the Strategic Investment and Improvements fund totaled \$120,963,965 in fiscal year 2024. During fiscal year 2023 the Strategic Investment and Improvements fund received \$241,883,567 in oil extraction tax revenues. During fiscal year 2022 the Strategic Investment and Improvements fund received \$134,900,279 in oil extraction tax revenues. 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.
- Investment income totaled \$149,653,285 in fiscal year 2024, a decrease of \$25,613,095 over fiscal year 2023. Investment income totaled \$175,266,380 in fiscal year 2023, a decrease of \$23,852,823 over fiscal year 2022. Investment income totaled \$199,119,204 in fiscal year 2022. The decrease of investment income for fiscal year 2024 resulted from a reduction in the global tactical asset allocation and lower distributions received from real estate investments.
- The change in fair value of investments, otherwise known as capital gains/loss, totaled \$567,857,874 in net gain for fiscal year 2024, an increase of \$314,186,189 compared to a net gain of \$253,671,685 in fiscal year 2023. The change in fair value of investments in fiscal year 2023 increased by \$740,407,765 compared to a net loss of \$486,736,080 in fiscal year 2022. The increase of change in fair value of investments for fiscal year 2024 was a result of stronger performance in the public equity markets.

### 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 fund 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, 2024, the Department's total net position was \$8,784,631,310. As of June 30, 2023, the Department's total net position was \$8,298,164,101. As of June 30, 2022, the Department's total net position was \$7,101,953,058. 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>2024</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$9,034,517,627	\$8,647,994,458	\$7,476,176,037
Capital assets	<u>11,634,707</u>	<u>10,520,588</u>	<u>9,761,793</u>
Total assets	<u>9,046,152,334</u>	<u>8,658,515,046</u>	<u>7,485,937,830</u>
Deferred outflows of resources:			
Pension	2,418,777	3,652,704	2,678,946
Other Post-Employment Benefits	<u>62,736</u>	<u>93,358</u>	<u>52,159</u>
	<u>2,481,513</u>	<u>3,746,062</u>	<u>2,731,105</u>
Long-term liabilities	5,608,079	5,432,167	2,188,690
Other liabilities	<u>255,655,195</u>	<u>356,509,797</u>	<u>380,710,908</u>
Total liabilities	<u>261,263,274</u>	<u>361,941,964</u>	<u>382,899,598</u>
Deferred inflows of resources:			
Pension	2,694,651	2,182,586	3,868,306
Other Post-Employment Benefits	<u>34,612</u>	<u>27,543</u>	<u>52,027</u>
	<u>2,729,263</u>	<u>2,155,043</u>	<u>3,816,279</u>
Net Position:			
Net position held in capital assets	9,580,583	10,520,588	9,761,793
Restricted net position			
Nonexpendable	73,623,582	71,585,466	70,296,156
Expendable	7,391,101,408	6,568,586,926	5,978,730,364
Unrestricted net position	<u>1,310,325,737</u>	<u>1,647,471,121</u>	<u>1,043,164,175</u>
Total net position	<u>\$8,784,631,310</u>	<u>\$8,298,164,101</u>	<u>\$7,101,953,058</u>

During fiscal year 2024, the Department's net position increased by \$486,467,209. The main change relates to an increase mineral lease bonus revenue and gains in the fair value of investments during the year.

During fiscal year 2023, the Department's net position increased by \$1,196,211,046. 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.

During fiscal year 2022, the Department's net position increased by \$102,058,281. The main change relates to an increase in royalty revenues, investment income and oil extraction taxes during the fiscal year.

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

	2024	2023	2022
<b>Changes in Net Position</b>			
<b><u>Revenues</u></b>			
<b>General Revenues:</b>			
Interest on investments	\$37,559,320	\$27,649,871	\$6,244,814
Change in fair value of investments	28,570,754	15,375,360	(13,902,289)
Interest income	8,401	6,355	97
Royalties	209,350,526	209,557,933	194,536,869
Bonuses	575,228	837,053	(37,769,279)
Rents	254,596	337,298	226,053
Interest on loans	441,034	351,619	360,937
Contributions to perpetual funds	6,341,407	9,148,366	4,870,341
Taxes	459,476,285	737,665,849	440,460,696
Gain on Sale of Capital Asset Land	-	-	(1,640)
Total General Revenue	742,577,551	1,000,929,704	595,206,601
<b>Program Revenues:</b>			
Interest on loans	256,290	328,266	333,427
Interest on investments	111,388,240	146,930,269	192,179,928
Change in fair value of investments	539,287,120	238,296,325	(472,833,791)
Royalties	299,232,656	298,477,039	288,454,749
Bonuses	7,061,423	3,039,519	2,465,666
Rents	15,477,975	14,303,286	14,720,227
Fees to Maintenance fund	6,957,233	24,307,055	35,166,626
Total Program Revenue	979,660,937	725,681,759	60,486,832
Total Revenues	1,722,238,488	1,726,611,463	655,513,431
<b><u>Expenses</u></b>			
<b>Governmental Activities:</b>			
General government	11,223,852	8,046,170	1,590,501
Intergovernmental	-	35,167	847,235
Education	27,544,019	47,838,140	50,355,442
Total Expenses	38,767,871	55,919,477	52,793,178
Excess before transfer	1,683,470,617	1,670,691,986	602,720,253
Transfers	(1,197,003,408)	(474,480,941)	(500,661,972)
Increase(decrease) in net position	486,467,209	1,196,211,046	102,058,281
Net position - beginning	8,298,164,101	7,101,953,058	6,999,894,777
Net position - ending	\$8,784,631,310	\$8,298,164,101	\$7,101,953,058

During the fiscal year ending June 30, 2024, the Department's revenues decreased by a total of \$4,372,974. While mineral lease bonus revenue increased by \$3,760,079 due to expiration of certain leases in productive areas, investment income decreased by \$25,613,095 from a reduction in the global tactical asset allocation and lower distributions received from real estate investments. The change in fair value of investments indicated a net gain of \$314,186,189 for fiscal year 2024 attributed to stronger performance in the public equity market.

During the fiscal year ending June 30, 2023, the Department's revenues increased by a total of \$1,071,098,032. Royalty revenues increased by \$25,043,354 due to higher oil and gas prices during fiscal year 2023. In addition, oil extraction tax revenues increased by \$109,514,024, and gross production tax increased by \$187,744,128 due to additional tax revenue to the State. Mineral lease bonus revenue increased by \$39,180,185 due to fewer mineral lease bonus refunds in fiscal year 2023 pursuant to N.D.C.C. §61-33.1. The change in fair value of investments indicated a net gain of \$740,407,765 for fiscal year 2023 attributed to stronger performance in the public equity market.

During the fiscal year ending June 30, 2022, the Department's revenues decreased by a total of \$1,148,970,337. Royalty revenues increased by \$206,809,307 as inflation, supply chain disruptions and Russia's invasion into Ukraine and other issues stemming from the ongoing pandemic were exacerbated by soaring energy costs and commodity shortages caused by the war led to a significant increase in oil and gas prices resulting in increased royalty revenues. In addition, oil extraction tax revenues increased by \$34,590,271, primarily due to increased tax revenue to the State. Mineral lease bonus revenue decreased by \$35,607,923 due to bonus refunds issued pursuant to N.D.C.C. §61-33.1. The change in fair value of investments indicates a net loss of \$48,736,080 for fiscal year 2022 attributed to rising inflation, supply chain disruption and other issues stemming from Russian's invasion into Ukraine and the ongoing pandemic. An accelerated tightening of global monetary policy and falling economic growth estimates led to most major indices ending negatively by June.

### **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, 2024, 2023 and 2022 are \$11,634,706, \$10,520,588, and \$9,761,793 (net of accumulated depreciation/amortization), respectively. These capital assets include land, equipment, Microsoft Dynamics software and subscription-based IT software license arrangements. See Note 14 to Financials Statements for additional details on capital assets.

**Economic Factors**

Increased interest rates, which have led to stricter lending standards, caused a growth slowdown in interest-sensitive sectors, particularly affecting the commercial real estate sector due to its higher exposure. The reduced lending activity and potential investor losses could be an economic headwind. Economic growth has appeared to decelerate with a soft landing as consumer spending slowed. Inflation has moderated but remains above the Federal target. Housing affordability metrics are at a 40-year low while home values rose to near all-time highs, resulting in the U.S. housing market effectively frozen. While the U.S. economic impact has been limited, uncertainties and risks remain with the elevated trade tensions with China, the ongoing Russia-Ukraine war and conflict in the Middle East

**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, 2024 and 2023

	<b>2024 Governmental Activities</b>	<b>2023 Governmental Activities</b>
<b>Assets:</b>		
Cash	\$535,885,735	\$809,904,531
Investments	7,983,110,808	7,312,914,516
Interest receivable	12,563,732	13,176,195
Accounts receivable	61,174,243	57,223,285
Invested securities lending collateral	213,760,500	326,191,229
Loans		
Farm loans	2,243,893	2,453,833
School loans - Coal	31,315,638	24,983,735
Energy impact loans	7,363,954	8,193,622
Capital asset – land	7,736,490	7,736,490
Capital asset – depreciable (net of accumulated depreciation/amortization)	3,898,217	2,784,098
Due from other state agencies	187,099,124	92,579,216
<b>Total Assets</b>	<b>9,046,152,334</b>	<b>8,658,140,750</b>
<b>Deferred Outflows of Resources:</b>		
Deferred pension outflows	2,418,777	3,652,704
Deferred Other post-employment benefits outflows	62,736	93,358
<b>Total Deferred Outflows of Resources</b>	<b>2,481,513</b>	<b>3,746,062</b>
<b>Liabilities:</b>		
Accounts payable		
Investments	464,986	1,304,914
Payroll	351,238	330,015
Operating	466,319	138,246
Securities lending collateral	213,760,500	326,191,229
Due to other state agencies	222,555	189,433
Claimant liability	40,201,764	27,981,664
Long-term liabilities		
Compensated absences due within one year	14,260	11,554
Compensated absences due in more than one year	252,694	204,743
SBITAs due within one year	183,573	-
SBITAs due in more than one year	1,870,551	-
Pension liability	3,357,242	5,052,213
Other post-employment benefits liability	127,592	163,657
<b>Total Liabilities</b>	<b>261,273,274</b>	<b>361,567,668</b>
<b>Deferred Inflows of Resources:</b>		
Deferred pension inflows	2,694,651	2,182,586
Deferred other post-employment benefits inflows	34,612	27,543
<b>Total Deferred Inflows of Resources</b>	<b>2,729,263</b>	<b>2,210,129</b>
<b>Net Position:</b>		
Net investment in capital assets	9,580,583	10,520,588
Restricted		
Nonexpendable	73,623,582	71,585,466
Expendable	7,391,101,408	6,568,586,926
Unrestricted	1,310,325,737	1,647,471,121
<b>Total Net Position</b>	<b>\$8,784,631,310</b>	<b>\$8,298,164,101</b>

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Activities

June 30, 2024

Functions/Programs of Governmental activities:	2024			
	Expenses	Program Revenues		Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	
General government	\$ 11,223,852	\$ -	\$ -	\$ (11,223,852)
Education	27,544,019	6,957,233	972,703,704	952,116,918
<b>Total</b>	<b>\$38,767,871</b>	<b>\$6,957,233</b>	<b>\$972,703,704</b>	<b>\$940,893,066</b>
<b>Net (expense) revenue</b>				<b>940,893,066</b>
<b>General revenues:</b>				
Taxes:				
Coal severance				1,366,661
Oil extraction				247,116,776
Gross production				210,992,848
Contributions to special revenue fund				6,341,407
Unrestricted investment earnings				37,559,320
Net increase (decrease) in fair value of investments				28,570,754
Royalties				209,350,526
Bonuses				575,228
Rents				254,596
Loan income				441,034
Interest Income				8,401
<b>Transfers:</b>				
To/from other state agencies				(932,852,458)
Educational institutions				(264,150,950)
<b>Total general revenues and transfers</b>				<b>(454,425,857)</b>
<b>Total change in net position</b>				<b>486,467,209</b>
Net position – beginning of year				8,298,164,101
Net position – ending				<b>\$8,784,631,310</b>

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Activities

June 30, 2023

<b>2023</b>				
<b>Functions/Programs of Governmental activities:</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	
General government	\$ 8,046,170	\$ -	\$ -	\$ (8,046,170)
Intergovernmental	35,167	-	-	(35,167)
Education	47,838,140	24,307,055	701,374,704	677,843,619
<b>Total</b>	<b>\$55,919,477</b>	<b>\$24,307,055</b>	<b>\$701,374,704</b>	<b>\$669,762,282</b>
<b>Net (expense) revenue</b>				<b>669,762,282</b>
<b>General revenues:</b>				
Taxes:				
Coal severance				1,440,993
Oil extraction				366,771,911
Gross production				369,452,945
Contributions to special revenue fund				9,148,366
Unrestricted investment earnings				27,649,871
Net increase (decrease) in fair value of investments				15,375,360
Royalties				209,557,933
Bonuses				837,053
Rents				337,298
Loan income				351,619
Interest income				6,355
<b>Transfers:</b>				
To/from other state agencies				(251,718,441)
Educational institutions				(222,762,500)
<b>Total general revenues and transfers</b>				<b>526,448,763</b>
<b>Total change in net position</b>				<b>1,196,211,046</b>
Net position – beginning of year				7,101,953,058
Net position – ending				<b>\$8,298,164,104</b>

See Notes to the Financial Statements

ND Department of Trust Lands

Balance Sheet

June 30, 2024

North Dakota Department of Trust Lands  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2024

<u>Assets:</u>	<u>General Fund</u>	<u>Common Schools Trust Fund</u>	<u>Coal Development Fund</u>	<u>Strategic Investment &amp; Improvements Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Cash	\$ 750,498	\$ 235,310,155	\$ 2,982,353	\$ 272,814,552	\$ 24,028,177	\$ 535,885,735
Investments	-	6,741,604,684	32,188,282	843,178,197	366,139,645	7,983,110,808
Interest receivable	-	5,510,336	361,509	6,178,772	513,115	12,563,732
Accounts receivable	-	34,850,216	-	23,821,899	2,502,128	61,174,243
Invested securities lending collateral	-	-	12,181,248	198,481,857	3,097,395	213,760,500
Due from other state agencies	-	19,597,900	215,759	167,285,465	-	187,099,124
Loans						
<i>Farm loans</i>	-	2,066,467	-	-	177,426	2,243,893
<i>School loans - Coal</i>	-	-	31,315,638	-	-	31,315,638
<i>Energy impact loans</i>	-	-	7,363,954	-	-	7,363,954
Total Assets	<u>\$ 750,498</u>	<u>\$ 7,038,939,758</u>	<u>\$ 86,608,743</u>	<u>\$ 1,511,760,742</u>	<u>\$ 396,457,886</u>	<u>\$ 9,034,517,627</u>
<b>Liabilities:</b>						
Securities lending collateral	\$ -	\$ -	\$ 12,181,248	\$ 198,481,857	\$ 3,097,395	\$ 213,760,500
Accounts payable						
<i>Investments</i>	-	324,705	1,770	113,398	25,114	464,986
<i>Salaries and benefits</i>	-	260,023	-	74,112	17,104	351,238
<i>Operating</i>	-	312,053	(1,799)	137,094	18,971	466,319
Due to other state agencies	-	36,349	151,031	32,416	2,759	222,555
Claimant liability	-	40,201,764	-	-	-	40,201,764
Total Liabilities	<u>-</u>	<u>41,134,893</u>	<u>12,332,250</u>	<u>198,838,876</u>	<u>3,161,343</u>	<u>255,467,362</u>
<b>Equity:</b>						
Fund Balance:						
Permanent funds						
<i>Nonspendable</i>	-	-	73,623,582	-	-	73,623,582
<i>Committed</i>	-	-	652,911	-	-	652,911
Special revenue funds						
<i>Restricted</i>	-	6,997,804,865	-	-	393,296,543	7,391,101,408
<i>Committed</i>	-	-	-	1,269,855,463	-	1,269,855,463
<i>Assigned</i>	-	-	-	43,066,403	-	43,066,403
<i>Unassigned</i>	750,498	-	-	-	-	750,498
Total Fund Balance	<u>750,498</u>	<u>6,997,804,865</u>	<u>74,276,493</u>	<u>1,312,921,866</u>	<u>393,296,543</u>	<u>8,779,050,265</u>
Total Liabilities and Fund Balances	<u>\$ 750,498</u>	<u>\$ 7,038,939,758</u>	<u>\$ 86,608,743</u>	<u>\$ 1,511,760,742</u>	<u>\$ 396,457,886</u>	<u>\$ 9,034,517,627</u>

