

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 \$486,736,080 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.

During the fiscal year ending June 30, 2021, the Department's revenues increased by a total of \$1,500,563,657. Royalty revenues increased by \$37,741,297 as commodity prices recovered following the effects of the COVID-19 pandemic. In addition, oil extraction tax and gross production tax revenues increased by \$143,398,355 and \$218,197,798, respectively, primarily due to the tax distribution formula, which resulted in higher distributions to the Strategic Investment and Improvements fund during the second year of each biennia versus the first year. Mineral lease bonus revenue decreased by \$9,298,718 due to fewer mineral acres available to lease in producing areas and by bonus refunds issued pursuant to N.D.C.C. §61-33.1. The change in fair value of investments indicates a net gain of \$907,771,770 for fiscal year 2021 attributed to the strong market rally after the country reopened following COVID restrictions.

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, 2022, 2021 and 2020 are \$9,761,793, \$8,830,180, and \$8,798,580 (net of accumulated depreciation for equipment), respectively. These capital assets include land, equipment, and the purchasing of Microsoft Dynamics software starting in fiscal year 2020. See Note 14 to Financials Statements for additional details on capital assets.

ND Department of Trust Lands
Statement of Net Position
June 30, 2022 and 2021

	2022 Governmental Activities	2021 Governmental Activities
Assets:		
Cash	\$ 574,285,156	\$ 551,254,547
Investments	6,170,583,593	6,212,800,429
Interest receivable	26,687,000	14,397,445
Accounts receivable	75,064,576	49,786,963
Invested securities lending collateral	342,589,082	278,327,959
Loans		
Farm loans	4,602,174	4,988,533
School loans - Coal	27,190,349	29,864,928
Energy impact loans	9,007,400	9,781,118
Capital asset – land	7,736,490	7,738,774
Equipment (net of accumulate depreciation)	2,025,303	1,091,406
Due from other state agencies	246,166,707	76,761,539
Due from state general fund	-	64,370,000
Total Assets	7,485,937,830	7,301,163,641
Deferred Outflows of Resources:		
Deferred pension outflows	2,678,946	3,577,193
Deferred Other post-employment benefits outflows	52,159	51,366
Total Deferred Outflows of Resources	2,731,105	3,628,559
Liabilities:		
Accrued payroll	253,787	253,212
Accounts payable	15,283,432	1,311,083
Securities lending collateral	342,589,082	278,327,959
Due to other state agencies	227,375	1,715,320
Claimant liability	22,357,233	16,461,434
Long-term liabilities		
Compensated absences due within one year	9,615	11,559
Compensated absences due in more than one year	170,390	204,863
Pension liability	1,917,531	5,451,961
Other post-employment benefits liability	91,154	126,085
Total Liabilities	382,899,598	303,812,395
Deferred Inflows of Resources:		
Deferred pension inflows	3,868,306	1,058,720
Deferred other post-employment benefits inflows	(52,027)	26,308
Total Deferred Inflows of Resources	3,816,279	1,085,028
Net Position:		
Net investment in capital assets	9,761,793	8,830,180
Restricted		
Nonexpendable	70,296,156	71,010,157
Expendable	5,978,730,364	6,061,026,839
Unrestricted	1,043,164,745	859,027,601
Total Net Position	\$7,101,953,058	\$6,999,894,777

See Notes to the Financial Statements

ND Department of Trust Lands
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2022

Revenues:	General Fund	Common Schools Trust Fund	Coal Development Trust Fund	Oil and Gas & Energy Impact Funds	Strategic Investment & Improvements Fund	Other Governmental Funds	Total
Investment income	\$ -	\$ 181,236,925	\$ 325,108	\$ -	\$ 5,552,087	\$ 10,114,198	\$ 197,228,318
Interest income	97	-	-	-	-	-	97
Loan income	-	-	-	-	-	-	-
<i>Farm loans</i>	-	307,154	-	-	-	26,273	333,427
<i>School loans - Coal</i>	-	-	360,937	-	-	-	360,937
Net increase (decrease) in fair value of investments	-	(448,361,311)	(1,162,199)	-	(12,615,607)	(24,596,963)	(486,736,080)
Securities lending income	-	870,503	20,893	-	255,046	49,982	1,196,424
Royalties	-	266,787,464	-	-	190,853,663	25,350,491	482,991,618
Bonuses, net of bonus refunds	-	2,062,168	-	-	(37,769,279)	403,498	(35,303,613)
Rental income	-	13,589,170	-	-	12,466	1,344,644	14,946,280
Coal severance tax	-	-	1,493,992	-	-	-	1,493,992
Gross production tax	-	-	-	-	181,708,817	-	181,708,817
Oil extraction tax	-	122,357,608	-	-	134,900,279	-	257,257,887
Unclaimed property collections	-	4,870,341	-	-	-	-	4,870,341
Indirect recovery costs	35,166,626	-	-	-	-	-	35,166,626
Total Revenues	35,166,723	143,720,022	1,038,731	-	462,897,472	12,692,123	655,515,071
Expenditures:							
Current	-	-	-	-	-	-	-
<i>General government</i>	-	-	39,913	-	2,407,579	53,979	2,501,471
<i>Intergovernmental</i>	-	-	-	847,235	-	-	847,235
<i>Education</i>	34,962,657	14,445,348	-	-	-	947,436	50,355,441
Total Expenditures	34,962,657	14,445,348	39,913	847,235	2,407,579	1,001,415	53,704,147
Excess of revenue over (under) expenditures	204,066	129,274,674	998,818	(847,235)	460,489,893	11,690,708	601,810,924
Other Financing Sources (Uses):							
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	-	-	(1,045,795)	-	-	-	(1,045,795)
Transfer to Attorney General	-	-	-	-	(3,000,000)	-	(3,000,000)
Transfer to Agricultural Department	-	-	-	-	(5,000,000)	-	(5,000,000)
Transfer to Insurance Commissioner	-	-	-	-	(200,000)	-	(200,000)
Transfer to Office of Management & Budget	-	-	-	-	(215,487,626)	-	(215,487,626)
Transfer to Office of the Adjutant General	-	-	-	-	(1,000,000)	-	(1,000,000)
Transfer to Innovation Loan Fund (BND)	-	-	-	-	(15,000,000)	-	(15,000,000)
Transfer to University System	-	-	-	-	(19,000,000)	-	(19,000,000)
Transfer to Department of Commerce	-	-	-	-	(15,000,000)	-	(15,000,000)
Transfer to Upper Great Plains Transportation	-	-	-	-	(2,073,000)	-	(2,073,000)
Transfer to State General Fund	-	-	(607,514)	-	-	-	(607,514)
Transfer to Facilities Management	-	-	-	-	-	(500,000)	(500,000)
Transfer State General Fund	-	-	-	-	14,463	-	14,463
Proceeds from sale of capital asset (land)	-	644	-	-	-	-	644
Total Other Financing Sources (Uses)	-	(210,509,356)	(1,653,309)	-	(275,746,163)	(12,752,500)	(500,661,328)
Net Change in Fund Balance	204,066	(81,234,682)	(654,491)	(847,235)	184,743,730	(1,061,792)	101,149,596
Fund Balance - beginning	448,889	5,736,576,906	71,117,671	1,256,697	860,465,438	324,449,932	6,994,315,533
Fund Balance - ending	<u>\$ 652,955</u>	<u>\$ 5,655,342,224</u>	<u>\$ 70,463,180</u>	<u>\$ 409,462</u>	<u>\$ 1,045,209,168</u>	<u>\$ 323,388,140</u>	<u>\$ 7,095,465,129</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	\$101,149,596
Net value of capital asset - land transaction	(4,805)
Net value of capital asset - acquired land	2,521
Depreciation expense on equipment	(689,089)
Office equipment additions	1,622,986
Decrease in compensated absences liability	36,417
Increase in net OPEB liability	34,931
Changes in deferred outflows and inflow resources related to net OPEB liability	79,128
Increase in net pension liability	3,534,430
Changes in deferred outflows and inflows resources related to net pension liability	(3,707,833)
Change in net position of governmental activities	<u>\$102,058,281</u>