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

Total fund balances - governmental funds	\$8,779,050,265
Capital Asset - Land	7,736,490
Net book value:	
Equipment	11,340
IT system enhancements	1,772,212
Subscription-Based IT Arrangements	2,114,665
Long-Term Liabilities:	
Subscription-Based IT Arrangements	(2,054,124)
Compensated absences	(266,954)
Net OPEB liability	(127,592)
Deferred OPEB outflows	62,736
Deferred OPEB inflows	(34,612)
Net pension liability	(3,357,242)
Deferred pension outflows	2,418,777
Deferred pension inflows	(2,694,651)
Net position of governmental activities	<u>\$8,784,631,310</u>

# ND Department of Trust Lands

## Balance Sheet

June 30, 2023

<b>Assets:</b>	<b>General Fund</b>	<b>Common Schools Trust Fund</b>	<b>Coal Development Trust Fund</b>	<b>Strategic Investment &amp; Improvements Fund</b>	<b>Oil and Gas &amp; Flood Impact Grant Funds</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Cash	\$ 628,837	\$ 116,118,921	\$ 100,863	\$ 671,674,719	\$ 374,296	\$ 21,006,895	\$ 809,904,531
Investments	-	6,061,966,645	38,376,488	884,450,906	-	328,120,477	7,312,914,516
Interest receivable	-	9,994,938	117,101	2,359,308	-	704,848	13,176,195
Accounts receivable	-	37,601,320	-	17,045,984	-	2,575,981	57,223,285
Invested securities lending collateral	-	200,202,868	6,540,937	106,578,351	-	12,869,073	326,191,229
Due from other state agencies	-	17,561,935	200,318	74,816,963	-	-	92,579,216
Due from other funds	-	-	-	374,296	-	-	374,296
Loans							
<i>Farm loans</i>	-	2,259,864	-	-	-	193,969	2,453,833
<i>School loans - Coal</i>	-	-	24,983,735	-	-	-	24,983,735
<i>Energy impact loans</i>	-	-	8,193,622	-	-	-	8,193,622
<b>Total Assets</b>	<b>\$ 628,837</b>	<b>\$ 6,445,706,491</b>	<b>\$ 78,513,064</b>	<b>\$ 1,757,300,527</b>	<b>\$ 374,296</b>	<b>\$ 365,471,243</b>	<b>\$ 8,647,994,458</b>
<b>Liabilities:</b>							
Accrued payroll	\$ -	\$ 238,775	\$ -	\$ 71,790	\$ -	\$ 19,450	\$ 330,015
Accounts payable	-	1,176,880	9,270	188,955	-	68,056	1,443,161
Securities lending collateral	-	200,202,868	6,540,937	106,578,350	-	12,869,072	326,191,227
Due to other state agencies	-	31,014	140,223	15,168	-	3,029	189,434
Due to other funds	-	-	-	-	374,296	-	374,296
Claimant liability	-	27,981,664	-	-	-	-	27,981,664
<b>Total Liabilities</b>	<b>-</b>	<b>229,631,201</b>	<b>6,690,430</b>	<b>106,854,263</b>	<b>374,296</b>	<b>12,959,607</b>	<b>356,509,797</b>
<b>Equity:</b>							
<b>Fund Balance:</b>							
<b>Permanent funds</b>							
<i>Nonspendable</i>	-	-	71,585,466	-	-	-	71,585,466
<i>Committed</i>	-	-	237,168	-	-	-	237,168
<b>Special revenue funds</b>							
<i>Restricted</i>	-	6,216,075,290	-	-	-	352,511,636	6,568,586,926
<i>Committed</i>	-	-	-	1,599,694,332	-	-	1,599,694,332
<i>Assigned</i>	-	-	-	50,751,932	-	-	50,751,932
<i>Unassigned</i>	628,837	-	-	-	-	-	628,837
<b>Total Fund Balance</b>	<b>628,837</b>	<b>6,216,075,290</b>	<b>71,822,634</b>	<b>1,650,446,264</b>	<b>-</b>	<b>352,511,636</b>	<b>8,291,484,661</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 628,837</b>	<b>\$ 6,445,706,491</b>	<b>\$ 78,513,064</b>	<b>\$ 1,757,300,527</b>	<b>\$ 374,296</b>	<b>\$ 365,471,243</b>	<b>\$ 8,647,994,458</b>

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

Total fund balances - governmental funds	\$8,291,484,661
Capital asset - land	7,736,490
Net book value of office equipment	2,784,098
Liability for compensated absences	(216,297)
Net OPEB liability	(163,657)
Deferred OPEB outflows	93,358
Deferred OPEB inflows	27,543
Net pension liability	(5,052,213)
Deferred pension outflows	3,652,704
Deferred pension inflows	(2,182,586)
<b>Net position of governmental activities</b>	<b>\$8,298,164,101</b>

ND Department of Trust Lands  
Statement of Revenues, Expenditures and Changes in Fund Balance  
June 30, 2024

Revenues:	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Investment income	\$ -	\$ 95,589,131	\$ 1,212,516	\$ 27,589,558	\$ 6,609,017	\$ 131,000,222
Interest income	8,401					8,401
Loan income						
<i>Farm loans</i>	-	236,096	-	-	20,194	256,290
<i>School loans - Coal</i>	-	-	441,034	-	-	441,034
Net increase (decrease) in fair value of investments	-	510,701,823	1,628,119	26,528,644	28,999,288	567,857,874
Securities lending income (loss)	-	9,205,566	468,792	7,638,519	634,461	17,947,338
Royalties	-	282,197,359	-	207,024,976	19,360,848	508,583,183
Bonuses	-	6,576,000	-	575,228	485,423	7,636,651
Rental income	-	14,211,701	-	59,191	1,461,679	15,732,571
Coal severance tax	-	-	1,366,661	-	-	1,366,661
Gross production tax	-	-	-	210,992,848	-	210,992,848
Oil extraction tax	-	126,152,811	-	120,963,965	-	247,116,776
Unclaimed property collections	-	6,341,407	-	-	-	6,341,407
Indirect recovery costs	6,957,233	-	-	-	-	6,957,233
<b>Total Revenues</b>	<b>6,965,634</b>	<b>1,051,211,894</b>	<b>5,117,122</b>	<b>601,372,929</b>	<b>57,570,910</b>	<b>1,722,238,489</b>
<b>Expenditures:</b>						
Current						
<i>General government</i>	-	-	469,432	9,488,700	167,326	10,125,458
<i>Education</i>	6,843,973	19,552,319	-	-	1,147,727	27,544,019
<b>Total Expenditures</b>	<b>6,843,973</b>	<b>19,552,319</b>	<b>469,432</b>	<b>9,488,700</b>	<b>1,315,053</b>	<b>37,669,477</b>
Excess of revenue over (under) expenditures	121,661	1,031,659,575	4,647,690	591,884,229	56,255,857	1,684,569,012
<b>Other Financing Sources (Uses):</b>						
Transfer to Public Instruction	-	(249,930,000)	-	-	-	(249,930,000)
Transfer to Educational Institutions	-	-	-	-	(14,220,950)	(14,220,950)
Transfer to Lignite Research Fund	-	-	(956,663)	-	-	(956,663)
Transfer to State General Fund	-	-	(1,237,168)	(25,000,000)	-	(26,237,168)
Transfer to Facilities Management	-	-	-	-	(1,250,000)	(1,250,000)
Transfer to Agricultural Commissioner	-	-	-	(6,500,000)	-	(6,500,000)
Transfer to Bank of North Dakota	-	-	-	(10,500,000)	-	(10,500,000)
Transfer to Career & Technical Education	-	-	-	(26,512,500)	-	(26,512,500)
Transfer to Commerce	-	-	-	(137,000,000)	-	(137,000,000)
Transfer to Corrections & Rehabilitation	-	-	-	(135,057,000)	-	(135,057,000)
Transfer to Health & Human Services	-	-	-	(30,192,148)	-	(30,192,148)
Transfer to Industrial Commission	-	-	-	(70,500,000)	-	(70,500,000)
Transfer to Information Technology	-	-	-	(15,000,000)	-	(15,000,000)
Transfer to Office of Management & Budget	-	-	-	(54,987)	-	(54,987)
Transfer to Park & Recreation	-	-	-	(26,950,000)	-	(26,950,000)
Transfer to Public Employees Retirement System Fund	-	-	-	(135,000,000)	-	(135,000,000)
Transfer to Secretary of State	-	-	-	(1,500,000)	-	(1,500,000)
Transfer to State Historical Society	-	-	-	(3,250,000)	-	(3,250,000)
Transfer to Transportation Department	-	-	-	(179,000,000)	-	(179,000,000)
Transfer to North Dakota University System	-	-	-	(63,133,480)	-	(63,133,480)
Transfer to Upper Great Plains Transportation	-	-	-	(93,732,600)	-	(93,732,600)
Transfer from North Dakota Legacy Fund	-	-	-	29,474,088	-	29,474,088
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(249,930,000)</b>	<b>(2,193,831)</b>	<b>(929,408,627)</b>	<b>(15,470,950)</b>	<b>(1,197,003,408)</b>
<b>Net Change in Fund Balance</b>	<b>121,661</b>	<b>781,729,575</b>	<b>2,453,859</b>	<b>(337,524,398)</b>	<b>40,784,907</b>	<b>487,565,604</b>
Fund Balance - beginning	628,837	6,216,075,290	71,822,634	1,650,446,264	352,511,636	8,291,484,661
Fund Balance - ending	<u>\$ 750,498</u>	<u>\$ 6,997,804,865</u>	<u>\$ 74,276,493</u>	<u>\$ 1,312,921,866</u>	<u>\$ 393,296,543</u>	<u>\$ 8,779,050,265</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	\$487,565,604
Depreciation/amortization expense:	
Equipment	(4,780)
IT system enhancements	(995,766)
Subscription-based IT arrangements	(76,337)
Net changes in Subscription-based IT arrangements other than amortization	67,654
Increase in compensated absences liability	(50,656)
Decrease in net OPEB liability	36,065
Changes in deferred outflows and inflow resources related to net OPEB liability	(23,553)
Decrease in net pension liability	1,694,971
Changes in deferred outflows and inflows resources related to net pension liability	(1,745,992)
Change in net position of governmental activities	<u>\$486,467,209</u>

ND Department of Trust Lands  
Statement of Revenues, Expenditures and Changes in Fund Balance  
June 30, 2023

Revenues:	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Strategic Investment & Improvements Fund	Oil and Gas & Flood Impact Grant Funds	Other Governmental Funds	Total
Investment income	\$ -	\$ 130,430,183	\$ 548,879	\$ 21,073,847	\$ -	\$ 8,036,234	\$ 160,089,143
Interest income	6,355	-	-	-	-	-	6,355
Loan income	-	-	-	-	-	-	-
<i>Farm loans</i>	-	302,401	-	-	-	25,865	328,266
<i>School loans - Coal</i>	-	-	351,619	-	-	-	351,619
Net increase (decrease) in fair value of investments	-	225,977,618	857,012	14,296,184	-	12,540,871	253,671,685
Securities lending income	-	8,191,643	332,844	5,423,369	-	543,141	14,490,997
Royalties	-	278,482,487	-	207,090,499	-	22,461,986	508,034,972
Bonuses	-	2,825,120	-	798,490	-	252,962	3,876,572
Rental income	-	13,143,824	-	142,028	-	1,354,732	14,640,584
Coal severance tax	-	-	1,440,993	-	-	-	1,440,993
Gross production tax	-	-	-	369,452,945	-	-	369,452,945
Oil extraction tax	-	124,888,344	-	241,883,567	-	-	366,771,911
Unclaimed property collections	-	9,148,366	-	-	-	-	9,148,366
Indirect recovery costs	24,307,055	-	-	-	-	-	24,307,055
Total Revenues	24,313,410	793,389,986	3,531,347	860,160,929	-	45,215,791	1,726,611,463
<b>Expenditures:</b>							
Current	-	-	-	-	-	-	-
General government	-	-	321,174	7,772,272	-	144,238	8,237,684
Intergovernmental	-	-	-	-	35,167	-	35,167
Education	24,337,528	22,146,920	-	-	-	1,353,692	47,838,140
Total Expenditures	24,337,528	22,146,920	321,174	7,772,272	35,167	1,497,930	56,110,991
Excess of revenue over expenditures	(24,118)	771,243,066	3,210,173	852,388,657	(35,167)	43,717,861	1,670,500,472
<b>Other Financing Sources (Uses):</b>							
Transfer to Public Instruction	-	(210,510,000)	-	-	-	-	(210,510,000)
Transfer to Educational Institutions	-	-	-	-	-	(12,252,500)	(12,252,500)
Transfer to Lignite Research Fund	-	-	(1,008,695)	-	-	-	(1,008,695)
Transfer to Strategic Investment & Improvements Fund	-	-	-	-	(374,295)	-	(374,295)
Transfer to Department of Commerce	-	-	-	(40,000,000)	-	-	(40,000,000)
Transfer to Office of Management & Budget	-	-	-	(339,334)	-	-	(339,334)
Transfer to North Dakota University System	-	-	-	(68,491)	-	-	(68,491)
Transfer to Upper Great Plains Transportation	-	-	-	(225,000)	-	-	(225,000)
Transfer to State General Fund	-	-	(842,024)	(205,000,000)	-	-	(205,842,024)
Transfer to Facilities Management	-	-	-	-	-	(2,341,865)	(2,341,865)
Transfer to Department of Human Services	-	-	-	(980,939)	-	-	(980,939)
Transfer to Council of the Arts	-	-	-	(1,000,000)	-	-	(1,000,000)
Transfer from Department of Commerce	-	-	-	2,638	-	-	2,638
Transfer from Upper Great Plains Transportation	-	-	-	85,269	-	-	85,269
Transfer from Energy Impact Fund	-	-	-	374,296	-	-	374,296
Proceeds from sale of capital asset (land)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(210,510,000)	(1,850,719)	(247,151,561)	(374,295)	(14,594,365)	(474,480,940)
<b>Net Change in Fund Balance</b>	(24,118)	560,733,066	1,359,454	605,237,096	(409,462)	29,123,496	1,196,019,532
Fund balance - beginning	652,955	5,655,342,224	70,463,180	1,045,209,168	409,462	323,388,140	7,095,465,129
Fund Balance - ending	\$ 628,837	\$ 6,216,075,290	\$ 71,822,634	\$ 1,650,446,264	\$ -	\$ 352,511,636	\$ 8,291,484,661

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

Net change in fund balance	\$1,196,019,532
Depreciation expense on equipment	(820,164)
Office equipment additions	1,578,959
Increase in compensated absences liability	(36,291)
Increase in net OPEB liability	(72,503)
Changes in deferred outflows and inflow resources related to net OPEB liability	16,716
Increase in net pension liability	(3,134,682)
Changes in deferred outflows and inflows resources related to net pension liability	2,659,479
Change in net position of governmental activities	<u>\$1,196,211,046</u>

ND Department of Trust Lands

Statement of Fiduciary Net Position

June 30, 2024 and 2023

	2024 Indian Cultural Education Trust	2023 Indian Cultural Education Trust
<b><u>Assets</u></b>		
Cash	\$ 4,319	\$ 2,809
Investments	1,477,919	1,368,048
Interest Receivable	877	2,071
Invested securities lending collateral	2,459	53,471
Total Assets	<u>1,485,574</u>	<u>1,426,399</u>
<b><u>Liabilities</u></b>		
Accounts payable	89	298
Securities lending collateral	2,459	53,471
Total Liabilities	<u>2,548</u>	<u>53,769</u>
<b><u>Net Position</u></b>		
Net position, restricted for education	<u>1,483,026</u>	<u>1,372,630</u>
Total Net Position	<u>\$ 1,483,026</u>	<u>\$ 1,372,630</u>

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Fiduciary Net Position

June 30, 2024 and 2023

	2024 Theodore Roosevelt Presidential Library and Museum Endowment	2023 Theodore Roosevelt Presidential Library and Museum Endowment
<b><u>Assets</u></b>		
Cash	\$ 3,605	\$ 10,811
Investments	53,276,913	53,011,915
Interest Receivable	(71,076)	(54,718)
Invested securities lending collateral	33,660	732,044
Total Assets	53,243,102	53,700,052
<b><u>Liabilities</u></b>		
Accounts payable	1,358	4,089
Loan Payable	-	-
Interest Payable	-	-
Securities lending collateral	33,660	732,044
Total Liabilities	35,018	736,133
<b><u>Net Position</u></b>		
Net position, restricted for library	53,208,084	52,963,919
Total Net Position	\$ 53,208,084	\$ 52,963,919

See Notes to the Financial Statements

ND Department of Trust Lands  
Statement of Changes in Fiduciary Net Position  
June 30, 2024 and 2023

	2024 Indian Cultural Education Trust	2023 Indian Cultural Education Trust
<b>Additions</b>		
Contributions:		
Donations	\$ -	\$ -
Total Contributions	<u>-</u>	<u>-</u>
Investment income:		
Net change in fair value of investments	136,401	57,060
Interest	25,329	32,579
Less investment expense	3,838	4,383
Net Investment Income	<u>157,892</u>	<u>85,256</u>
Securities Lending Activity:		
Securities lending income	-	2,188
Net Securities Lending Income	<u>-</u>	<u>2,188</u>
Miscellaneous Income	2,649	2,528
<b>Total Additions</b>	<u>160,541</u>	<u>89,972</u>
<b>Deductions</b>		
Payments in accordance with Trust agreement	49,104	46,052
Administrative expenses	1,041	1,088
<b>Total Deductions</b>	<u>50,145</u>	<u>47,140</u>
Change in net position held in Trust for:		
Indian Cultural Education Trust	110,396	42,832
Total Change in Net Position	<u>110,396</u>	<u>42,832</u>
Net Position – Beginning of Year	1,372,630	1,329,798
Net Position – End of Year	<u>\$ 1,483,026</u>	<u>\$ 1,372,630</u>

See Notes to the Financial Statements

ND Department of Trust Lands  
Statement of Changes in Fiduciary Net Position  
June 30, 2024 and 2023

	2024 Theodore Roosevelt Presidential Library and Museum Endowment	2023 Theodore Roosevelt Presidential Library and Museum Endowment
<b>Additions</b>		
Contributions:		
Donations	\$ -	\$ -
Total Contributions	<u>-</u>	<u>-</u>
Investment income:		
Net change in fair value of investments	1,867,387	1,375,308
Interest	346,748	700,729
Less investment expense	52,542	76,621
Net Investment Income	<u>2,161,593</u>	<u>1,999,416</u>
Securities Lending Activity:		
Securities lending income	-	29,953
Net Securities Lending Income	<u>-</u>	<u>29,953</u>
Miscellaneous Income	705	562
<b>Total Additions</b>	<u>2,162,298</u>	<u>2,029,931</u>
<b>Deductions</b>		
Payments in accordance with Trust agreement	1,916,727	1,409,458
Administrative expense	1,406	500
Interest expense	-	-
<b>Total Deductions</b>	<u>1,918,133</u>	<u>1,409,958</u>
Change in net position held in Endowment for:		
Presidential Library and Museum	244,165	619,973
Total Change in Net Position	<u>244,165</u>	<u>619,973</u>
Net Position – Beginning of Year	<u>52,963,919</u>	<u>52,343,946</u>
Net Position – End of Year	<u>\$ 53,208,084</u>	<u>\$ 52,963,919</u>

See Notes to the Financial Statements

ND Department of Trust Lands

Statement of Appropriations

June 30, 2024

	Approved 2023-25 Biennial Appropriation	Final Adjusted Appropriation	2024 Expenditures	2025 Expenditures	Unexpended Appropriation
<b>General Fund Appropriated Expenditures:</b>					
Salaries and Wages	\$ 7,523,821	\$ 8,823,877	\$ 4,029,795	\$ -	\$ 4,794,082
Operating Expenses	1,769,094	1,769,094	462,001	-	1,307,093
Capital Assets	4,949,500	4,949,500	486,233	-	4,463,267
Contingencies	100,000	100,000	-	-	100,000
	<u>\$ 14,342,415</u>	<u>\$ 15,642,471</u>	<u>\$ 4,978,029</u>	<u>\$ -</u>	<u>\$10,664,442</u>
<b>Continuing Appropriations:</b>					
Investments:				\$ -	
Manager fees			\$ 73,082,013		
Legal fees			130,514	-	
Travel			7,647	-	
Operations:					
Software			707,449	-	
Office Building			166,991	-	
Minerals			69,064	-	
Surface			262,367	-	
County Services - Roads & Bridges			118,434	-	
In Lieu Property Taxes			146,200	-	
Strategic Investment and Improvements fund					
Legal fees			166,978	-	
Uniform Unclaimed Property			342,948	-	
Total *			<u>\$ 75,200,198</u>	<u>\$ -</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 Payden & Rygel cash account on a quarterly basis, although some managers withhold fees directly from the mutual or commingled fund investments.

See Note 20 to Financial Statements on the Department's continuing appropriation authority of funding.

ND Department of Trust Lands

Statement of Appropriations

June 30, 2024

**Strategic Investment and Improvements Fund:**

	Approved 2023-25 Biennial Appropriation	2024 Expenditures	2025 Expenditures	2023-25 Biennial Emergency Clause	Unexpended Appropriation
<b><u>2019 Legislative Session:</u></b>					
Bank of North (SB 2296)	\$ 7,777,562	\$ -	\$ -	\$ -	\$ 7,777,562
ND Dept of Health & Human Services (SB 2012)	1,776,000	742,148	-	-	1,033,852
<b><u>2021 Legislative Session:</u></b>					
Bank of North (SB 2230)	30,000,000	-	-	-	30,000,000
Office of Management & Budget (HB 1015)	1,924,344	54,987	-	-	1,869,357
<b><u>2023 Legislative Session:</u></b>					
Agricultural Department	6,512,500	6,500,000	-	-	12,500
Bank of North Dakota	10,500,000	10,500,000	-	-	-
Career & Technical Education	27,012,500	26,512,500	-	-	500,000
Commerce Department	173,000,000	137,000,000	-	26,000,000	10,000,000
Corrections & Rehabilitation	135,057,000	135,057,000	-	-	-
Health & Human Services	62,935,154	29,450,000	-	-	33,485,154
Industrial Commission	70,500,000	70,500,000	-	-	-
Information Technology	15,000,000	15,000,000	-	-	-
Office of Management & Budget	70,000,000	25,000,000	-	-	45,000,000
Parks and Recreation	26,950,000	26,950,000	-	-	-
Public Employees Retirement Fund	135,000,000	135,000,000	-	-	-
Public Instruction	19,493,086	-	-	-	19,493,086
Secretary of State	1,500,000	1,500,000	-	-	-
State Historical Society	3,550,000	3,250,000	-	-	300,000
Transportation Department	179,000,000	179,000,000	-	-	-
ND University System	233,976,971	63,133,480	-	68,491	170,775,000
Upper Great Plains Transportation	93,732,600	93,732,600	-	-	-
	<u>\$ 1,305,197,717</u>	<u>\$ 958,882,715</u>	<u>\$ -</u>	<u>\$ 26,068,491</u>	<u>\$ 320,246,511</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.

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 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 (the SIIF) accounts for producing and non-producing mineral interests formerly owned by the Bank of North Dakota (the 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 (the EIIO) 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 through appropriations enacted by the legislative assembly. The legislative assembly did not provide any funding to the EIIO for the 2021-23 biennium and as of June 30 there were no outstanding grants.

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.

### **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 Department generally considers tax and royalty revenues to be available if they are collected within 60 days 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 on June 30, 2024 and 2023, respectively for funding of current operations. Most of the accrued royalty revenue is expected to be collected within the first 90 days following June 30, 2024 and 2023, respectively. 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, 2024, or 2023.

**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.

**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 of more than 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.

**Subscription-Based Information Technology Arrangements (SBITAs)**

Right to use subscription IT assets are recognized at the subscription commencement date and represent the Department's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 5 to 10 years.

Subscription liabilities represent the Department's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the Department. The additional disclosures required by this standard are included in Note 14 Capital Assets and Note 22 Long-Term Liabilities.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/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 23 and 24 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 23 and 24 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, 2024 was \$535,893,659 and the bank balance \$535,893,659. As of June 30, 2023, the carrying amount of deposits with the Bank of North Dakota was \$809,918,152 and the bank balance was \$809,918,152. Any 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 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, 2024 and 2023

### Fiscal Year Ended June 30, 2024

Fund Balances	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
<b>Permanent Funds:</b>						
<u><i>Nonspendable</i></u>						
Permanent fund principal	\$ -	\$ -	\$ 73,623,582	\$ -	\$ -	\$ 73,623,582
<u><i>Committed</i></u>						
Designated for transfer to State general fund	-	-	652,911	-	-	652,911
<b>Special Revenue Funds:</b>						
<u><i>Restricted</i></u>						
Distribution to educational beneficiaries	-	6,997,804,865	-	-	383,648,230	7,381,453,095
Capitol building maintenance	-	-	-	-	9,648,313	9,648,313
<u><i>Committed</i></u>						
Designated for transfer to(from):						
General Fund of North Dakota	-	-	-	25,000,000	-	25,000,000
Agricultural Commissioner	-	-	-	6,500,000	-	6,500,000
Bank of North Dakota	-	-	-	10,500,000	-	10,500,000
Career & Technical Education	-	-	-	26,512,500	-	26,512,500
Commerce Department	-	-	-	137,000,000	-	137,000,000
Corrections & Rehabilitation	-	-	-	135,057,000	-	135,057,000
Health & Human Services	-	-	-	30,192,148	-	30,192,148
Industrial Commission	-	-	-	70,500,000	-	70,500,000
Information Technology	-	-	-	15,000,000	-	15,000,000
Office of Management & Budget	-	-	-	54,987	-	54,987
Park & Recreation	-	-	-	26,950,000	-	26,950,000
Public Employees Retirement System Fund	-	-	-	135,000,000	-	135,000,000
Secretary of State	-	-	-	1,500,000	-	1,500,000
Historical Society	-	-	-	3,250,000	-	3,250,000
Transportation Department	-	-	-	179,000,000	-	179,000,000
North Dakota University System	-	-	-	63,133,480	-	63,133,480
Upper Great Plains Transportation	-	-	-	93,732,600	-	93,732,600
North Dakota Legacy Fund	-	-	-	(29,474,088)	-	(29,474,088)
Operating Expenses	-	-	-	340,446,836	-	340,446,836
<u><i>Assigned</i></u>						
Potential mineral title disputes	-	-	-	43,066,403	-	43,066,403
<u><i>Unassigned</i></u>						
Operating Expenses	750,498	-	-	-	-	750,498
Total Fund Balances:	<u>\$750,498</u>	<u>\$6,997,804,865</u>	<u>\$74,276,493</u>	<u>\$1,312,921,866</u>	<u>\$393,296,543</u>	<u>\$8,779,050,265</u>

### Fiscal Year Ended June 30, 2023

Fund Balances	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
<b>Permanent Funds:</b>						
<u><i>Nonspendable</i></u>						
Permanent fund principal	\$ -	\$ -	\$ 71,585,466	\$ -	\$ -	\$ 71,585,466
<u><i>Committed</i></u>						
Designated for transfer to State general fund	-	-	237,168	-	-	237,168
<b>Special Revenue Funds:</b>						
<u><i>Restricted</i></u>						
Distribution to educational beneficiaries	-	6,216,075,290	-	-	345,030,878	6,561,106,168
Capitol building maintenance	-	-	-	-	7,480,758	7,480,758
<u><i>Committed</i></u>						
Designated for transfer to(from):						
Department of Commerce	-	-	-	39,997,362	-	39,997,362
General Fund of North Dakota	-	-	-	205,000,000	-	205,000,000
Office of Management and Budget	-	-	-	339,334	-	339,334
Council of the Arts	-	-	-	1,000,000	-	1,000,000
Human Services Department	-	-	-	980,939	-	980,939
University System	-	-	-	68,492	-	68,492
North Dakota State University	-	-	-	225,000	-	225,000
Operating Expenses	-	-	-	1,352,083,205	-	1,352,083,205
<u><i>Assigned</i></u>						
Potential mineral title disputes	-	-	-	50,751,932	-	50,751,932
<u><i>Unassigned</i></u>						
Operating Expenses	628,837	-	-	-	-	628,837
Total Fund Balances:	<u>\$628,837</u>	<u>\$6,216,075,290</u>	<u>\$71,822,634</u>	<u>\$1,650,446,264</u>	<u>\$352,511,636</u>	<u>\$8,291,484,661</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.

The following tables show the investments by investment type, amount and maturity as of June 30, 2024 and 2023, respectively. When callable, maturity is calculated with the first call date.