NORTH DAKOTA DEPARTMENT OF TRUST LANDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022 and 2021

	2022	2021
	Indian Cultural Education Trust	Indian Cultural Education Trust
<u>Assets</u>		
Cash	\$ 422	\$ 2,102
Investments	1,324,232	1,436,653
Interest Receivable	5,333	2,584
Invested securities lending collateral	53,655	48,796
Total Assets	<u>1,383,642</u>	<u>1,490,138</u>
<u>Liabilities</u>		
Accounts payable	189	280
Securities lending collateral	53,655	48,796
Total Liabilities	<u>53,844</u>	<u>49,076</u>
<u>Net Position</u>		
Net position, restricted for education	<u>1,329,798</u>	<u>1,441,059</u>
Total Net Position	<u>\$ 1,329,798</u>	<u>\$ 1,441,059</u>

See Notes to the Financial Statements

NORTH DAKOTA DEPARTMENT OF TRUST LANDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED JUNE 30, 2022 and 2021

	2022 Indian Cultural Education Trust	2021 Indian Cultural Education Trust
Additions		
Contributions:		
Donations	\$ -	\$ -
Total Contributions	<u>-</u>	<u>-</u>
Investment income:		
Net change in fair value of investments	(109,295)	228,427
Interest	44,865	34,715
Less investment expense	(2,361)	(2,286)
Net Investment Income	<u>(66,792)</u>	<u>260,855</u>
Securities Lending Activity:		
Securities lending income	211	125
Net Securities Lending Income	<u>211</u>	<u>125</u>
Miscellaneous Income	2,460	2,906
Total Additions	<u>(64,120)</u>	<u>263,886</u>
Deductions		
Payments in accordance with Trust agreement	46,052	42,556
Administrative expenses	1,088	1,580
Total Deductions	<u>47,140</u>	<u>44,136</u>
Change in net position held in Trust for:		
Indian Cultural Education Trust	(111,261)	219,750
Total Change in Net Position	<u>(111,261)</u>	<u>219,750</u>
Net Position – Beginning of Year	1,441,059	1,221,309
Net Position – End of Year	<u>\$ 1,329,798</u>	<u>\$ 1,441,059</u>

See Notes to the Financial Statements

ND Department of Trust Lands
Statement of Appropriations
June 30, 2022

	Approved 2021-23 Biennial Appropriation	Final Adjusted Appropriation	2022 Expenditures	2023 Expenditures	Unexpended Appropriation
General Fund Appropriated Expenditures:					
Salaries and Wages	\$ 6,473,127	\$ 6,475,647	\$ 3,065,906	\$ -	\$ 3,409,741
Operating Expenses	2,229,872	2,229,872	661,106	-	1,568,766
Capital Assets	1,600,000	3,009,054	1,686,167	-	1,322,888
Contingencies	100,000	100,000	-	-	100,000
	<u>\$ 10,402,999</u>	<u>\$ 11,814,573</u>	<u>\$ 5,413,179</u>	<u>\$ -</u>	<u>\$ 6,401,394</u>

Continuing Appropriations:

Investments			\$49,376,155	\$ -	
Land Management – Grant and Non-Grant			375,385	-	
County Services - Roads & Bridges			130,368	-	
In Lieu Property Taxes			137,357	-	
Strategic Investment and Improvements fund			395,668	-	
Office Building			53,855	-	
Uniform Unclaimed Property			322,208	-	
Total *			<u>\$50,790,996</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.

Oil and Gas Impact Grant Fund:

	Approved 2021-23 Biennial Appropriation	Final Adjusted Appropriation	2022 Expenditures	2023 Expenditures	Unexpended Appropriation
Energy Infrastructure and Impact Grants	\$ -	\$ 16,167,624	\$837,196	\$ -	\$ 15,330,428
Energy Infrastructure and Impact Operating		99,473	11,002	-	88,470
	<u>\$ -</u>	<u>\$ 16,267,096</u>	<u>\$ 848,198</u>	<u>\$ -</u>	<u>\$ 15,418,898</u>

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.

Budgetary Policies and Procedures

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

Commission authorization, initiative, or referendum action. Unexpended appropriations lapse at the end of the biennium.

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

Cash Deposits and Investments

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

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

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

Accounts Receivable

Accounts receivable represents accrued amounts on royalty revenue and interest on investments not available on June 30, 2022, for funding of current operations. A majority of accrued royalty revenue is expected to be collected within the first 90 days following June 30, 2022. 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, 2022 or 2021.

Claimant Liability

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

Long-Term Debt

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

Capital Assets

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

All other capital assets with an original cost of \$5,000 or more per unit, and an estimated useful life 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.