**Fiscal Year 2024**

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	<u>More than 10 Years</u>	<u>Maturity Undetermined</u>	<u>Reason Undetermined</u>
Asset Backed Securities	\$74,092,700	-	\$74,096,524	-	\$(3,824)	-	-
Bank Loans	259,852	-	-	259,852	-	-	-
Commercial Mortgage-Backed Corporate Bonds	-	-	-	-	-	-	-
Corporate Convertible Bonds	303,183,829	121,911,385	181,272,444	-	-	-	-
Government Agencies	36,007,965	25,021,668	10,986,298	-	-	-	-
Government Bonds	308,911,710	95,392,570	213,519,140	-	-	-	-
Gov’t Mortgage Back Securities	-	-	-	-	-	-	-
Municipal/Provincial Bonds	14,364,912	14,364,912	-	-	-	-	-
Non-Government Backed CMOs	(141,206)	-	-	-	(141,206)	-	-
Short Term Bills and Notes	148,654,648	148,654,648	-	-	-	-	-
Sukuk	-	-	-	-	-	-	-
Funds – Fixed Income ETF	1,051	-	-	-	-	1,051	Unclaimed Property
Funds – Other Fixed Income	707	-	-	-	-	707	Unclaimed Property Non-Fixed Income
Funds – Short Term	210,083,255	210,057,094	-	-	-	26,160	Unclaimed Property

# ND Department of Trust Lands

## Notes to Financial Statements

June 30, 2024 and 2023

<u>Investment Type</u>	<u>Total Fair Value</u>	Less than 1 <u>Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	More than 10 <u>Years</u>	Maturity <u>Undetermined</u>	Reason <u>Undetermined</u>
Funds – Corporate Bond	70,069	-	-	-	-	70,069	Unclaimed Property
Funds – Municipal/Provincial Bonds	74,395	-	-	-	-	74,395	Unclaimed Property
Funds – Gov’t Agencies	871,693,483	1,743,358	411,432,512	264,990,431	193,512,749	14,433	Unclaimed Property
<b>Total</b>	<b><u>\$1,967,257,370</u></b>	<b><u>\$617,145,635</u></b>	<b><u>\$891,306,918</u></b>	<b><u>\$265,250,283</u></b>	<b><u>\$193,367,719</u></b>	<b><u>\$186,815</u></b>	
Limited Partnerships (LP)	\$1,119,388,714	\$162,520,814	\$730,961,143	\$83,108,452	\$56,552,278	\$86,246,027	Non-Fixed Income

### Fiscal Year 2023

<u>Investment Type</u>	<u>Total Fair Value</u>	Less than 1 <u>Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	More than 10 <u>Years</u>	Maturity <u>Undetermined</u>	Reason <u>Undetermined</u>
Asset Backed Securities	\$76,084,032	-	\$53,842,387	\$8,911,413	\$13,330,232	-	
Bank Loans	10,168,454	-	8,247,054	1,921,400	-	-	
Commercial Mortgage-Backed Corporate Bonds	11,141,298	-	2,538,297	-	8,603,001	-	
Convertible Bonds	504,235,526	160,652,329	207,818,198	81,384,133	54,380,866	-	
Government Agencies	5,291,136	-	2,176,900	-	3,114,236	-	
Government Bonds	40,958,895	2,010,604	36,517,059	628,274	1,802,958	-	
Gov’t Mortgage Back Securities	261,019,475	26,991,838	150,468,591	25,441,895	58,117,151	-	
Municipal/Provincial Bonds	117,989,722	-	665,622	3,135,508	114,188,592	-	
Non-Government Backed CMOs	68,266,562	37,740,255	23,454,183	2,842,472	4,229,652	-	
Short Term Bills and Notes	7,673,498	-	3,067,253	-	4,606,245	-	
Sukuk	444,763,807	444,763,807	-	-	-	-	
Funds – Fixed Income ETF	1,040,773	-	-	1,040,773	-	-	
Funds – Other Fixed Income	582	-	-	-	-	582	Unclaimed Property
Funds – Short Term	303,463,128	(33,894,900)	106,970,182	116,816,196	38,706,615	74,865,035	Unclaimed Property Non-Fixed Income
Funds – Corporate Bond	110,764,011	110,261,335	-	-	-	502,676	Unclaimed Property
Funds – Municipal/Provincial Bonds	20,054	-	-	-	-	20,054	Unclaimed Property
Funds – Gov’t Agencies	11,113	-	-	-	-	11,113	Unclaimed Property
Funds – Gov’t Agencies	13,350	-	-	-	-	13,350	Unclaimed Property
<b>Total</b>	<b><u>\$1,962,905,416</u></b>	<b><u>\$748,525,268</u></b>	<b><u>\$595,765,726</u></b>	<b><u>\$242,122,064</u></b>	<b><u>\$301,079,548</u></b>	<b><u>\$75,412,810</u></b>	
Limited Partnerships (LP)	\$916,198,147	\$120,787,576	\$626,310,905	\$60,387,924	\$39,297,589	\$69,414,153	Non-Fixed Income

***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. At June 30, 2024, the Department had individual investments in a single issuer of 10.85%, 9.07%, 9.00%, and 6.75% of total investments, respectively.

***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, 2024 and 2023, respectively.

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Notes to Financial Statements

June 30, 2024 and 2023

**Fiscal Year 2024**

	AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated	US Government	Total
Asset Backed Securities	\$ 56,983,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,108,949	\$ -	\$ 74,092,700
Bank Loans	-	-	-	-	-	259,852	-	-	-	-	259,852
Corporate Bonds	6,752,110	87,168,010	175,538,712	32,273,748	-	-	-	-	1,451,249	-	303,183,829
Government Agencies	19,011,907	16,996,058	-	-	-	-	-	-	-	-	36,007,965
Government Bonds	6,870,695	-	-	-	-	-	-	-	-	302,041,015	308,911,710
Municipal/Provincial Bonds	9,404,149	3,710,763	-	-	-	-	-	-	1,250,000	-	14,364,912
Non-Government Backed C.M.O.s	-	-	-	-	-	-	-	-	(141,206)	-	(141,206.00)
Short Term Bills and Notes	-	-	-	-	-	-	-	-	-	148,654,648	148,654,648
Funds - Other Fixed Income	-	-	-	-	-	-	-	-	707	-	707
Funds - Fixed Income ETF	-	-	-	-	-	-	-	-	1,051	-	1,051
Funds - Short Term Investment	-	-	-	-	-	-	-	-	210,083,255	-	210,083,255
Funds - Corporate Bond	-	-	-	-	-	-	-	-	70,069	-	70,069
Funds - Municipal/Provincial Bond	-	-	-	-	-	-	-	-	74,395	-	74,395
Funds - Government Agencies	-	-	-	-	-	-	-	-	2,243	871,691,241	871,693,484
	\$ 99,022,613	\$ 107,874,831	\$ 175,538,712	\$ 32,273,748	\$ -	\$ 259,852	\$ -	\$ -	\$ 229,900,712	\$ 1,322,386,904	\$ 1,967,257,371

**Fiscal Year 2023**

	AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated	US Government	Total
Asset Backed Securities	\$ 39,865,468	\$ 6,465,271	\$ 3,336,915	\$ 3,004,012	\$ -	\$ -	\$ -	\$ -	\$ 23,412,366	\$ -	\$ 76,084,032
Bank Loans	-	-	-	428,635	1,960,691	6,101,792	88,294	-	1,589,042	-	10,168,454
Commercial Mortgage-Backed	-	-	-	-	-	-	-	-	11,141,297	-	11,141,297
Corporate Bonds	8,059,101	30,897,044	224,884,284	207,782,239	15,530,050	7,722,625	816,121	-	8,544,062	-	504,235,526
Corporate Convertible Bonds	-	-	52,458	1,064,567	1,704,932	-	-	-	2,469,179	-	5,291,136
Government Agencies	20,690,953	18,471,008	-	628,274	-	-	-	-	-	1,168,660	40,958,895
Government Bonds	6,740,040	450,275	205,500	1,710,261	-	-	-	-	1,665,117	250,248,283	261,019,476
Government Mortgage Backed Securities	-	-	-	-	-	-	-	-	-	117,989,722	117,989,722
Municipal/Provincial Bonds	20,743,994	28,428,564	8,238,604	-	-	-	-	-	10,855,401	-	68,266,563
Non-Government Backed C.M.O.s	57,729	-	-	-	-	-	-	-	7,615,769	-	7,673,498
Short Term Bills and Notes	-	-	-	-	-	-	-	-	-	444,763,807	444,763,807
Sukuk	-	-	-	1,040,773	-	-	-	-	-	-	1,040,773
Funds - Other Fixed Income	-	-	-	-	-	-	-	-	303,463,128	-	303,463,128
Funds - Fixed Income ETF	-	-	-	-	-	-	-	-	582	-	582
Funds - Short Term Investment	-	-	-	-	-	-	-	-	110,764,010	-	110,764,010
Funds - Corporate Bond	-	-	-	-	-	-	-	-	20,054	-	20,054
Funds - Municipal/Provincial Bond	-	-	-	-	-	-	-	-	11,113	-	11,113
Funds - Government Agencies	-	-	-	-	-	-	-	-	2,131	11,218	13,349
	\$ 96,157,285	\$ 84,712,162	\$ 236,717,761	\$ 215,658,761	\$ 19,195,673	\$ 13,824,417	\$ 904,415	\$ -	\$ 481,553,251	\$ 814,181,690	\$ 1,962,905,415

**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:

**Fiscal Year 2024**

Currency	Debt	Equity	Total
Australian Dollar	\$ -	\$65,357,755	\$65,357,755
Brazilian Real	-	21,529,254	21,529,254
British Pound Sterling	39,393	123,061,782	123,101,175
Canadian Dollar	-	96,683,067	96,683,067
Chilean Peso	-	1,356,481	1,356,481
Chinese Yuan	-	62,713,811	62,713,811
Columbian Peso	-	188,985	188,985
Czech Koruna	-	82,867	82,867
Danish Krone	-	40,759,188	40,759,188
Egyptian Pounds	-	96,776	96,776
European Euro	134,228	287,241,961	287,376,189
Hong Kong Dollar	-	33,442,407	33,442,407
Hungarian Forint	-	1,767,382	1,767,382
Indian Rupee	-	7,441	7,441
Indonesian Rupiah	-	1,876,916	1,876,916
Israel Shekel	-	829,998	829,998
Japanese Yen	-	236,527,383	236,527,383
Kuwaiti dinar	-	336,520	336,520
Malaysian Ringgit	-	892,886	892,886
Mexican Peso	-	(779,241)	(779,241)
New Zealand Dollar	-	454,038	454,038
Norwegian Krone	-	13,887,627	13,887,627
Pakistani rupee	-	301,364	301,364
Philippines Peso	-	75,491	75,491
Polish Zloty	-	7,316,090	7,316,090
Russian rubles	-	33,698	33,698
Saudi Arabian Riyal	-	3,020	3,020
Singapore Dollar	-	12,912,713	12,912,713
South African Rand	-	(2,113,662)	(2,113,662)
South Korean Won	-	54,664,088	54,664,088
Swedish Krona	-	32,715,248	32,715,248
Swiss Franc	-	81,617,104	81,617,104
Taiwan dollar	-	26,254,875	26,254,875
Thai Baht	-	8,025,481	8,025,481
Turkish Lira	-	24,579,578	24,579,578
UAE dirham	-	1,459	1,459
	<u>\$173,621</u>	<u>\$1,234,701,831</u>	<u>\$1,234,875,452</u>

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Notes to Financial Statements

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Fiscal Year 2023

Currency	Debt	Equity	Total
Australian Dollar	\$ -	\$74,425,974	\$74,425,974
Brazilian Real	-	14,070,079	14,070,079
British Pound Sterling	521,120	124,954,979	125,476,099
Canadian Dollar	-	92,153,430	92,153,430
Chilean Peso	-	675,982	675,982
Chinese Yuan	-	40,750,196	40,750,196
Columbian Peso	-	137,820	137,820
Czech Koruna	-	31,667	31,667
Danish Krone	-	26,090,917	26,090,917
Egyptian Pounds	-	14,778	14,778
European Euro	1,134,041	277,998,500	279,132,541
Greek drachma	-	95,002	95,002
Hong Kong Dollar	-	49,138,335	49,138,335
Hungarian Forint	-	809,272	809,272
Indian Rupee	-	3,090,722	3,090,722
Indonesian Rupiah	-	1,351,536	1,351,536
Israel Shekel	-	6,165,068	6,165,068
Japanese Yen	38,052	212,455,898	212,493,950
Kuwaiti dinar	-	758,767	758,767
Malaysian Ringgit	-	550,991	550,991
Mexican Peso	-	636,358	636,358
New Zealand Dollar	-	1,675,641	1,675,641
Norwegian Krone	-	9,242,987	9,242,987
Peruvian Nuevo Sol	-	54,890	54,890
Philippines Peso	-	193,468	193,468
Polish Zloty	-	3,657,027	3,657,027
Qatari Riyal	-	306,712	306,712
Russian rubles	-	369,577	369,577
Saudi Arabian Riyal	-	2,099,003	2,099,003
Singapore Dollar	-	13,259,220	13,259,220
South African Rand	-	1,166,075	1,166,075
South Korean Won	-	39,811,470	39,811,470
Swedish Krona	-	29,339,622	29,339,622
Swiss Franc	-	82,496,143	82,496,143
Taiwan dollar	-	29,972,273	29,972,273
Thai Baht	-	4,282,503	4,282,503
Turkish Lira	-	9,297,176	9,297,176
UAE dirham	-	408,498	408,498
	\$1,693,213	\$1,153,988,556	\$1,155,681,769

**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, 2024, the Board no longer held any derivative securities. At June 30, 2023, 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 gains of \$53,941 for fiscal year 2024 and \$711,422 for fiscal year 2023. At June 30, 2024 and 2023, the Board’s investment portfolio included the currency forwards balances shown below.

Currency	Fair Value	
	June 30, 2024	June 30, 2023
European euro	\$ -	(\$ 1,327,728)
Great Britain pound sterling	-	(528,963)
United States dollar	-	1,851,515
Total forwards subject to currency risk	\$ -	(\$ 5,176)

**NOTE 6 – SECURITIES LENDING**

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

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

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

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of North Dakota Board of University & School Lands loans was approximately 138 days as of June 30, 2024, and 143 days as of June 30, 2023.

Cash open collateral is invested in a short-term investment pool, the NDLAN Custom fund, which had an interest sensitivity of 15 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.

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June 30, 2024 and 2023

The following represents the Board’s balances related to securities lending transactions at June 30, 2024 and 2023.

Fiscal Year 2024

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non-Cash Collateral	Non-Cash Collateral
GLOBAL Government Fixed	\$ -	\$ -	\$ 4,465,280	\$ 4,747,323
US Corporate Fixed	17,717,714	18,210,633	38,175	39,193
US Government Fixed	190,121,056	195,549,867	68,895,716	70,586,549
	<u>\$ 207,838,770</u>	<u>\$ 213,760,500</u>	<u>\$ 73,399,170</u>	<u>\$ 75,373,065</u>
Market Value of Securities on Loan against Cash Collateral				\$ 207,838,770
Market Value of Securities on Loan against Non-Cash Collateral				<u>73,399,170</u>
Total Market Value of Securities on Loan				<u>\$ 281,237,940</u>

Fiscal Year 2023

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non-Cash Collateral	Non-Cash Collateral
GLOBAL Corporate Fixed	\$ -	\$ -	\$ 1,154,046	\$ 1,245,500
GLOBAL Equities	-	-	1,188,887	1,257,554
US Agencies	-	-	235,756	240,535
US Corporate Fixed	70,505,996	71,711,749	1,639,484	1,660,011
US Equities	49,007,501	49,928,194	16,913,094	17,213,011
US Government Fixed	201,640,008	205,336,802	191,729,863	195,386,612
	<u>\$ 321,153,505</u>	<u>\$ 326,976,745</u>	<u>\$ 212,861,130</u>	<u>\$ 217,003,223</u>
Market Value of Securities on Loan against Cash Collateral				\$ 321,153,505
Market Value of Securities on Loan against Non-Cash Collateral				<u>212,861,130</u>
Total Market Value of Securities on Loan				<u>\$ 534,014,635</u>

**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 asset 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 commingled funds (equity and fixed income) with daily or monthly liquidity; open-ended fund partnerships (real estate, hedge funds, private credit and infrastructure) with quarterly or semi-annual liquidity; and closed-end fund partnerships (private credit, private equity and infrastructure) with multi-year lock up periods. 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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Notes to Financial Statements

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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, 2024.

	Fair Value at 6/30/24	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	\$ 148,654,753	\$ -	\$ 148,654,648	\$ 105
Total Short-Term Securities	148,654,753	-	148,654,648	105
Equity Investments				
Common Stock	4,592,925	4,573,362	2,901	16,662
Equity Funds/ETFs	1,309,294	249,193	-	1,060,101
Preferred Stock	36,298	36,297	1	-
Total Equity Investments	5,938,517	4,858,852	2,902	1,076,763
Fixed Income Investments				
Asset Backed Securities	74,096,524	-	74,096,524	-
Bond Funds/ETFs	160,654	16,390	-	144,264
Collateralized Mortgage	5,634	-	5,634	-
Corporate Bonds	303,183,829	-	303,183,829	-
Government Agencies	22,930,783	-	22,930,783	-
Government Bonds	323,276,622	-	323,276,622	-
Government Mortgage Backed	13,077,182	-	13,077,182	-
Bank Loans	259,852	-	-	259,852
Total Fixed Income Investments	736,991,080	16,390	736,570,574	404,116
Other Investment Assets				
Commodity ETF	11,770	11,770	-	-
Currency	774,098	-	-	774,098
Master Limited Partnership	19,372	19,371	-	1
REITs	55,125	55,125	-	-
Rights/Warrants	1,119	614	505	-
Miscellaneous	19	-	-	19
Total Other Investment Assets	861,503	86,880	505	774,118
Total Investments at Fair Value	\$892,445,853	\$4,962,122	\$885,228,629	\$2,255,102
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$2,757,569,333	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	871,679,050	-	Daily	< 5 days
Real Estate Funds	772,455,059	-	Quarterly	90 days
Hedge Fund	863,503,091	-	NA	NA
Private Credit	1,119,388,714	94,000,000	NA	NA
Private Equity	195,993,764	469,995,627	NA	NA
Private Infrastructure	367,733,355	4,751,412	NA	NA
Total Investments measured at NAV	\$6,948,322,366	\$ 568,747,039		
Investments at other than fair Value				
Cash and adjustments to Cash	\$ 196,013,495			
Total Investment at other than FV	\$ 196,013,495			
Value Indeterminable/Worthless/Delisted	-			
Total Investments	\$8,036,781,714			

# ND Department of Trust Lands

## Notes to Financial Statements

June 30, 2024 and 2023

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis at June 30, 2023.

	Fair Value at 6/30/23	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	\$ 444,763,807	\$ -	\$ 444,763,807	\$ -
Total Short-Term Securities	<u>444,763,807</u>	<u>-</u>	<u>444,763,807</u>	<u>-</u>
Equity Investments				
Common Stock	268,323,471	268,308,913	1,680	12,878
Equity Funds/ETFs	511,993	180,432	-	331,561
Convertible Equity	5,291,136	-	5,291,136	-
Preferred Stock	28,162	28,158	4	-
Total Equity Investments	<u>274,154,762</u>	<u>268,517,503</u>	<u>5,292,820</u>	<u>334,439</u>
Fixed Income Investments				
Asset Backed Securities	68,500,273	-	67,064,336	1,435,937
Bond Funds/ETFs	117,165,869	26,466	117,120,771	18,632
Collateralized Mortgage	7,673,498	-	7,673,498	-
Commercial Mortgage Backed	11,141,298	-	11,141,298	-
Corporate Bonds	505,276,298	-	505,276,298	-
Government Agencies	28,044,339	-	28,044,339	-
Government Bonds	329,286,038	-	329,286,038	-
Government Mortgage Backed	130,904,278	-	130,904,278	-
Collateralized Debt	7,583,758	-	7,583,758	-
Bank Loans	10,168,454	-	10,168,454	-
Total Fixed Income Investments	<u>1,215,744,103</u>	<u>26,466</u>	<u>1,214,268,068</u>	<u>1,454,569</u>
Other Investment Assets				
Commodity ETF	1,030	1,030	-	-
Currency	71,709	-	-	71,709
Interest Rate Contracts	70,583	-	70,583	-
FX Contracts	3,312	-	-	3,312
Global Tactical Asset Allocation MF	312,977,149	-	312,977,149	-
Master Limited Partnership	1,431	1,430	-	1
REITs	12,575,937	12,575,937	-	-
Rights/Warrants	338	338	-	-
Miscellaneous	699,338	-	-	699,338
Total Other Investment Assets	<u>326,400,827</u>	<u>12,578,735</u>	<u>313,047,732</u>	<u>774,360</u>
Total Investments at Fair Value	<u>\$2,261,063,499</u>	<u>\$281,122,704</u>	<u>\$1,977,367,427</u>	<u>\$2,573,368</u>
		Unfunded	Redemption	Redemption
		Commitments	Frequency	Notice Period
Investments measured at NAV:				
Commingled Funds – Equities	\$2,093,436,223	\$ -	Daily, Monthly	< 5 days
Commingled Funds Fixed Income	14,817,760	-	Daily	< 5 days
Real Estate Funds	990,778,431	-	Quarterly	90 days
Hedge Fund	562,354,603	150,000,000	NA	NA
Private Credit	916,198,147	105,000,000	NA	NA
Private Equity	109,410,132	212,000,000	NA	NA
Private Infrastructure	325,995,014	10,000,000	NA	NA
Total Investments measured at NAV	<u>\$5,012,990,310</u>	<u>\$ 477,000,000</u>		
Investments at other than fair Value				
Cash and adjustments to Cash	\$ 91,929,279			
Total Investment at other than FV	<u>\$ 91,929,279</u>			
Value Indeterminable/Worthless/Delisted	-			
Total Investments	<u>\$7,365,983,088</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, 2024, and 2023 the Board held \$837,775 and \$1,002,326, respectively in unclaimed mutual funds.

The Common Schools Trust Fund owns the building occupied by the Department. For the period ending June 30, 2024 and 2023, the book value of the building was \$366,118 and \$335,065, respectively. The book value of the building is included in the investments line of the balance sheet.

**NOTE 8 – INVESTMENT EXPENSES**

	2024	2023
Investment managers' fees:		
Large cap equity	\$1,091,513	\$59,646
Mid cap equity	10,266	30,144
Small cap equity	976,670	1,207,559
International equity	4,855,553	1,171,257
Emerging markets equity	6,794,617	1,276,010
Core fixed income	1,507,589	1,602,122
Non-core fixed income	20,044,280	16,010,263
Loan pools	11,633	48,978
Real Estate	6,777,920	(1,057,230)
Hedge Funds	24,317,307	5,414,303
Global tactical	728,507	4,570,880
Private equity	3,343,552	2,566,322
Private infrastructure	2,622,606	3,104,027
Credit opportunities	-	-
Transition account	-	-
Total investment managers' fees	<u>73,082,013</u>	<u>36,004,281</u>
Custody fees	139,774	123,937
Investment consultant fees:		
General consultant fees	177,167	172,167
Specialty consultant fees	85,000	68,194
Miscellaneous expenses	1,160,650	1,128,994
Total investment expenses	<u>\$74,644,604</u>	<u>\$37,497,573</u>

Reconciliation of investment expenses to financial statements

	<u>2024</u>	<u>2023</u>
Investment expenses as reflected in the financial statements	\$6,632,512	\$10,118,634
Plus, investment management fees included in investment income		
Large cap equity	\$1,034,416	-
Small cap equity	586,341	(6,409)
International equity	4,257,538	-
Emerging markets equity	6,734,457	1,271,616
Core fixed income	499,497	403,970
Non-core fixed income	20,044,280	16,010,263
Loan pools	11,633	48,978
Real Estate	3,831,958	(5,974,305)
Global tactical	728,507	4,570,880
Private equity	3,343,552	2,502,939
Private Infrastructure	2,622,606	3,136,704
Hedge Funds	24,317,307	5,414,303
Credit opportunities	-	-
Specialty consultant fees	-	-
Investment expenses per schedule	<u>\$74,644,604</u>	<u>\$37,497,573</u>
	<u>2024</u>	<u>2023</u>
BND loan pool management expenses:		
Expenses as reflected in the financial statements	\$11,633	\$19,305
Plus expenses as reflected in interest income	-	-
Total loan pool expenses	<u>\$11,633</u>	<u>\$19,305</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, 2024, the non-current and current portion of the loans were \$1,978,990 and \$264,904, respectively. As of June 30, 2023, the non-current and current portions of the loans were \$2,134,092 and \$319,740, respectively.

As of June 30, 2024, and 2023, the pool had a net position of \$2,594,732 and \$5,350,075, respectively. For the same period, the pool earned net income of \$244,657 and \$308,962.

**NOTE 10 - COAL WARRANTS**

The Board is authorized to make loans to coal development impacted counties, cities, and school districts from the Coal Development Trust fund, 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, 2024, the non-current and current portions of the loans were \$6,508,908 and \$855,045, respectively. The same amounts as of June 30, 2023, were \$7,367,548 and \$826,073, respectively.

**NOTE 11 - 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 unanticipated construction projects and emergency repair loans; of which the outstanding principal balance of loans made from this fund may not exceed sixty million dollars.

Any proposal for unanticipated construction project or emergency repair loans must be submitted and approved by the superintendent of public instruction. The superintendent of public instruction shall approve loans before commencement of the project if the cost of the project, as estimated by the school board, is more than one hundred fifty thousand dollars. To be eligible for a loan, the school district must demonstrate a need for the project, student population has been stable, there are no feasible alternatives, and demonstrate the capacity to pay pursuant to N.D.C.C. Chapter 28-32. The interest rate discount on a loan may not exceed two percent per year.

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, 2023, there are two (2) gross production tax backed school construction loans processed with Coal Development Trust funding.

As of June 30, 2024, the non-current and current portions of loans from the Coal Development Trust Fund were \$28,775,176 and \$2,540,462, respectively. The same amounts as of June 30, 2023, were \$22,781,341 and \$2,202,394, respectively.

**NOTE 12 – 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 guaranteed reserve fund in a special account at the BND not to exceed \$80 million of the Strategic Investment and Improvements fund to maintain one hundred percent of the guaranteed reserve fund balance. Moneys in the guaranteed 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. For the period ending, June 30, 2024, and 2023, the balance in the guaranteed reserve fund at the BND is \$36,892,449 and \$36,803,451 respectfully.

**NOTE 13 - 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, 2024, and 2023, rent of \$97,371 and \$83,327, respectively, was paid by the non-Common Schools Trusts funds.

**NOTE 14 - CAPITAL ASSETS**

Fiscal Year 2024

Governmental Activities:	Balance 7/1/23	Additions	Retirements	Balance 6/30/24
Land	\$ 7,736,490	\$ -	\$ -	\$ 7,736,490
Equipment	46,776	-	(12,820)	33,956
IT system enhancements	4,891,466	-	-	4,891,466
Subscription-based IT arrangements	-	2,191,001	-	2,191,001
Less accumulated depreciation/amortization:				
Equipment	(30,655)	(4,780)	12,820	(22,616)
Software	(2,123,489)	(995,766)	-	(3,119,255)
Subscription-based IT arrangements	-	(76,337)	-	(76,337)
Net capital assets	\$10,520,588	\$1,114,118	\$ -	\$11,634,706

# ND Department of Trust Lands

## Notes to Financial Statements

June 30, 2024 and 2023

**Fiscal Year 2023**

Governmental Activities:	Balance 7/1/22	Additions	Retirements	Balance 6/30/23
Land	\$7,736,490	\$ -	\$ -	\$7,736,490
Equipment	34,833	11,943	-	46,776
Software	3,324,451	1,567,016	-	4,891,466
Less accumulated depreciation:				
Equipment	(25,406)	(5,249)		(30,656)
Software	(1,308,574)	(814,915)	-	(2,123,489)
Net capital assets	\$9,761,793	\$ 758,795	\$ -	\$10,520,588

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 years 2024 and 2023, no acres were acquired or 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 \$1,076,883 and \$820,164 in capital asset depreciation/amortization for fiscal years ending June 30, 2024 and 2023, respectfully, was charged to the education fund.

**NOTE 15 - 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 other trust funds and due to other trust funds* managed by the Department as of June 30, 2024 and 2023:

Fund	2024		2023	
	Due from other funds	Due to other funds	Due from other funds	Due to other funds
Strategic Investment and Improvements fund	\$ -	\$ -	\$ 374,296	\$ -
Oil and Gas Impact Fund	-	-	-	374,296
	\$ -	\$ -	\$ 374,296	\$ 374,296

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2024 and 2023

The following is detail of amounts due from and to other state agencies as of June 30, 2024 and 2023. The *due from other state agencies* represents revenues earned during the year ended June 30, that were not received as of June 30, 2024 and 2023. The *due to other state agencies* represents services rendered to the Department during the year ended June 30, that were not paid as of June 30, 2024 and 2023.

Fund	2024		2023	
	Due from other state agencies	Due to other state agencies	Due from other state agencies	Due to other state agencies
<b>Common School Trust fund:</b>				
State Treasurer	\$ 19,597,900		\$ 17,561,935	
Attorney General Office	-	\$ 142	-	\$ -
Department of Transportation	-	6,922	-	5,520
Information Technology Department	-	23,511	-	16,391
Office of Management and Budget	-	521	-	1,657
Bank of North Dakota	-	5,253	-	7,446
	<u>19,597,900</u>	<u>36,349</u>	<u>17,561,935</u>	<u>31,014</u>
<b>Perpetual funds:</b>				
Attorney General Office	-	8	-	-
Department of Transportation	-	649	-	518
Information Technology Department	-	1,354	-	1,342
Office of Management and Budget	-	10	-	135
Bank of North Dakota	-	450	-	638
	<u>-</u>	<u>2,471</u>	<u>-</u>	<u>2,633</u>
<b>Strategic Investment &amp; Improvements fund:</b>				
State Treasurer	167,285,465	-	74,731,694	-
Upper Great Plains Transportation Institute	-	-	85,269	-
Office of Management and Budget	-	20,748	-	-
Attorney General	-	85	-	-
Information Technology Department	-	11,534	-	9,938
Office of Management & Budget	-	49	-	5,230
	<u>167,285,465</u>	<u>32,416</u>	<u>74,816,963</u>	<u>15,168</u>
<b>Coal Development Trust fund:</b>				
State Treasurer	215,759	-	200,318	-
Lignite Research Fund	-	151,031	-	140,223
	<u>215,759</u>	<u>151,031</u>	<u>200,318</u>	<u>140,223</u>
<b>Capitol Building Trust fund:</b>				
Attorney General	-	2	-	-
Department of Transportation	-	99	-	80
Information Technology Department	-	185	-	287
Office of Management & Budget	-	2	-	29
	<u>-</u>	<u>288</u>	<u>-</u>	<u>396</u>
<b>Total Due From/Due To</b>	<u>\$ 187,099,124</u>	<u>\$ 222,555</u>	<u>\$ 92,579,216</u>	<u>\$ 189,433</u>

**NOTE 16 – 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 17 – TRANSFERS FROM (TO) OTHER AGENCIES**

The following detail represents amounts transferred to beneficiaries and other state agencies as of June 30, 2024 and 2023.