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 as of June 30, 2022, was \$574,285,156 and the bank balance was \$574,305,783. As of June 30, 2021, the carrying amount of deposits was \$551,254,547 and the bank balance was \$551,389,581. These differences result from timing differences of deposits processed by the Bank at year-end. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, deposits held at the BND are guaranteed by the State of North Dakota through N.D.C.C. Chapter 6-09-10.

NOTE 4 – FUND BALANCE CLASSIFICATION

The following fund balance classifications describe the spending constraints placed on the purpose for which resources can be used:

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

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

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

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

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

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

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

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

Custodial Risk

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

Concentration of Credit Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board maintains a diversified portfolio of debt securities encompassing a wide range of credit ratings, including securities identified as U.S. Government in the tables below, which are U.S. Treasury and Agency debt securities that are either explicitly or implicitly guaranteed by the U.S. government and thus are considered to have no credit risk. Each fixed income securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit, and to what extent within the ranges, the manager may invest. The following tables present the Board's ratings as of June 30, 2022 and 2021, respectively.

ND Department of Trust Lands
Notes to Financial Statements
June 30, 2022 and 2021

Fiscal Year 2022

	AAA	AA	A	BBB	BB	B	CCC	CC	Not Rated	US Government	Total
Asset Backed Securities	\$ 61,431,077	\$ 2,783,509	\$ 6,699,703	\$ 9,286,953	\$ -	\$ -	\$ -	\$ -	\$ 36,931,445	\$ -	\$ 117,132,687
Bank Loans	-	-	-	-	2,721,145	6,396,128	-	-	1,832,004	-	10,949,277
Commercial Mortgage-Backed	-	-	-	-	-	-	-	-	15,138,949	-	15,138,949
Corporate Bonds	14,220,467	20,689,046	149,811,391	162,261,604	13,044,912	7,190,291	1,410,584	19,000	10,262,843	-	378,910,138
Corporate Convertible Bonds	-	-	193,199	827,415	912,960	817,922	-	-	2,022,870	-	4,774,366
Government Agencies	17,580,042	18,924,642	-	1,872,476	-	-	-	-	-	1,301,448	39,678,608
Government Bonds	6,950,598	483,095	217,326	2,302,761	-	-	-	-	3,590,508	240,100,993	253,645,281
Government Mortgage Backed Securities	-	-	-	860,277	686,345	-	-	-	-	99,367,183	100,913,805
Municipal/Provincial Bonds	28,540,429	41,644,441	9,301,738	-	-	-	-	-	8,249,317	-	87,735,925
Non-Government Backed C.M.O.s	74,606	297,579	-	-	425,595	-	-	-	9,892,517	-	10,690,297
Short Term Bills and Notes	-	-	-	-	-	-	-	-	-	11,164,678	11,164,678
Sukuk	-	-	-	1,031,908	-	-	-	-	-	-	1,031,908
Funds - Other Fixed Income	-	-	-	-	-	-	-	-	552,121,805	-	552,121,805
Funds - Short Term Investment	-	-	-	-	-	-	-	-	122,727,394	-	122,727,394
Funds - Corporate Bond	-	-	-	-	-	-	-	-	72,558	-	72,558
Funds - Municipal/Provincial Bond	-	-	-	-	-	-	-	-	10,975	-	10,975
Funds - Government Agencies	-	-	-	-	-	-	-	-	-	2	2
	\$128,797,219	\$84,822,312	\$166,223,357	\$178,443,394	\$17,790,957	\$14,404,341	\$1,410,584	\$19,000	\$762,853,185	\$351,934,304	\$1,706,698,653

Fiscal Year 2021

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

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

Fiscal Year 2022

Currency	Debt	Equity	Total
Australian Dollar	\$ -	\$ 66,965,724	\$ 66,965,724
Brazilian Real	-	10,735,271	10,735,271
British Pound Sterling	(8,621)	116,203,815	116,195,194
Canadian Dollar	-	87,239,420	87,239,420
Chilean Peso	-	925,028	925,028
Chinese Renminbi	-	7,698,575	7,698,575
Chinese Yuan	-	34,770,591	34,770,591
Columbian Peso	-	343,440	343,440
Czech Koruna	-	1,583,944	1,583,944
Danish Krone	-	19,985,108	19,985,108
Egyptian Pounds	-	(42,235)	(42,235)
European Euro	(27,216)	220,507,755	220,480,540
Greek drachma	-	52,053	52,053
Hong Kong Dollar	-	50,923,303	50,923,303
Hungarian Forint	-	325,197	325,197
Indian Rupee	-	2,771,991	2,771,991
Indonesian Rupiah	-	3,883,627	3,883,627
Israel Shekel	-	10,938,467	10,938,467
Japanese Yen	-	181,697,390	181,697,390
Kuwaiti dinar	-	1,559,261	1,559,261
Malaysian Ringgit	-	703,247	703,247
Mexican Peso	-	457,570	457,570
Moroccan Dirham	-	(36,485)	(36,485)
New Zealand Dollar	-	2,125,398	2,125,398
Norwegian Krone	-	10,298,106	10,298,106
Peruvian Nuevo Sol	-	45,807	45,807
Philippines Peso	-	277,612	277,612
Polish Zloty	-	453,296	453,296
Qatari Riyal	-	909,763	909,763
Romanian New Leu	-	54,728	54,728
Saudi Arabian Riyal	-	3,694,277	3,694,277
Singapore Dollar	-	11,286,820	11,286,820
South African Rand	-	2,812,574	2,812,574
South Korean Won	-	31,220,583	31,220,583
Swedish Krona	-	25,461,257	25,461,257
Swiss Franc	-	72,384,414	72,384,414
Taiwan dollar	-	24,687,240	24,687,240
Thai Baht	-	4,046,483	4,046,483
Turkish Lira	-	988,677	988,677
UAE dirham	-	2,068,375	2,068,375
	<u>(\$ 35,837)</u>	<u>\$ 1,013,007,467</u>	<u>\$ 1,012,971,631</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

Fiscal Year 2021

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

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

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

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of North Dakota Board of University & School Lands loans was approximately 126 days as of June 30, 2022, and 148 days as of June 30, 2021.

Cash open collateral is invested in a short-term investment pool, the NDLAN Custom fund, which had an interest sensitivity of 40 days as of this statement date.

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

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

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

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

The following represents the Board's balances related to securities lending transactions at June 30, 2022 and 2021.