Fund	2024		2023	
	Transfers from other agencies	Transfers to other agencies	Transfers from other agencies	Transfers to other agencies
<b>Perpetual Funds:</b>				
Ellendale	-	\$ 1,202,950	-	\$ 997,500
Industrial School	-	1,331,000	-	1,114,000
Mayville State University	-	447,000	-	371,000
ND State University	-	3,824,000	-	3,310,000
School of Mines	-	1,166,000	-	987,000
School of Science	-	958,000	-	828,000
School of the Blind	-	668,000	-	545,000
School of the Deaf	-	1,099,000	-	1,007,000
State Hospital	-	746,000	-	694,000
University of ND	-	1,827,000	-	1,555,000
Valley City State University	-	677,000	-	589,000
Veterans Home	-	275,000	-	255,000
	-	14,220,950	-	12,252,500
<b>Commons School Trust Fund</b>				
Department of Public Instruction	-	249,930,000	-	210,510,000
	-	249,930,000	-	210,510,000
<b>Strategic Investment and Improvements:</b>				
General Fund of North Dakota	-	25,000,000	-	205,000,000
Agricultural Department	-	6,500,000	-	-
Bank of North Dakota	-	10,500,000	-	-
Career and Technical Education	-	26,512,500	-	-
Commerce Department	-	137,000,000	2,638	40,000,000
Corrections and Rehabilitation	-	135,057,000	-	-
Health & Human Services	-	29,450,000	-	980,939
Industrial Commission	-	70,500,000	-	-
Information Technology	-	15,000,000	-	-

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2024 and 2023

Office of Management & Budget	-	-	-	339,334
Parks and Recreation		26,950,000	-	
Public Employees Retirement Fund	-	135,000,000	-	
Public Instruction	-	-	-	
Secretary of State	-	1,500,000	-	
State Historical Society	-	3,250,000	-	
Transportation Department	-	179,000,000	-	
ND University System	-	63,133,480	-	68,491
Upper Great Plains Transportation	-	93,732,600	85,269	-
ND Legacy Fund	29,474,088			
Council of the Arts	-	-	-	1,000,000
Oil and Gas Impact Fund	-	-	374,296	-
<i>Carryover from prior sessions</i>				
Health & Human Services	-	742,148		
Office of Management & Budget	-	54,987		
	<u>29,474,088</u>	<u>958,882,715</u>	<u>462,203</u>	<u>247,613,764</u>
<b>Coal Development Trust:</b>				
General Fund of North Dakota	-	1,237,168	-	842,024
Lignite Research Fund	-	956,663	-	1,008,695
	<u>-</u>	<u>2,193,831</u>	<u>-</u>	<u>1,850,719</u>
<b>Capitol Building Trust:</b>				
Facilities Management	-	1,250,000	-	2,341,865
	<u>-</u>	<u>1,250,000</u>	<u>-</u>	<u>2,341,865</u>
Total Transfers	<u>\$29,474,088</u>	<u>\$1,226,477,496</u>	<u>\$462,203</u>	<u>\$474,943,144</u>

**NOTE 18 – ASSIGNED FUND BALANCE**

On August 22, 2024, the Board of University and School Lands classified \$43,066,403 of the Strategic Investment and Improvements fund as an assigned fund balance for fiscal year 2024 financial statement purposes. On September 1, 2023, the Board of University and School Lands classified \$50,751,932 of the Strategic Investment and Improvements fund as an assigned fund balance for fiscal year 2023 financial statement purposes. This assignment was made by the Board to indicate that these funds should not be transferred out of this fund until potential title disputes related to certain riverbed leases have been resolved.

**NOTE 19 – LITIGATION**

The Board of University and School Lands (Board) is currently involved in litigation relating to real property ownership, oil & gas royalty payments, and unclaimed property. The following is a list of pending and closed lawsuits for fiscal year ending June 30, 2024.

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

This case is 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. The stay was lifted, and summary judgment motions were due in October 2021 with trial scheduled in December 2021. The matter was resolved in favor of the State and Whitetail Wave appealed. The case was heard before the North Dakota Supreme Court on September 7, 2022. The court dismissed the appeal. A hearing for attorney fees was held on April 25, 2023, and an amended judgment was issued to include disbursement of attorney fees. According to an amended final judgment dated June 28, 2023, the court ordered Whitetail Wave to pay XTO Energy, Inc. attorneys' fees in the amount of \$62,735.60. On August 24, 2023, Whitetail Wave filed appeal with the North Dakota Supreme Court. On November 15, 2023, Appellant Brief was filed and Request for Oral argument. On December 15, 2023, State of North Dakota and XTO filed reply brief. Oral Argument was held on January 17, 2024. On April 4, 2024, the North Dakota Supreme Court issued an opinion affirming the decision of the lower court in favor of the State. CASE CLOSED.

*Whiting Oil and Gas Corporation v. Arlen A. Dean, et. al., consolidated with State of North Dakota ex rel. North Dakota State Engineer v. Leland*

Whiting filed an interpleader for the lands underlying a spacing unit located near the Montana border through which the Yellowstone River runs. Whiting is requested the court determine the property interests for the spacing unit so that Whiting can correctly distribute the proceeds from the well located in the unit. The court trial (no jury) originally scheduled for August 6-10, 2018, was postponed to April 22-26, 2019. The initial scheduling order was amended for the State to conduct field work that could not be completed in the winter. Due to property flooding from high flows on the Yellowstone River, the State was unable to conduct field work at that time. At an August 16, 2018, status conference, the court suspended any interim deadlines and set a scheduling conference for January 2019 to set a new trial date. An Amended Notice of Court Trial was filed, reflecting the April 20 - 24, 2020, trial date.

On July 9, 2019, the State Engineer brought an action to Quiet Title to the property involved in this case. The State Defendants filed an Amended Answer in September 2019. On February 5, 2020, Defendants Murex Petroleum Corporation and Northern Oil and Gas, Inc., filed a Notice of Motion, Motion and Brief in Support of Motion to Consolidate this matter with Case No. 27-2019-CV-00312, *State of North Dakota ex rel. North Dakota State Engineer v. Leland* (Quiet Title action referenced above) and other parties responded to the motion.

An Order Granting Motion to Consolidate Case 27-2016-CV-00040 into 27-2019-CV-00312 was signed on March 10, 2020. On April 8, 2020, the court entered the Order Granting State Engineer's Partial Motion to Dismiss. Also, on April 8, 2020, Whiting filed a Suggestion of Bankruptcy for Whiting Petroleum Corporation and Certain of its Affiliates and Notice of Automatic Stay of Proceedings. The stay was eventually lifted, and the State filed a Motion for Partial Summary Judgment on May 15, 2022. The Motion for Partial Summary Judgment was denied. Trial for Phase I of the case was held on September 12-16, 2022. On March 31, 2023, the State filed a post-trial brief. On April 21, 2023, the request for an extension to the post-trial brief was filed by the opposing party's counsel, with the request granted on April 24, 2023. On June 30, 2023, Whiting Oil and Gas Corporation filed a post-trial brief. On September 27, 2023, a post-trial brief was filed concluding the post-trial briefing phase. A status conference was held on September 28, 2023, to discuss the post-trial briefing. On December 1, 2023, the State filed a reply to the opposing party's post-trial brief. On April 30, 2024, a Memorandum Decision was issued by the court regarding Phase I of the case. The Memorandum Decision ruled in part for the State, and in part against the State. On May 29, 2024, an amended Phase II scheduling order was issued. On July 26, 2024, a Motion for Summary Judgment was filed by the opposing party. On July 31, 2024, a Stipulation/Agreement was filed to extend the Summary Judgment deadline. The court issued an order on August 8, 2024, extending the Summary Judgment deadline. On September 6, 2024, the State filed a Response Brief. On September 6, 2024, Whiting Oil and Gas Corporation, filed a Response to Motion for Summary Judgment. On September 11, 2024, a Reply Brief in Support of Norby's Motion for Summary Judgment was filed by the opposing party counsel. A hearing on Motions for Summary Judgment is scheduled for November 8, 2024, while a Phase II trial is scheduled for December 17-19, 2024.

*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 was 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. The court issued a mandate against the State in August 2021, stating a reasoning of a lack of jurisdiction. In February 2022, the parties filed a Joint Status Report setting briefing dates. The State filed a Motion for Partial Summary Judgment on May 7, 2022. The court issued an opinion on March 21, 2023, granting Board's motion for partial summary judgment. The United States appealed the decision. The State filed a cross appeal. The final brief was filed on January 20, 2024, and the parties are now waiting for oral argument to be scheduled at the Eighth Circuit Court of Appeals.

*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 both filed briefs with the IBLA regarding their respective positions. On June 24, 2019, the BLM submitted its Request to Take Judicial Notice of North Dakota Law. On March 25, 2020, the Opinion by Administrative Judge Haugrud was issued by the United States Department of Interior, Office of Hearings and Appeals, IBLA, denying the State's appeal. Parties filed a joint status report proposing further proceedings in this case within 30 days of an order addressing the parties' pending motions in Continental Resources, Inc. On June 6, 2023, the parties filed a joint status report proposing that this matter remain stayed pending resolution of the Continental case. Following resolution, the parties plan to meet to discuss further proceedings.

*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. The final court order in the Newfield case was issued on March 3, 2023. On August 31, 2023, a Joint Status Report was filed stating that parties are in a discussion on how to proceed in the case. On November 1, 2023, the parties filed joint scheduling order outlining document and discovery timeline. On July 24, 2024, an amended scheduling order was filed for upcoming trial scheduled for August 4-8, 2025.

*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. In July 2020, the parties filed a stipulation regarding deposit of royalty payments and transfer the royalty payments from BND to the court's registry. The court accepted the Stipulation in November 2020. This case continues to be stayed pending the outcome of *Continental Resources, Inc. v. North Dakota Board of University and School Lands*.

*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. The case remained on stay until February 4, 2022, when the Opinion Regarding the Status of Mineral Ownership Underlying the Missouri River Within the Boundaries of the Fort Berthold Reservation (North Dakota), M-37073, was issued by the Solicitor, Robert T. Anderson. The parties agreed to various joint status report filings and on April 4, 2022, DOI filed a Notice of Recordation of Trust Title. The State filed a Supplemental Motion to Intervene which was denied. Appellate oral argument held. On April 21, 2023, the D.C. Circuit overturned the district court decision and allowed the State's intervention. A motion to quiet title was submitted by the United States on July 7, 2023. On July 23, 2024, the court issued a ruling granting the

United States' motion to quiet title and denying the State's motion to venue the case in North Dakota. The parties are working together to draft a schedule for key dates going forward.

*Northern Oil and Gas, Inc. v. Continental Resources, Inc.; Board of University and School Lands of the State of North Dakota; and North Dakota Industrial Commission*

On September 25, 2020, Northern Oil and Gas, Inc. filed a Complaint against Continental Resources, Inc. (Continental), Board of University and School Lands of the State of North Dakota (Board), and North Dakota Industrial Commission (NDIC) seeking review of the findings of the NDIC relating to the location of the historical riverbed channel of the Missouri River with respect to the N/2 of Section 27, Township 153 North, Range 93 West, 5<sup>th</sup> P.M. Northern requests an order determining that the high water mark of the northern edge of the riverbed extends further to the north and northwest versus what is depicted in the Wenck Survey. Various motions have been entered and various discovery has been conducted. Trial was set for May 16-18, 2023, with a status conference held on January 30, 2023. New trial dates were set for May 8-9, 2024. On April 29, 2024, a Motion to Dismiss was granted by the court. Trial was cancelled. CASE CLOSED.

*EEE Minerals, LLC, and Suzanne Vohs as Trustee for The Vohs Family Revocable Living Trust v. State of North Dakota, the Board of University and School Lands of the State of North Dakota; and Jodi Smith as Commissioner for the Board of University and School Lands of the State of North Dakota*

On December 1, 2020, EEE Minerals, LLC, and Suzanne Vohs as Trustee for The Vohs Family Revocable Living Trust (Plaintiffs) filed a Complaint against State of North Dakota, the Board of University and School Lands of the State of North Dakota; and Jodi Smith as Commissioner for the Board of University and School Lands of the State of North Dakota (Defendants). The Complaint seeks a declaratory judgment that the N.D.C.C. § § 61-33.1-01 to 61-33.1-05 is preempted by federal law and violates the Constitution and the laws of the United States; an order enjoining Defendants from claiming ownership of the property by virtue of North Dakota law in violation of the Vohs Trust and EEE Mineral's rights secured by the laws of the United States and the United States Constitution; damages to the Vohs Trust and EEE Minerals in the amount equal to damages proven at trial; reasonable attorneys' fees and costs pursuant to 42 USC § 1988; and other relief the court deems just and equitable. In January of 2021, State Defendants filed a Motion to Dismiss. The matter was dismissed by the court on May 31, 2022. On June 1, 2022, Plaintiffs filed a notice of appeal to the United States District Court of Appeals for the Eighth Circuit. Both parties completed briefing on the case. Argument was scheduled for March 16, 2023. Argument was held on August 30, 2023, the court issued decision in favor of a State. On September 12, 2023, Plaintiffs requested a rehearing in front of the full 8<sup>th</sup> Circuit Court, which was denied on October 27, 2023. On January 19, 2024, Plaintiff petitioned the U.S. Supreme Court for a writ of certiorari and the petition was denied on March 25, 2024. CASE CLOSED.

*Sorum Paul, Coachman, Michael, Nelson Marvin v. Unknown Person*

A petition to quiet title was filed on February 23, 2023. On June 1, 2023, a hearing was requested by the Plaintiffs. On June 12, 2023, the court issued an Order for Joinder. The State received Petition on June 22, 2023. On June 28, 2023, a notice of hearing was issued. On July 7, 2023, the State filed a Motion to Dismiss, stating the facts that Mr. Nelson, Mr. Coachman, and Mr. Sorum, failed to state the reason of claiming interest against the subject land. A hearing on the motion to Dismiss was held on August 10, 2023. On August 30, 2023, the court issued an Order of Dismissal without prejudice.

The Plaintiff filed a Rule 60 Motion to Vacate Order of the court on September 8, 2023. A hearing on Motion to Vacate was held on October 20, 2023, followed by a Motion for Leave to File Supplemental Pleading by Mr. Nelson, Mr. Coachman, and Mr. Sorum on October 24, 2023. On November 7, 2023, the State filed Response to Mr. Nelson, Mr. Coachman, and Mr. Sorum, Motion for Leave to File Supplemental Pleadings. On January 30, 2024, the court denied a Proposed Order to Leave to Amend and Order Denying Rule 60 (b) Motion to Vacate Order of Dismissal. CASE CLOSED.

*Lennie Blaine Miller vs. State of North Dakota Department of Trust Lands, Mineral Division; Soo Line Railroad d/b/a Canadian Pacific Railway, Successor in Interest of Minneapolis, St. Paul & Sault Ste Mairre Railway Company*

On August 4, 2023, the Department of Trust Lands received Complaint and Summons in quiet title case, interest or lien in minerals owned by the State. The Answers to the Complaint were drafted and sent to the party's legal representative by mail. On March 7, 2024, The State filed Stipulation of Dismissal from the case. On March 11, 2024, Order of Dismissal was granted, and the State was dismissed from the action. CASE CLOSED (as it pertains to the State of North Dakota).