Fiscal Year 2022

Security Type	Underlying Securities on Loan for Cash	Cash Collateral	Underlying Securities on Loan for Non- Cash Collateral	Non-Cash Collateral
US Agencies	\$ 7,026,054	\$ 7,173,546	\$ -	\$ -
US Corporate Fixed	68,596,775	70,395,196	4,099,561	4,211,377
US Equities	63,021,111	65,330,051	5,699,182	5,850,441
US Government Fixed	198,378,184	201,855,774	19,025,443	19,528,362
	<u>\$ 337,022,124</u>	<u>\$ 344,754,567</u>	<u>\$ 28,824,186</u>	<u>\$ 29,590,180</u>
Market Value of Securities on Loan against Cash Collateral				\$ 337,022,124
Market Value of Securities on Loan against Non-Cash Collateral				<u>28,824,186</u>
Total Market Value of Securities on Loan				<u><u>\$ 365,846,310</u></u>

ND Department of Trust Lands
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022.

	Fair Value at 6/30/22	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	\$ 11,164,678	\$ -	\$ 11,164,678	\$ -
Total Short-Term Securities	<u>11,164,678</u>	<u>-</u>	<u>11,164,678</u>	<u>-</u>
Equity Investments				
Common Stock	242,459,057	242,453,251	831	4,976
Equity Funds/ETFs	1,785,495	1,127,947	654,766	2,782
Convertible Equity	5,055,111	280,744	4,743,789	30,578
Preferred Stock	89,547	89,547	-	-
Total Equity Investments	<u>249,389,210</u>	<u>243,951,489</u>	<u>5,399,386</u>	<u>38,336</u>
Fixed Income Investments				
Asset Backed Securities	107,390,840	-	107,390,840	-
Bond Funds/ETFs	118,386,036	12,322	118,373,714	-
Collateralized Mortgage	10,690,297	-	10,690,297	-
Commercial Mortgage Backed	15,138,949	-	15,138,949	-
Corporate Bonds	379,942,046	-	379,942,046	-
Government Agencies	23,922,872	-	23,922,872	-
Government Bonds	341,381,205	-	341,381,205	-
Government Mortgage Backed	116,669,541	-	116,669,541	-
Collateralized Debt	9,741,847	-	9,741,847	-
Bank Loans	10,949,277	-	10,949,277	-
Total Fixed Income Investments	<u>1,134,212,910</u>	<u>12,322</u>	<u>1,134,200,588</u>	<u>-</u>
Other Investment Assets				
Commodity ETF	342	342	-	-
Currency	5,596,837	5,596,837	-	-
FX Contracts	7,476	7,476	-	-
Global Tactical Asset Allocation MF	652,140,124	-	652,140,124	-
Master Limited Partnership	2,551,387	2,551,386	-	1
REITs	12,222,937	12,222,937	-	-
Rights/Warrants	811	811	-	-
Miscellaneous	623,553	623,552	1	-
Total Other Investment Assets	<u>673,143,466</u>	<u>21,003,341</u>	<u>652,140,125</u>	<u>1</u>
Total Investments at Fair Value	<u>\$2,067,910,265</u>	<u>\$264,967,152</u>	<u>\$1,802,904,776</u>	<u>\$ 38,337</u>

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

Reconciliation of investment expenses to financial statements

	2022	2021
Investment expenses as reflected in the financial statements	\$ 9,872,733	\$ 9,389,494
Plus, investment management fees included in investment income		
Large cap equity	3,677	5,817
Small cap equity	-	(217)
International equity	6,623	7,839
Emerging markets equity	981,390	1,785,458
Core fixed income	315,357	304,964
Non-core fixed income	10,146,565	7,793,859
Loan pools	23,878	30,791
Real Estate	19,112,958	-
Core real estate	-	(2,059)
Non-core real estate	-	7,786,380
Global tactical	7,356,296	7,119,337
Private equity	2,091,887	25,182
Private Infrastructure	531,241	-
Credit opportunities	(1,067,452)	2,646,227
Specialty consultant fees	1,002	3,653
Investment expenses per schedule	<u>\$49,376,155</u>	<u>\$36,896,722</u>
	2022	2021
BND loan pool management expenses:		
Expenses as reflected in the financial statements	\$23,878	\$29,594
Plus expenses as reflected in interest income	-	1,197
Total loan pool expenses	<u>\$23,878</u>	<u>\$30,791</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, 2022, the non-current and current portions of the loans were \$4,093,258 and \$508,916 respectively. As of June 30, 2021, the non-current and current portions of the loans were \$4,403,841 and \$540,537, respectively.

As of June 30, 2022, and 2021, the pool had a net position of \$7,041,113 and \$6,731,563, respectively. For the same period, the pool earned net income of \$309,548 and \$363,794, respectively.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

Perpetual funds:

Attorney General Office	-	727	-	-
Department of Transportation	-	394	-	-
Information Technology Department	-	797	-	-
Office of Management and Budget	-	25	-	-
Bank of North Dakota	-	921	-	1,026
	-	<u>2,864</u>	-	<u>1,026</u>

Strategic Investment & Improvements fund:

State Treasurer	216,942,827	-	59,967,868	-
Department of Environmental Quality	-	-	126,023	-
Department of Commerce	-	-	119,262	-
Department of Corrections	-	-	123,426	-
Information Technology Department	-	6,802	743,163	1,705
Attorney General	-	10,934	-	190,852
Office of Management & Budget	-	205	-	-
Department of Transportation	-	3,212	-	-
Industrial Commission	-	-	-	817,634
OMB – Facility Management	-	-	-	500,000
	<u>216,942,827</u>	<u>21,154</u>	<u>61,079,742</u>	<u>1,510,191</u>

Coal Development Trust fund:

State Treasurer	238,396	-	214,559	-
Lignite Research Fund	-	166,877	-	-
State General Fund	-	-	-	150,191
	<u>238,396</u>	<u>166,877</u>	<u>214,559</u>	<u>150,191</u>

Capitol Building Trust fund:

Attorney General	-	126	-	-
Department of Transportation	-	68	-	-
Information Technology Department	-	138	-	-
Office of Management & Budget	-	4	-	-
	-	<u>336</u>	-	-

Oil and Gas Impact fund

Information Technology Department	-	140	-	607
Office of Management and Budget	-	-	-	3
	-	<u>140</u>	-	<u>610</u>

Total Due From/Due To

	<u>\$ 246,166,707</u>	<u>\$ 227,375</u>	<u>\$ 141,131,539</u>	<u>\$ 1,715,320</u>
--	-----------------------	-------------------	-----------------------	---------------------

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

Fund	2022		2021	
	Transfers from other agencies	Transfers to other agencies	Transfers from other agencies	Transfers to other agencies
Perpetual Funds:				
Ellendale	-	\$ 997,500	-	\$ 847,000
Industrial School	-	1,114,000	-	932,000
Mayville State University	-	371,000	-	334,000
ND State University	-	3,310,000	-	2,958,000
School of Mines	-	987,000	-	873,000
School of Science	-	828,000	-	747,000
School of the Blind	-	545,000	-	440,000
School of the Deaf	-	1,007,000	-	949,000
State Hospital	-	694,000	-	664,000
University of ND	-	1,555,000	-	1,379,000
Valley City State University	-	589,000	-	517,000
Veterans Home	-	255,000	-	245,000
	-	12,252,500	-	10,885,000
Commons School Trust Fund				
Department of Public Instruction	-	210,510,000	-	183,378,000
State General Fund	-	-	64,370,000	-
	-	210,510,000	64,370,000	183,378,000
Strategic Investment and Improvements :				
General Fund of North Dakota	14,463	205,000,000	-	382,200,000
Attorney General	-	3,000,000	-	422,685
Department of Agriculture	-	5,000,000	-	92,071
Insurance Commissioner	-	200,000	-	-
Office of Adjutant General	-	1,000,000	-	-
Dakota College of Bottineau	-	-	-	2,500,000
Innovation Loan Fund (BND)	-	15,000,000	-	-
Department of Commerce	-	15,000,000	119,262	-
Department of Corrections	-	-	123,426	-
ND University System	-	19,000,000	-	-
Department of Human Services	-	-	-	1,296,969
Upper Great Plains Transportation	-	2,073,000	-	-
Environmental Quality	-	-	126,023	1,057,658
Industrial Commission	-	-	-	1,219,082
Information Technology	-	-	743,163	-
Lake Region State College	-	-	-	363,000
Tax Commissioner	-	-	-	13,683
Office of Management & Budget (OMB)	-	10,487,626	-	872,680
OMB – Facility Management	-	-	-	500,000
	14,463	275,760,626	1,111,874	390,537,828

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

Coal Development Trust:

General Fund of North Dakota	-	607,514	-	800,000
Lignite Research Fund	-	1,045,795	-	1,027,616
	-	1,653,309	-	1,827,616

Capitol Building Trust:

Facilities Management	-	500,000	-	2,200,000
ND Supreme Court	-	-	-	970,000
Legislative Council	-	-	-	74,918
	-	500,000	-	3,244,918

Total Transfers	\$	14,463	\$	500,676,435
	\$	65,481,874	\$	589,873,362

NOTE 18 – ASSIGNED FUND BALANCE

On August 25, 2022, the Board of University and School Lands classified \$68,349,040 of the Strategic Investment and Improvements fund as an assigned fund balance for fiscal year 2023 financial statement purposes. This commitment 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 mineral ownership, royalty payments, and unclaimed property payments. The following is a list of pending lawsuits:

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

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

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

Continental is seeking a Declaratory Judgment that it is currently paying royalties properly under the Board's lease. Specifically, Continental is asking the Court to order that Continental is allowed to deduct certain costs from royalty payments and that it does not owe the Defendants any additional royalty payments based on previous deductions. A Complaint and Answer with Counterclaims have been filed.

Continental filed an Answer to Counterclaims. The parties both completed discovery. The parties filed a Joint Motion for Stay, requesting the Court stay all proceedings pending the North Dakota Supreme Court's resolution of the petition for rehearing in the Newfield lawsuit and the Court granted this request.

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

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

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, 2022 and 2021.

Claimant Liability – June 30, 2020	\$ 16,645,538
June 30, 2021	
Collections subject to liability	17,913,264
Less claims paid	6,794,785
Decrease accreted into net position	11,302,583
Claimant Liability – June 30, 2021	<u>\$ 16,461,434</u>
June 30, 2022	
Collections subject to liability	17,506,083
Less claims paid	6,053,669
Decrease accreted into net position	5,556,615
Claimant Liability – June 30, 2022	<u><u>\$ 22,357,233</u></u>

Long-Term Debt

The following is a summary of the long-term debt from the Bank of North Dakota to the Theodore Roosevelt Presidential Library and Museum Endowment fund for the year ending June 30, 2022.

	Balance 7/1/2021	Additions	Reductions	Amounts Due Within One Year	Balance 6/30/2022
Fiduciary Activities -					
Liabilities					
Loan Payable	\$ 17,500,000	\$ -	\$ 17,500,000	\$ -	\$ -

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

	Balance 7/1/2020	Additions	Reductions	Amounts Due Within One Year	Balance 6/30/2021
Fiduciary Activities -					
Liabilities					
Loan Payable	\$ -	\$ 35,000,000	\$ 17,500,000	\$ 17,500,000	\$ 17,500,000

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

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

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

NOTE 23 – PENSION PLAN

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to N.D.C.C. Chapter 54-52 for more complete information.

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, 2022 and 2021, the Department reported a liability of \$1,917,531 and \$5,451,961, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021 the Department's proportion was 0.183971 percent which was an increase of 0.010674 percent from its proportion measured as of June 30, 2020.

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

For the year ended June 30, 2021, the Department recognized pension expense of \$965,928. At June 30, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 21,217	\$ (276,256)
Changes in assumptions	2,922,595	(483,177)
Net difference between projected and actual earnings on pension plan investment	175,962	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	308,857	(299,287)
Employer contributions subsequent to the measurement date	148,562	-
TOTAL	\$ 3,577,193	\$ (1,058,720)

The \$148,562 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

<u>Year ended June 30</u>	<u>Amount of Pension Expense</u>
2022	\$ 695,155
2023	578,242
2024	490,547
2025	605,967
Thereafter	-

Actuarial assumptions.

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary Increase	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustment	None

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

Fiscal Year Ended June 30, 2021

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

Discount rate.