*State of Arkansas, et al. v. State of Delaware*

This case involves the State of North Dakota acting as custodian on behalf of apparent owners of unclaimed property in North Dakota. Under N.D.C.C. ch. 47-30.2, people, including entities, in possession of unclaimed property of a person or business with an address listed in North Dakota are required to report and remit such unclaimed property to the custody of the State of North Dakota Administrator of Unclaimed Property each year. A Complaint and Answer were filed focusing on determining which state has the right to take custody of funds for certain unclaimed official checks issued by MoneyGram Payment Systems, Inc. On July 23, 2021, the court issued interim order to grant State's motion for partial summary judgment, denying state of Delaware Motion for Partial Summary Judgment. A joint status report was filed with Supreme Court and a status conference was held on May 4, 2023. Discovery materials were due on October 4, 2023. In August 2024, the parties agreed to settle the case. The Notice of Settlement Agreement was issued on August 27, 2024, and outlines the amount allocated to each state. CASE CLOSED

*Desolation Holdings LLC et al. (Bittrex, Inc.)*

Bittrex filed for Chapter 11 bankruptcy on May 8, 2023. On August 30, 2023, a proof of claim for unclaimed property was filed with the court. Proceedings are ongoing. Under N.D.C.C. ch. 47-30.2, people, including entities, in possession of unclaimed property of a person or business with an address listed in North Dakota are required to report and remit such unclaimed property to the custody of the State of North Dakota Administrator of Unclaimed Property each year. *Bittrex, Inc.* involved the State of North Dakota acting as custodian on behalf of apparent owners of unclaimed property in North Dakota. The case was resolved in April of 2024. CASE CLOSED.

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

**NOTE 20 – 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 21 – 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, 2024 and 2023.

Claimant Liability – June 30, 2022	\$22,357,233
<b>June 30, 2023</b>	
Collections subject to liability	23,874,084
Less claims paid	9,084,951
Decrease accreted into net position	9,164,701
Claimant Liability – June 30, 2022	<u>\$27,981,664</u>
<b>June 30, 2024</b>	
Collections subject to liability	28,350,960
Less claims paid	9,234,073
Decrease accreted into net position	6,896,787
Claimant Liability – June 30, 2024	<u>\$40,201,764</u>

**NOTE 22 – LONG TERM LIABILITIES**

***Subscription-Based Information Technology Arrangements (SBITAs)***

The Department recognizes the SBITA liability and subscription asset in the financial statements. These liabilities represent the Department’s obligation to make payments arising from the subscription. At the commencement of the SBITA, the Department measures the liability as the present value of payment expected to be paid during the lease term. Subsequently, the liability is reduced by the principal portion of payments received.

***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 30<sup>th</sup> 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. The reported liabilities for compensated absences were \$266,954 and \$216,297 at June 30, 2024 and 2023, respectively. This balance includes the employer’s share of FICA taxes.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2024 and 2023

Governmental Activities – Other long-term liabilities:

	Balance <u>7/1/23</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Amounts Due <u>Thereafter</u>	Balance <u>6/30/24</u>
Subscription-based IT arrangement	\$ -	\$2,191,001	\$ 76,337	\$183,573	\$1,870,550	\$2,054,124
Compensated absences	216,297	212,600	161,943	14,260	252,694	266,954
Total long-term liabilities	\$216,297	\$2,403,601	\$238,280	\$197,833	\$2,123,245	\$2,321,078

	Balance <u>7/1/22</u>	<u>Additions</u>	<u>Reductions</u>	Amounts Due Within One <u>Year</u>	Amounts Due <u>Thereafter</u>	Balance <u>6/30/23</u>
Subscription-based IT arrangement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	180,006	152,961	116,670	11,554	204,744	216,297
Total long-term liabilities	\$180,006	\$152,961	\$116,670	\$11,554	\$204,744	\$216,297

**NOTE 23 – DEFINED BENEFIT PENSION PLAN**

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

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

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

### *Pension Benefits*

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

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

### *Death and Disability Benefits*

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100%

Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

*Refunds of Member Account Balance*

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

*Member and Employer Contributions*

Member and employer contributions paid to NDPERS are set by statute and are established as a 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, 2024 and 2023, the Department reported a liability of \$3,357,242 and \$5,052,213, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, 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, 2023 the Department's proportion was 0.174108 percent which was a decrease of 0.001312 percent from its proportion measured as of June 30, 2022.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2024 and 2023

For the year ended June 30, 2024, the Department recognized pension expense of \$272,805. On June 30, 2024, 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	\$ 109,290	\$ 18,515
Changes in assumptions	1,851,222	2,548,232
Net difference between projected and actual earnings on pension plan investment	88,088	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	137,143	127,904
Employer contributions subsequent to the measurement date	233,034	-
TOTAL	\$ 2,418,777	\$ 2,694,651

The \$233,034 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, 2025.

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>
2024	\$ 58,820
2025	(399,116)
2026	28,544
2027	(197,156)
Thereafter	-

For the year ended June 30, 2023, the Department recognized pension expense of \$644,537. At June 30, 2023, 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	\$ 26,354	\$ (96,506)
Changes in assumptions	3,021,298	(1,873,037)
Net difference between projected and actual earnings on pension plan investment	184,910	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	250,809	(213,043)
Employer contributions subsequent to the measurement date	169,333	-
TOTAL	\$ 3,652,704	\$ (2,182,586)

The \$169,333 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, 2024.

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>
2024	\$ 360,771
2025	476,955
2026	16,027
2027	447,032
Thereafter	-

Actuarial assumptions.

The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2023

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%

The total pension liability in the July 1, 2022, 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	5.10%, 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, 2022

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
Global Real Assets	19%	4.77%

Discount rate.

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

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

For purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50% for fiscal year ending June 30, 2024. For fiscal year ending June 20, 2023, the expected rate of return on pension plan investments was 6.50%; the municipal bond rate was 3.69%; and the resulting Single Discount Rate was 5.10% *Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate for the year ending June 30, 2024:

	1% Decrease in Discount Rate <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase in Discount Rate <u>(7.50%)</u>
Employer's proportionate share of the net pension liability	\$4,628,830	\$3,357,242	\$2,302,361

For the fiscal year ending June 30, 2023, the following presents the Department's proportionate share of the net pension liability calculated using the discount rate of 5.10 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 (4.10 percent) or 1-percentage-point higher (6.10 percent) than the current rate:

	1% Decrease in Discount Rate <u>(4.10%)</u>	Current Discount Rate <u>(5.10%)</u>	1% Increase in Discount Rate <u>(6.10%)</u>
Employer's proportionate share of the net pension liability	\$6,668,573	\$5,052,213	\$3,725,237

*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 24 – DEFINED BENEFIT OPEB PLAN**

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

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

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

*OPEB Benefits*

The employer contribution for the NDPERS, the Highway Patrol Retirement System (HPRS) and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit (RHIC) fund. Employees purchasing previous service credit are also required to make an employee contribution to the RHIC fund. The

benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in the RHIC fund. Therefore, the RHIC fund will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the NDPERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

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

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

On June 30, 2024 and 2023, the Department reported a liability of \$127,592 and \$163,657, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and 2022, 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, 2024, the Department's proportion was 0.127624 percent, which was a decrease of 0.008722 percent from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Department recognized OPEB expense of \$18,464. On June 30, 2023, 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	\$ 2,401	\$ 1,460
Changes in assumptions	27,212	10,566
Net difference between projected and actual earnings on OPEB plan investment	9,216	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,086	22,586
Employer contributions subsequent to the measurement date	16,821	-
TOTAL	\$ 62,736	\$ 34,612

The \$62,736 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, 2025.

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>
2025	\$ 3,801
2026	3,445
2027	8,189
2028	(4,132)
Thereafter	-

For the year ended June 30, 2023, the Department recognized OPEB expense of \$22,466. At June 30, 2022, 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	\$ 3,879	\$ 1,407
Changes in assumptions	41,223	-
Net difference between projected and actual earnings on OPEB plan investment	22,036	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,574	26,136
Employer contributions subsequent to the measurement date	15,646	-
TOTAL	\$ 93,358	\$ 27,543

The \$15,646 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, 2024.

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>
2024	\$ 12,383
2025	11,242
2026	10,753
2027	15,791
Thereafter	-

Actuarial assumptions

The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2023, 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%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

The total OPEB liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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, 2022, 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%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	35%	0.50%
International Equities	26%	6.25%

Discount rate.

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

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

The following presents the net OPEB liability of the Plans as of June 30, 2023, calculated using the discount rate of 5.75 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease <u>(4.75%)</u>	Current Discount_Rate <u>(5.75%)</u>	1% Increase <u>(6.75%)</u>
Employer's proportionate share of the net OPEB liability	\$ 167,687	\$ 127,592	\$ 93,837

The following presents the net OPEB liability of the Plans as of June 30, 2022, calculated using the discount rate of 5.39 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39 percent) or 1-percentage-point higher (6.39 percent) than the current rate:

	1% Decrease <u>(4.39%)</u>	Current Discount Rate <u>(5.39%)</u>	1% Increase <u>(6.39%)</u>
Employer's proportionate share of the net OPEB liability	\$ 208,899	\$ 163,657	\$ 125,678

**NOTE 25 - 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, N.D.C.C. Chapter 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 \$406,250 per person and \$1,625,000 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, 2024

	Special Revenue Funds												Special	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
<b>Assets:</b>															
Cash	\$ 6,078,007	\$ 928,379	\$ 894,972	\$ 412,837	\$ 1,987,746	\$ 1,224,981	\$ 948,503	\$ 2,528,753	\$ 594,084	\$ 1,530,514	\$ 587,957	\$ 2,735,815	\$ 20,452,548	\$ 3,575,629	\$ 24,028,177
Investments	96,626,216	16,686,238	26,119,393	16,590,231	31,705,543	17,653,576	12,646,292	35,213,644	23,873,806	29,301,856	6,109,438	47,986,535	360,512,768	5,626,877	366,139,645
Interest receivable	102,902	17,309	30,891	41,737	12,162	21,831	15,260	39,953	33,831	33,799	21,572	46,513	417,760	95,355	513,115
Accounts receivable	543,200	66,448	83,049	24,243	163,777	139,411	136,425	448,225	71,756	183,895	5,791	274,273	2,140,493	361,635	2,502,128
Invested securities															
lending collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	3,097,395	3,097,395
Loans															
Farm loans	44,725	8,633	12,259	12,561	8,050	10,190	7,334	17,357	12,781	12,898	10,115	20,523	177,426	-	177,426
<b>Total Assets</b>	<b>\$ 103,395,050</b>	<b>\$ 17,707,007</b>	<b>\$ 27,140,564</b>	<b>\$ 17,081,609</b>	<b>\$ 33,877,278</b>	<b>\$ 19,049,989</b>	<b>\$ 13,753,814</b>	<b>\$ 38,247,932</b>	<b>\$ 24,586,258</b>	<b>\$ 31,062,962</b>	<b>\$ 6,734,873</b>	<b>\$ 51,063,659</b>	<b>\$ 383,700,995</b>	<b>\$ 12,756,891</b>	<b>\$ 396,457,886</b>
<b>Liabilities:</b>															
Securities lending collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	3,097,395	3,097,395
Accounts payable															
Investments	4,893	867	1,437	973	1,508	872	550	1,626	1,220	1,497	354	2,359	18,155	6,959	25,114
Salaries and benefits	3,672	677	1,101	339	1,276	1,082	634	1,996	1,037	944	324	2,108	15,190	1,914	17,104
Operating	3,591	646	1,122	243	1,839	1,325	728	2,726	664	1,039	765	2,261	16,950	2,022	18,971
Due to other state agencies	602	115	174	77	203	173	108	288	132	146	110	343	2,471	288	2,759
<b>Total Liabilities</b>	<b>12,758</b>	<b>2,304</b>	<b>3,833</b>	<b>1,632</b>	<b>4,826</b>	<b>3,452</b>	<b>2,020</b>	<b>6,636</b>	<b>3,053</b>	<b>3,627</b>	<b>1,553</b>	<b>7,071</b>	<b>52,765</b>	<b>3,108,578</b>	<b>3,161,343</b>
<b>Equity:</b>															
Fund Balance:															
Special revenue funds															
Restricted	103,382,292	17,704,703	27,136,731	17,079,977	33,872,452	19,046,537	13,751,794	38,241,296	24,583,205	31,059,335	6,733,320	51,056,588	383,648,230	9,648,313	393,296,543
<b>Total Fund Balance</b>	<b>103,382,292</b>	<b>17,704,703</b>	<b>27,136,731</b>	<b>17,079,977</b>	<b>33,872,452</b>	<b>19,046,537</b>	<b>13,751,794</b>	<b>38,241,296</b>	<b>24,583,205</b>	<b>31,059,335</b>	<b>6,733,320</b>	<b>51,056,588</b>	<b>383,648,230</b>	<b>9,648,313</b>	<b>393,296,543</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 103,395,050</b>	<b>\$ 17,707,007</b>	<b>\$ 27,140,564</b>	<b>\$ 17,081,609</b>	<b>\$ 33,877,278</b>	<b>\$ 19,049,989</b>	<b>\$ 13,753,814</b>	<b>\$ 38,247,932</b>	<b>\$ 24,586,258</b>	<b>\$ 31,062,962</b>	<b>\$ 6,734,873</b>	<b>\$ 51,063,659</b>	<b>\$ 383,700,995</b>	<b>\$ 12,756,891</b>	<b>\$ 396,457,886</b>

ND Department of Trust Lands  
 Combined Balance Sheet – Nonmajor Government Funds  
 June 30, 2023