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

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

For purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00% for fiscal year ending June 30, 2022. For fiscal year ending June 30, 2021, the expected rate of return on pension plan investments was 7.00%; the municipal bond rate was 2.45%; and the resulting Single Discount Rate was 4.64%

ND Department of Trust Lands

Notes to Financial Statements

June 30, 2022 and 2021

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

<u>Year ended June 30</u>	<u>Pension Expense Amount</u>
2023	\$ (3,708)
2024	(3,933)
2025	(5,307)
2026	(6,215)
2027	551
Thereafter	-

For the year ended June 30, 2021, the Department recognized OPEB expense of \$14,894. At June 30, 2021, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$ 2,800	\$ (3,023)
Changes in assumptions	16,906	-
Net difference between projected and actual earnings on OPEB plan investment	4,336	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,691	(23,285)
Employer contributions subsequent to the measurement date	20,633	-
TOTAL	\$ 51,366	\$ (26,308)

The \$20,633 reported as deferred outflows of resources related to OPEB resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

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

<u>Year ended June 30</u>	<u>Pension Expense Amount</u>
2022	\$ 809
2023	1,930
2024	1,724
2025	468
2026	(227)
Thereafter	(279)

Actuarial assumptions

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 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	40%	0.50%
International Equities	21%	6.25%

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

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.00%
Domestic Fixed Income	40%	1.15%
International Equities	21%	6.45%

Discount rate.

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory 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, 2022, calculated using the discount rate of 6.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease <u>(5.50%)</u>	Current Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Employer's proportionate share of the net OPEB liability	\$ 135,193	\$ 91,154	\$ 53,890

The following presents the net OPEB liability of the Plans as of June 30, 2021, calculated using the discount rate of 6.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

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

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 \$250,000 per person and \$1,000,000 per occurrence.

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

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

North Dakota Workforce Safety and Insurance is an enterprise fund of the State of North Dakota. Workforce Safety is a state insurance fund and a “*no fault*” insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

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

NOTE 26 - MINERAL BONUS REFUNDS

The Department has been completing the necessary acreage adjustments pursuant to N.D.C.C. ch. 61-33.1. Based upon review of the current adjustments, the Department has determined that \$14,319,914 was to be recorded as a liability in the Strategic Investments and Improvements Fund as of June 30, 2022, based upon the lease corrections and royalty adjustments that have been executed. Subsequent to year-end, \$10,325,141 of this liability has been paid.

ND Department of Trust Lands
 Combined Balance Sheet – Nonmajor Government Funds
 June 30, 2022

Assets:	Special Revenue Funds												Special Revenue Funds	Total Non-Major	
	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	Governmental Funds
Cash	\$ 4,613,507	\$ 527,520	\$ 287,242	\$ 200,617	\$ 1,336,169	\$ 760,698	\$ 638,991	\$ 1,552,199	\$ 573,748	\$ 1,296,104	\$ 93,326	\$ 2,256,620	\$ 14,136,741	\$ 2,629,287	\$ 16,766,028
Investments	79,587,674	14,143,862	22,436,489	14,904,519	25,692,852	13,954,337	9,916,630	28,326,395	20,282,280	24,530,611	5,465,024	38,230,416	297,471,089	3,665,365	301,136,454
Interest receivable	373,733	65,473	107,050	92,518	99,497	69,377	49,273	136,782	103,017	117,282	40,440	176,533	1,430,975	22,583	1,453,558
Accounts receivable	916,138	95,270	65,330	51,879	420,334	152,312	206,516	591,763	105,116	220,143	9,961	437,148	3,271,910	458,465	3,730,375
Invested securities lending collateral	3,226,754	573,401	909,721	605,179	1,040,837	565,908	402,159	1,148,596	822,622	994,641	222,152	1,549,875	12,061,845	961,112	13,022,957
Loans															
Farm loans	91,566	17,675	25,097	25,715	16,481	20,861	15,015	35,534	26,167	26,407	20,709	42,016	363,243	-	363,243
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 88,809,372	\$ 15,423,201	\$ 23,830,929	\$ 15,880,427	\$ 28,606,170	\$ 15,523,493	\$ 11,228,584	\$ 31,791,269	\$ 21,912,950	\$ 27,185,188	\$ 5,851,612	\$ 42,692,608	\$ 328,735,803	\$ 7,736,812	\$ 336,472,615
Liabilities:															
Accrued payroll	\$ 3,475	\$ 518	\$ 606	\$ 291	\$ 970	\$ 787	\$ 700	\$ 1,208	\$ 653	\$ 907	\$ 252	\$ 1,736	\$ 12,102	\$ 2,236	\$ 14,338
Accounts payable	11,631	2,053	3,231	2,144	3,737	2,046	1,468	4,136	2,934	3,572	791	5,607	43,348	631	43,979
Securities lending collateral	3,226,754	573,401	909,721	605,179	1,040,837	565,908	402,159	1,148,596	822,622	994,641	222,152	1,549,875	12,061,845	961,112	13,022,957
Due to other state agencies	838	111	108	89	208	166	157	311	141	235	61	443	2,865	336	3,201
Total Liabilities	3,242,698	576,082	913,666	607,703	1,045,752	568,907	404,483	1,154,251	826,349	999,354	223,255	1,557,661	12,120,161	964,314	13,084,475
Equity:															
Fund Balance:															
Special revenue funds															
Restricted	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
Total Fund Balance	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
Total Liabilities and Fund Balances	\$ 88,809,372	\$ 15,423,201	\$ 23,830,929	\$ 15,880,427	\$ 28,606,170	\$ 15,523,493	\$ 11,228,584	\$ 31,791,269	\$ 21,912,950	\$ 27,185,188	\$ 5,851,612	\$ 42,692,608	\$ 328,735,803	\$ 7,736,812	\$ 336,472,615

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

Assets:	Special Revenue Funds													Special Revenue	Total Non-Major
	N.D.S.U.	School for	School for	State	Valley City		Mayville	Industrial	School of	School of	Veterans	U.N.D.	Total	Special Revenue	Funds
		the Blind	the Deaf	Hospital	Ellendale	State U.	State U.	School	Science	Mines	Home			Capitol	
														Building	Funds
Cash	\$ 1,863,353	\$ 312,181	\$ 253,865	\$ 136,671	\$ 732,839	\$ 209,027	\$ 397,481	\$ 1,063,886	\$ 450,131	\$ 627,841	\$ 55,922	\$ 674,030	\$ 6,777,227	\$ 353,889	\$ 7,131,116
Investments	83,051,382	14,894,428	24,043,313	16,112,705	26,751,269	14,695,094	9,632,351	28,613,833	21,359,070	25,680,563	5,932,013	40,259,160	311,025,181	2,983,808	314,008,989
Interest receivable	206,777	35,983	60,012	61,163	45,538	40,280	27,541	76,131	60,712	65,921	28,940	96,811	805,809	21,569	827,378
Accounts receivable	523,201	72,396	62,657	23,654	183,731	24,248	134,733	629,206	91,375	133,757	6,015	174,788	2,059,761	108,886	2,168,647
Invested securities lending collateral	2,822,701	506,185	817,177	548,334	908,505	499,570	327,495	972,671	726,192	872,885	202,081	1,368,193	10,571,989	6,173,003	16,744,992
Loans															
Loans - Farm	99,239	19,156	27,201	27,870	17,862	22,609	16,273	38,512	28,360	28,620	22,444	45,538	393,684	-	393,684
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 88,566,653	\$ 15,840,329	\$ 25,264,225	\$ 16,910,397	\$ 28,639,744	\$ 15,490,828	\$ 10,535,874	\$ 31,394,239	\$ 22,715,840	\$ 27,409,587	\$ 6,247,415	\$ 42,618,520	\$ 331,633,651	\$ 9,641,155	\$ 341,274,806
Liabilities:															
Accrued payroll	\$ 3,211	\$ 619	\$ 798	\$ 381	\$ 1,158	\$ 628	\$ 604	\$ 1,404	\$ 878	\$ 998	\$ 263	\$ 1,610	\$ 12,552	\$ 1,512	\$ 14,064
Accounts payable	\$ 16,189	\$ 2,903	\$ 4,688	\$ 3,145	\$ 5,211	\$ 2,865	\$ 1,879	\$ 5,578	\$ 4,166	\$ 5,007	\$ 1,159	\$ 7,847	60,637	4,154	64,791
Securities lending collateral	2,822,701	506,185	817,177	548,334	908,505	499,570	327,495	972,671	726,192	872,885	202,081	1,368,193	10,571,989	6,173,003	16,744,992
Due to other state agencies	258	50	71	72	46	59	42	100	74	75	59	120	1,026	-	1,026
Total Liabilities	2,842,359	509,757	822,734	551,932	914,920	503,122	330,020	979,753	731,310	878,965	203,562	1,377,770	10,646,204	6,178,669	16,824,873
Equity:															
Fund Balance:															
Special revenue funds															
Restricted	85,724,294	15,330,572	24,441,491	16,358,465	27,724,824	14,987,706	10,205,854	30,414,486	21,984,530	26,530,622	6,043,853	41,240,750	320,987,447	3,462,486	324,449,933
Total Fund Balance	85,724,294	15,330,572	24,441,491	16,358,465	27,724,824	14,987,706	10,205,854	30,414,486	21,984,530	26,530,622	6,043,853	41,240,750	320,987,447	3,462,486	324,449,933
Total Liabilities and Fund Balances	\$ 88,566,653	\$ 15,840,329	\$ 25,264,225	\$ 16,910,397	\$ 28,639,744	\$ 15,490,828	\$ 10,535,874	\$ 31,394,239	\$ 22,715,840	\$ 27,409,587	\$ 6,247,415	\$ 42,618,520	\$ 331,633,651	\$ 9,641,155	\$ 341,274,806

ND Department of Trust Lands
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balance – Nonmajor Government Funds
 For the Year Ended June 30, 2022

Revenues:	Special Revenue Funds													Special Revenue Funds	Total Non-major
	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	Funds
Investment income	\$ 2,701,049	\$ 477,241	\$ 757,035	\$ 507,348	\$ 859,463	\$ 469,902	\$ 324,534	\$ 922,607	\$ 690,734	\$ 825,834	\$ 185,809	\$ 1,303,401	\$ 10,024,957	\$ 89,241	\$ 10,114,198
Loan income															
Farm loans	6,623	1,278	1,815	1,860	1,192	1,509	1,086	2,570	1,893	1,910	1,498	3,039	26,273	-	26,273
Change in fair value of investments	(6,553,194)	(1,169,836)	(1,852,681)	(1,231,362)	(2,111,510)	(1,154,548)	(788,541)	(2,295,432)	(1,678,290)	(2,023,250)	(451,828)	(3,162,010)	(24,472,482)	(124,481)	(24,596,963)
Securities lending income	12,719	2,260	3,586	2,385	4,103	2,231	1,585	4,527	3,242	3,920	876	6,109	47,543	2,439	49,982
Royalties	6,623,922	739,712	542,013	289,824	2,079,970	1,202,555	1,435,122	2,720,790	867,939	1,840,729	82,220	3,242,489	21,667,285	3,683,206	25,350,491
Bonuses	331,549	10	176	30,927	92	14	8	254	40,251	14	12	191	403,498	-	403,498
Rental income	283,124	57,074	88,580	41,786	74,973	86,472	57,203	75,403	78,197	62,370	46,328	179,547	1,131,057	213,587	1,344,644
Total Revenues	3,405,792	107,739	(459,476)	(357,232)	908,283	608,135	1,030,997	1,430,719	3,966	711,527	(135,085)	1,572,766	8,828,131	3,863,992	12,692,123
Expenditures:															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	53,979	53,979
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education	253,412	46,192	57,752	34,509	75,189	52,255	41,750	94,187	73,895	69,315	25,411	123,569	947,436	-	947,436
Total Expenditures	253,412	46,192	57,752	34,509	75,189	52,255	41,750	94,187	73,895	69,315	25,411	123,569	947,436	53,979	1,001,415
Excess of revenue over expenditures	3,152,380	61,547	(517,228)	(391,741)	833,094	555,880	989,247	1,336,532	(69,929)	642,212	(160,496)	1,449,197	7,880,695	3,810,013	11,690,708
Other Financing Uses:															
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	-	-	-	-	-	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Proceeds from sale of capital asset (land)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	(500,000)	(12,752,500)
Increase (decrease) in net position	(157,620)	(483,453)	(1,524,228)	(1,085,741)	(164,406)	(33,120)	618,247	222,532	(897,929)	(344,788)	(415,496)	(105,803)	(4,371,805)	3,310,013	(1,061,792)
Net position - beginning	85,724,294	15,330,572	24,441,491	16,358,465	27,724,824	14,987,706	10,205,854	30,414,486	21,984,530	26,530,622	6,043,853	41,240,750	320,987,447	3,462,485	324,449,932
Net position - ending	\$ 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