Assets:	Special Revenue Funds												Special	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
Cash	\$ 5,586,067	\$ 878,334	\$ 710,147	\$ 257,990	\$ 2,002,522	\$ 1,074,402	\$ 788,120	\$ 2,075,465	\$ 635,650	\$ 1,614,545	\$ 118,576	\$ 2,986,775	\$ 18,728,593	\$ 2,278,302	\$ 21,006,895
Investments	87,293,923	15,085,618	23,467,870	15,488,248	28,029,790	15,240,783	11,327,582	30,709,483	21,619,374	26,538,706	5,697,330	42,633,581	323,132,288	4,988,189	328,120,477
Interest receivable	170,620	29,306	50,775	55,229	33,000	33,912	22,887	62,465	50,726	54,520	26,504	79,153	669,097	35,751	704,848
Accounts receivable	316,944	43,914	39,502	93,649	428,755	408,116	62,760	439,277	47,494	133,159	4,580	373,087	2,391,237	184,744	2,575,981
Invested securities															
lending collateral	3,019,965	534,853	886,932	600,865	930,632	538,253	339,581	1,003,334	753,048	924,216	218,312	1,455,881	11,205,872	1,663,201	12,869,073
Loans															
Loans - Farm	48,895	9,438	13,402	13,732	8,801	11,140	8,018	18,975	13,973	14,101	11,058	22,436	193,969	-	193,969
<b>Total Assets</b>	<b>\$ 96,436,414</b>	<b>\$ 16,581,463</b>	<b>\$ 25,168,628</b>	<b>\$ 16,509,713</b>	<b>\$ 31,433,500</b>	<b>\$ 17,306,606</b>	<b>\$ 12,548,948</b>	<b>\$ 34,308,999</b>	<b>\$ 23,120,265</b>	<b>\$ 29,279,247</b>	<b>\$ 6,076,360</b>	<b>\$ 47,550,913</b>	<b>\$ 356,321,056</b>	<b>\$ 9,150,187</b>	<b>\$ 365,471,243</b>
<b>Liabilities:</b>															
Accrued payroll	\$ 4,744	\$ 684	\$ 801	\$ 439	\$ 1,293	\$ 1,049	\$ 945	\$ 1,635	\$ 856	\$ 1,275	\$ 336	\$ 2,329	\$ 16,386	\$ 3,064	\$ 19,450
Accounts payable	17,660	3,111	5,102	3,431	5,412	3,167	2,042	5,864	4,352	5,358	1,273	8,517	65,287	2,769	68,056
Securities lending collateral	3,019,965	534,853	886,932	600,865	930,632	538,253	339,581	1,003,334	753,048	924,216	218,312	1,455,881	11,205,872	1,663,201	12,869,073
Due to other state agencies	765	116	132	86	189	162	148	270	141	195	69	360	2,633	396	3,029
<b>Total Liabilities</b>	<b>3,043,134</b>	<b>538,764</b>	<b>892,966</b>	<b>604,821</b>	<b>937,525</b>	<b>542,631</b>	<b>342,716</b>	<b>1,011,104</b>	<b>758,396</b>	<b>931,044</b>	<b>219,990</b>	<b>1,467,087</b>	<b>11,290,178</b>	<b>1,669,429</b>	<b>12,959,607</b>
<b>Equity:</b>															
Fund Balance:															
Special revenue funds															
Restricted	93,393,280	16,042,699	24,275,662	15,904,892	30,495,975	16,763,975	12,206,232	33,297,895	22,361,869	28,348,203	5,856,370	46,083,826	345,030,878	7,480,758	352,511,636
<b>Total Fund Balance</b>	<b>93,393,280</b>	<b>16,042,699</b>	<b>24,275,662</b>	<b>15,904,892</b>	<b>30,495,975</b>	<b>16,763,975</b>	<b>12,206,232</b>	<b>33,297,895</b>	<b>22,361,869</b>	<b>28,348,203</b>	<b>5,856,370</b>	<b>46,083,826</b>	<b>345,030,878</b>	<b>7,480,758</b>	<b>352,511,636</b>
Total Liabilities and Fund Balances	\$ 96,436,414	\$ 16,581,463	\$ 25,168,628	\$ 16,509,713	\$ 31,433,500	\$ 17,306,606	\$ 12,548,948	\$ 34,308,999	\$ 23,120,265	\$ 29,279,247	\$ 6,076,360	\$ 47,550,913	\$ 356,321,056	\$ 9,150,187	\$ 365,471,243

ND Department of Trust Lands  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balance – Nonmajor Government Funds  
 June 30, 2024

Revenues:	Special Revenue Funds												Special Capitol Building	Total Non-major Govern- mental Funds	
	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
Investment income	\$ 1,609,292	\$ 283,988	\$ 435,435	\$ 274,578	\$ 548,856	\$ 302,551	\$ 200,360	\$ 591,494	\$ 415,632	\$ 482,004	\$ 108,129	\$ 825,965	\$ 6,078,284	\$ 530,733	\$ 6,609,017
Loan income															
Farm loans	5,090	983	1,395	1,430	916	1,160	835	1,975	1,455	1,468	1,151	2,336	20,194	-	20,194
Change in fair value of investments	7,703,693	1,364,368	2,262,494	1,532,760	2,373,968	1,373,040	866,244	2,559,427	1,920,967	2,357,602	556,896	3,713,838	28,585,297	413,991	28,999,288
Securities lending income	138,862	24,593	40,782	27,628	42,792	24,749	15,614	46,135	34,626	42,497	10,038	66,943	515,259	119,202	634,461
Royalties	4,233,335	650,212	1,218,080	92,602	1,618,676	1,234,352	864,105	3,107,249	796,831	1,009,717	49,180	2,160,959	17,035,298	2,325,550	19,360,848
Bonuses	35,136	-	1,832	3,600	8,320	1,720	28,655	800	880	-	404,480	-	485,423	-	485,423
Rental income	388,806	57,501	86,438	44,224	82,224	87,094	58,067	77,631	82,944	70,840	46,643	183,862	1,266,274	195,405	1,461,679
<b>Total Revenues</b>	<b>14,114,214</b>	<b>2,381,645</b>	<b>4,046,456</b>	<b>1,976,822</b>	<b>4,675,752</b>	<b>3,024,666</b>	<b>2,033,880</b>	<b>6,384,711</b>	<b>3,253,335</b>	<b>3,964,128</b>	<b>1,176,517</b>	<b>6,953,903</b>	<b>53,986,029</b>	<b>3,584,881</b>	<b>57,570,910</b>
<b>Expenditures:</b>															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	167,326	167,326
Education	301,202	51,641	86,387	55,737	96,325	65,104	41,318	110,310	73,999	86,996	24,567	154,141	1,147,727	-	1,147,727
<b>Total Expenditures</b>	<b>301,202</b>	<b>51,641</b>	<b>86,387</b>	<b>55,737</b>	<b>96,325</b>	<b>65,104</b>	<b>41,318</b>	<b>110,310</b>	<b>73,999</b>	<b>86,996</b>	<b>24,567</b>	<b>154,141</b>	<b>1,147,727</b>	<b>167,326</b>	<b>1,315,053</b>
Excess of revenue over expenditures	13,813,012	2,330,004	3,960,069	1,921,085	4,579,427	2,959,562	1,992,562	6,274,401	3,179,336	3,877,132	1,151,950	6,799,762	52,838,302	3,417,555	56,255,857
<b>Other Financing Uses:</b>															
Transfer to Educational Institutions	(3,824,000)	(668,000)	(1,099,000)	(746,000)	(1,202,950)	(677,000)	(447,000)	(1,331,000)	(958,000)	(1,166,000)	(275,000)	(1,827,000)	(14,220,950)	-	(14,220,950)
Transfer to Facilities Management	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,250,000)	(1,250,000)
<b>Total Other Financing Uses</b>	<b>(3,824,000)</b>	<b>(668,000)</b>	<b>(1,099,000)</b>	<b>(746,000)</b>	<b>(1,202,950)</b>	<b>(677,000)</b>	<b>(447,000)</b>	<b>(1,331,000)</b>	<b>(958,000)</b>	<b>(1,166,000)</b>	<b>(275,000)</b>	<b>(1,827,000)</b>	<b>(14,220,950)</b>	<b>(1,250,000)</b>	<b>(15,470,950)</b>
<b>Increase (decrease) in net position</b>	<b>9,989,012</b>	<b>1,662,004</b>	<b>2,861,069</b>	<b>1,175,085</b>	<b>3,376,477</b>	<b>2,282,562</b>	<b>1,545,562</b>	<b>4,943,401</b>	<b>2,221,336</b>	<b>2,711,132</b>	<b>876,950</b>	<b>4,972,762</b>	<b>38,617,352</b>	<b>2,167,555</b>	<b>40,784,907</b>
Net position - beginning	93,393,280	16,042,699	24,275,662	15,904,892	30,495,975	16,763,975	12,206,232	33,297,895	22,361,869	28,348,203	5,856,370	46,083,826	345,030,878	7,480,758	352,511,636
<b>Net position - ending</b>	<b>\$ 103,382,292</b>	<b>\$ 17,704,703</b>	<b>\$ 27,136,731</b>	<b>\$ 17,079,977</b>	<b>\$ 33,872,452</b>	<b>\$ 19,046,537</b>	<b>\$ 13,751,794</b>	<b>\$ 38,241,296</b>	<b>\$ 24,583,205</b>	<b>\$ 31,059,335</b>	<b>\$ 6,733,320</b>	<b>\$ 51,056,588</b>	<b>\$ 383,648,230</b>	<b>\$ 9,648,313</b>	<b>\$ 393,296,543</b>

ND Department of Trust Lands  
 Combined Statement of Revenues, Expenditures and  
 Changes in Fund Balance – Nonmajor Government Funds  
 June 30, 2023

Revenues:	Special Revenue Funds													Special Capitol Building	Total Non-major Govern- mental Funds
	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		
Investment income	\$ 2,102,949	\$ 369,491	\$ 598,297	\$ 375,627	\$ 736,639	\$ 371,872	\$ 249,624	\$ 715,592	\$ 504,467	\$ 653,120	\$ 137,846	\$ 1,034,412	\$ 7,849,936	\$ 186,298	\$ 8,036,234
Loan income															
Farm	6,520	1,259	1,787	1,831	1,174	1,485	1,069	2,530	1,863	1,880	1,475	2,992	25,865	-	25,865
Change in fair value of	3,309,413	586,975	955,488	642,659	1,039,721	585,945	389,237	1,132,727	833,084	1,015,856	234,691	1,592,911	12,318,707	222,164	12,540,871
Securities lending income	123,567	21,884	36,290	24,585	38,078	22,024	13,895	41,053	30,812	37,816	8,933	59,570	458,507	84,634	543,141
Royalties	5,559,661	755,390	780,048	290,500	2,087,756	1,402,618	1,100,364	1,927,485	740,097	1,481,308	78,628	3,790,697	19,994,552	2,467,434	22,461,986
Bonuses	121,103	7,861	80	3,309	53,960	960	80	400	-	160	-	26,486	214,399	38,563	252,962
Rental income	285,695	58,281	85,816	45,760	82,048	83,967	55,520	77,826	79,435	70,811	49,416	184,887	1,159,462	195,270	1,354,732
Total Revenues	11,508,908	1,801,141	2,457,806	1,384,271	4,039,376	2,468,871	1,809,789	3,897,613	2,189,758	3,260,951	510,989	6,691,955	42,021,428	3,194,363	45,215,791
<b>Expenditures:</b>															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	144,238	144,238
Education	372,302	60,561	92,407	58,103	106,319	70,482	56,658	122,736	86,490	111,582	27,976	188,076	1,353,692	-	1,353,692
Total Expenditures	372,302	60,561	92,407	58,103	106,319	70,482	56,658	122,736	86,490	111,582	27,976	188,076	1,353,692	144,238	1,497,930
Excess of revenue over	11,136,606	1,740,580	2,365,399	1,326,168	3,933,057	2,398,389	1,753,131	3,774,877	2,103,268	3,149,369	483,013	6,503,879	40,667,736	3,050,125	43,717,861
<b>Other Financing Uses:</b>															
Transfer to Educational Institutions	(3,310,000)	(545,000)	(1,007,000)	(694,000)	(997,500)	(589,000)	(371,000)	(1,114,000)	(828,000)	(987,000)	(255,000)	(1,555,000)	(12,252,500)	-	(12,252,500)
Transfer to Facilities Management	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,341,865)	(2,341,865)
Total Other Financing Uses	(3,310,000)	(545,000)	(1,007,000)	(694,000)	(997,500)	(589,000)	(371,000)	(1,114,000)	(828,000)	(987,000)	(255,000)	(1,555,000)	(12,252,500)	(2,341,865)	(14,594,365)
Increase (decrease) in net position	7,826,606	1,195,580	1,358,399	632,168	2,935,557	1,809,389	1,382,131	2,660,877	1,275,268	2,162,369	228,013	4,948,879	28,415,236	708,260	29,123,497
Net position - beginning	85,566,674	14,847,119	22,917,263	15,272,724	27,560,418	14,954,586	10,824,101	30,637,018	21,086,601	26,185,834	5,628,357	41,134,947	316,615,642	6,772,498	323,388,140
Net position - ending	\$ 93,393,280	\$ 16,042,699	\$ 24,275,662	\$ 15,904,892	\$ 30,495,975	\$ 16,763,975	\$ 12,206,232	\$ 33,297,895	\$ 22,361,869	\$ 28,348,203	\$ 5,856,370	\$ 46,083,826	\$ 345,030,878	\$ 7,480,758	\$ 352,511,636

**ND Department of Trust Lands**  
 Schedule of Contributions to NDPERS Pension Plan  
 Last Ten Fiscal Year  
 June 30, 2024

Fiscal Year Ending	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Trust Land's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
June 30						
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%
2022	PERS	\$ 153,632	\$ 162,149	\$ (8,517)	\$2,083,266	7.78%
2023	PERS	\$ 153,371	\$ 154,858	\$ (1,487)	\$2,036,343	7.60%
2024	PERS	\$ 161,069	\$ 158,083	\$ 2,986	\$2,129,114	7.42%

ND Department of Trust Lands  
Schedule of Employer's Proportionate Share of Net Pension Liability  
Last Ten Fiscal Years  
June 30, 2024

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%
2022 PERS	0.183971%	\$ 1,917,531	\$ 2,083,266	92.04%	78.26%
2023 PERS	0.175542%	\$ 5,052,213	\$ 2,036,343	248.10%	54.47%
2024 PERS	0.174108%	\$ 3,357,242	\$ 2,129,114	157.68%	65.31%

**Notes to Required Supplement Information:**

***Changes of benefit terms.***

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

***Changes of assumptions.***

All actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**ND Department of Trust Lands**  
 Schedule of Contributions to NDPERS OPEB Plan  
 Last Ten Fiscal Years\*  
 June 30, 2024

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

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

ND Department of Trust Lands  
Schedule of Employer's Proportionate Share of Net OPEB Liability  
Last Ten Fiscal Years\*  
June 30, 2024

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

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

**Notes to the Required Supplementary Information:**

***Changes to benefit terms***

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

***Changes to assumptions***

All actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Dakota Department of Trust Lands (the Department), an agency of the State of North Dakota, as of and for the year ended June 30, 2024, 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 4, 2024.

**Report on Internal Control over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed address and date.

Bismarck, North Dakota  
November 4, 2024



## **Auditor’s Specific Comments Requested by the North Dakota Legislative Audit and Fiscal Review Committee**

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

The Legislative Audit and Fiscal Review Committee requires a separate audit summary from certified public accountants performing audits of state agencies. The separate audit summary regarding the June 30, 2024 audit of North Dakota Department of Trust Lands is as follows:

### **Purpose of the Audit**

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

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

### **Type of Audit Opinion**

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

### **Findings and Recommendations**

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

### **Status of Prior Recommendations**

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

### **Explanations of Significant Audit Adjustments and Misstatements**

The misstatements on the attached schedule that were identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

### **Disagreements with Management or Difficulties Encountered during the Audit**

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

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

### **Other Audit Report Highlights**

None

### **Cost of the Audit Compared to the Prior Audit**

The cost of the 2024 North Dakota Department of Trust Lands audit was \$50,775.

The cost of the 2023 North Dakota Department of Trust Lands audit was \$50,775.

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

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Bismarck, North Dakota  
November 4, 2024

Schedule of Corrected Misstatements  
 North Dakota Department of Trust Lands  
 June 30, 2024

<b><u>Strategic Investments and Improvements Fund</u></b>	<u>Debit</u>	<u>Credit</u>
Royalties - Oil	417,472	
Royalties - Gas	14,599	
Accounts Receivable		432,071
<i>To correct unpaid royalty revenue that had not yet been received as of June 30, 2024.</i>		
 <b><u>Common Schools Trust Fund</u></b>	 <u>Debit</u>	 <u>Credit</u>
Royalties - Oil	901,867	
Royalties - Gas	21,158	
Accounts Receivable		923,025
<i>To correct unpaid royalty revenue that had not yet been received as of June 30, 2024.</i>		
 <b><u>Other Governmental Funds</u></b>	 <u>Debit</u>	 <u>Credit</u>
Royalties - Oil	112,985	
Royalties - Gas	2,987	
Accounts Receivable		115,972
<i>To correct unpaid royalty revenue that had not yet been received as of June 30, 2024.</i>		