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

Revenues:	Special Revenue Funds													Special Revenue Funds	Total Non-major
	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	Governmental Funds
Investment income	\$ 1,991,774	\$ 353,825	\$ 579,582	\$ 391,069	\$ 627,101	\$ 352,830	\$ 228,248	\$ 672,914	\$ 502,826	\$ 617,348	\$ 143,449	\$ 962,014	\$ 7,422,980	\$ 54,127	\$ 7,477,107
Loan income															
Farm	7,814	1,508	2,142	2,194	1,406	1,780	1,281	3,032	2,233	2,253	1,767	3,585	30,995	-	30,995
Change in fair value of investments	13,018,118	2,314,358	3,801,094	2,564,710	4,063,148	2,313,690	1,477,686	4,371,609	3,275,212	3,997,496	935,564	6,288,258	48,420,943	(31,802)	48,389,141
Securities lending income	7,245	1,299	2,098	1,407	2,332	1,282	841	2,497	1,864	2,241	519	3,512	27,137	11,086	38,223
Royalties	3,123,342	488,245	382,177	151,320	1,323,516	259,165	703,916	2,079,732	754,097	1,124,074	48,798	1,179,787	11,618,169	991,389	12,609,558
Bonuses	5,600	4,280	16,840	560	1,360	560	6,560	14,455	-	2,320	-	560	53,095	2,160	55,255
Rental income	266,531	56,183	83,203	40,502	76,368	75,340	53,097	71,605	74,732	58,672	41,779	171,004	1,069,016	187,671	1,256,687
Total Revenues	18,420,424	3,219,698	4,867,136	3,151,762	6,095,231	3,004,647	2,471,629	7,215,844	4,610,964	5,804,404	1,171,876	8,608,720	68,642,335	1,214,631	69,856,966
Expenditures:															
Current															
General government	-	-	-	-	-	-	-	-	-	-	-	-	-	43,014	43,014
Education	219,208	40,397	57,212	34,797	69,681	40,902	30,594	81,517	55,421	64,389	17,715	111,627	823,460	-	823,460
Total Expenditures	219,208	40,397	57,212	34,797	69,681	40,902	30,594	81,517	55,421	64,389	17,715	111,627	823,460	43,014	866,474
Excess of revenue over expenditures	18,201,216	3,179,301	4,809,924	3,116,965	6,025,550	2,963,745	2,441,035	7,134,327	4,555,543	5,740,015	1,154,161	8,497,093	67,818,875	1,171,617	68,990,492
Other Financing Uses:															
Transfer to Educational Institutions	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	-	(10,885,000)
Transfer to Facilities Management	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,200,000)	(2,200,000)
Transfer to Supreme Court	-	-	-	-	-	-	-	-	-	-	-	-	-	(970,000)	(970,000)
Transfer to Legislative Council	-	-	-	-	-	-	-	-	-	-	-	-	-	(74,918)	(74,918)
Total Other Financing Uses	(2,958,000)	(440,000)	(949,000)	(664,000)	(847,000)	(517,000)	(334,000)	(932,000)	(747,000)	(873,000)	(245,000)	(1,379,000)	(10,885,000)	(3,244,918)	(14,129,918)
Increase (decrease) in net position	15,243,216	2,739,301	3,860,924	2,452,965	5,178,550	2,446,745	2,107,035	6,202,327	3,808,543	4,867,015	909,161	7,118,093	56,933,875	(2,073,301)	54,860,575
Net position - beginning as restated	70,481,078	12,591,271	20,580,567	13,905,500	22,546,274	12,540,961	8,098,819	24,212,159	18,175,987	21,663,607	5,134,692	34,122,657	264,053,572	5,535,786	269,589,358
Net position - ending	\$ 85,724,294	\$ 15,330,572	\$ 24,441,491	\$ 16,358,465	\$ 27,724,824	\$ 14,987,706	\$ 10,205,854	\$ 30,414,486	\$ 21,984,530	\$ 26,530,622	\$ 6,043,853	\$ 41,240,750	\$ 320,987,447	\$ 3,462,485	\$ 324,449,933

ND Department of Trust Lands
Schedule of Employer's Net Pension Contributions
Last Ten Fiscal Years*
June 30, 2022

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%

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

ND Department of Trust Lands
 Schedule of Employer's Net Pension Liability
 Last Ten Fiscal Years*
 June 30, 2022

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%

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

Notes to Required Supplemental Information:

Changes to benefit terms

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

Changes to assumptions

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation of July 1, 2020.

ND Department of Trust Lands
Schedule of Net OPEB Contributions
Last Ten Fiscal Years*
June 30, 2022

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%

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

ND Department of Trust Lands
 Schedule of Employer's Net OPEB Liability
 Last Ten Fiscal Years*
 June 30, 2022

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%

*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 other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.



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, 2022, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements, and have issued our report thereon dated October 21, 2022.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses as item 2022-001, we identified a certain deficiency in internal control that we consider to be a material weakness.

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*.

North Dakota Department of Trust Lands' Response to Findings

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

Purpose of this Report

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

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

Bismarck, North Dakota
October 21, 2022

2022-001 **Material Reconciliation Audit Adjustments to the Strategic Investments and Improvements Fund**
Material Weakness

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

Condition: During the course of our engagement, we proposed a material audit adjustment to the Department's recorded account balances in the areas of accrued liabilities and bonus refunds in the Strategic Investments and Improvements Fund.

Cause: Management's reconciliation controls failed to ensure that accrued liabilities and bonus refunds were appropriately reconciled on June 30, 2022.

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

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

Views of Responsible Officials: Management agrees with the finding. Management will review its internal processes to ensure transactions are properly accounted for and reflected on its balance sheet.



**North Dakota Department of Trust Lands
Auditor's Specific Comments Requested by the North Dakota Legislative Audit and
Fiscal Review Committee
Year Ended June 30, 2022**

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

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

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

Unmodified

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

Yes

3. Was internal control adequate and functioning effectively?

As discussed in the Schedule of Findings and Responses, there was one internal control deficiency identified as a result of the financial statement audit.

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

No

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

There were two internal control deficiencies identified as a result of the financial statement audit in the prior year. The internal control deficiency related to the material audit adjustment to the Theodore Roosevelt Presidential Library and Museum Endowment Fund was corrected. The control deficiency related to reconciliation adjustments to governmental funds was not completely addressed in the current year.

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

No

Audit Committee Communications:

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

None

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

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

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

- Identify any significant audit adjustments.

<u>Strategic Investments and Improvements Fund</u>	<u>Debit</u>	<u>Credit</u>
Rental Income - Mineral	\$ 16,949	
Bonuses - Mineral	14,302,965	
Accrued Liabilities		\$ 14,319,914
To properly accrue a liability in the Strategic Investments refunds and Improvements Fund for calculated bonus.		

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

None

- Identify any significant difficulties encountered in performing the audit.

None

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

None

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

None

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

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

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



Bismarck, North Dakota
October 21, 2022