NEW ISSUE - Book-Entry Only

RATINGS: Moody's Investors Service, Inc.: Aaa
Standard & Poor's Ratings Group: AAA
MBIA Insured
(See "RATINGS" herein)

In the opinion of Bond Counsel, assuming compliance with the tax covenants described herein, interest on the Bonds is excludable from gross income for the purpose of federal income taxation under existing law, and interest on the Bonds is exempt from all State of North Dakota taxes except privilege taxes imposed on banks, trust companies and building and loan associations. Interest is not an item of tax preference in determining federal alternative minimum tax applicable to individuals and corporations; however, interest is includable in the calculation of certain federal taxes imposed on corporations. The Bonds have not been designated as "qualified tax-exempt obligations" for financial institutions pursuant to Section 265(b)(3) of the Code. For further discussion, see "TAX EXEMPTION" herein.

NORTH DAKOTA BUILDING AUTHORITY
$13,165,000
LEASE REVENUE BONDS, 2001 SERIES A
(the "Bonds")

DATED: June 1, 2001 **DUE:** December 1, as shown on the inside cover page

The Bonds are issuable as fully registered Bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Purchases of Bonds will be made in book-entry only form, in the principal amount of $5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC participants. Beneficial owners of the Bonds will not receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest is payable on December 1, 2001 and on each June 1 and December 1 thereafter. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal or redemption price of and interest on the Bonds will be made directly to DTC. Disbursement of such payments to DTC participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of DTC participants. See "THE BONDS--Book-Entry-Only System."

The payment of the principal and interest on the Bonds when due will be insured, as more fully described herein, by a municipal bond insurance policy to be issued, simultaneously with the delivery of the Bonds, by Municipal Bond Investors Assurance Corporations ("MBIA").

MBIA

The Bonds are subject to optional and extraordinary optional redemption prior to maturity upon the occurrence of certain events as described under "THE BONDS - Redemption" herein.

The Bonds are being issued to finance the acquisition and construction of certain facilities (the "Projects") for the State Board of Higher Education (the "Agency"), as described under "THE PROJECTS" herein. The Industrial Commission of North Dakota, acting in its capacity as the North Dakota Building Authority (the "Issuer"), will lease the Projects to the Agency pursuant to the Lease Agreements (the "Lease") under which the semiannual rental payments due under the Lease (the "Basic Rent") to be paid by the Agency, subject to biennial appropriations by the North Dakota Legislature, will be sufficient in amount and payable at such times to pay principal of and interest on the Bonds when due.

The Bonds are issued under and are equally and ratably secured by a Trust Indenture and Assignment of Lease Rentals (the "Indenture") both between the Issuer and the Bank of North Dakota as trustee (the "Trustee"). The Bonds are limited obligations of the Issuer payable solely from the revenues and receipts received pursuant to the Lease, which are produced from biennial appropriations (if any) by the North Dakota Legislature, any money available to the lessee not requiring appropriation, any money generated from charges made for use of the Projects, any revenue derived by the Industrial Commission from the operation of the Projects, and other funds or amounts held by the Trustee as security for the Bonds.

The Lease specifically provides that nothing therein shall be construed to require the North Dakota Legislature to appropriate any moneys to pay any Rent thereunder and that the Agency shall not be obligated to pay such Rent except to the extent appropriated for each biennium. THE OBLIGATION OF THE AGENCY TO PAY ANY RENT UNDER ITS LEASE IS SUBJECT TO BIENNIAL APPROPRIATIONS BY THE NORTH DAKOTA LEGISLATURE AS PROVIDED IN SUCH LEASE. NEITHER THE OBLIGATION OF THE AGENCY TO PAY SUCH RENTS NOR THE OBLIGATION OF THE ISSUER TO PAY THE BONDS WILL CONSTITUTE A DEBT OF THE STATE OF NORTH DAKOTA OR ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF NORTH DAKOTA WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE ISSUANCE OF THE BONDS DOES NOT DIRECTLY OR CONTINGENTLY OBLIGATE THE AGENCY TO PAY ANY RENT BEYOND THAT APPROPRIATED FOR THE CURRENT BIENNIUM OF THE STATE. THE ISSUER HAS NO TAXING POWER. See "BONDOWNERS' RISKS" herein.

The Bonds are offered when, as and if issued by the Issuer subject to the approving legal opinion of Cook Wegner & Wike PLLP, Bismarck, North Dakota, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed upon for the Issuer by the Attorney General. The Bonds will be available for delivery at The Depository Trust Company in New York, New York on June 27, 2001.

An account group managed by **Dain Rauscher, Inc.** has agreed to purchase the Lease Revenue Bonds, 2001 Series A for an aggregate price of $12,967,756.55.

DAIN RAUSCHER, INC.

June 21, 2001

NORTH DAKOTA BUILDING AUTHORITY
$ 13,165,000
Lease Revenue Bonds, 2001 Series A

MATURITY SCHEDULE

$10,465,000 Serial Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP
2001	$105,000	4.00%	2.70%	658906KE1
2002	110,000	4.00%	2.80%	658906KF8
2003	220,000	4.00%	3.18%	658906KG6
2004	225,000	4.00%	3.46%	658906KH4
2005	460,000	4.00%	3.65%	658906KJ0
2006	480,000	4.00%	3.82%	658906KK7
2007	500,000	4.25%	4.00%	658906KL5
2008	525,000	4.25%	4.13%	658906KM3
2009	555,000	4.50%	4.25%	658906KN1
2010	580,000	4.50%	4.35%	658906KP6
2011	610,000	4.50%	4.44%	658906KQ4
2012	635,000	4.50%	4.60%	658906KR2
2013	670,000	4.70%	4.75%	658906KS0
2014	710,000	4.80%	4.85%	658906KT8
2015	750,000	4.90%	4.95%	658906KU5
2016	795,000	5.00%	5.03%	658906KV3
2017	835,000	5.00%	5.09%	658906KW1
2018	885,000	5.00%	5.14%	658906KX9
2022	815,000	5.125%	5.26%	658906LB6

$2,700,000 5.125% Term Bond due December 1, 2021 priced to yield 5.23% CUSIP No.: 658906LA8

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No broker, dealer, salesperson or other person has been authorized by the Industrial Commission of North Dakota acting in its capacity as the North Dakota Building Authority (the "Issuer"), the State of North Dakota (the "State") or the Financial Advisor to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

The information set forth herein has been obtained from the Issuer, the State, and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Issuer, the State or the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions or that they will be realized. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the State or in the information or opinions set forth herein since the date of this Official Statement.

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IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

STATE OF NORTH DAKOTA

ELECTED OFFICIALS

Governor	John Hoeven
Lieutenant Governor	Jack Dalrymple
Secretary of State	Alvin A. Jaeger
Attorney General	Wayne Stenehjem
Public Service Commissioner	Tony Clark
Public Service Commissioner	Leo Reinbold
Public Service Commissioner	Susan Wefald
Commissioner of Agriculture	Roger Johnson
Tax Commissioner	Rick Clayburgh
State Auditor	Robert R. Peterson
Insurance Commissioner	Jim Poolman
Superintendent of Public Instruction	Wayne Sanstead
State Treasurer	Kathi Gilmore

THE INDUSTRIAL COMMISSION OF NORTH DAKOTA
ACTING AS THE NORTH DAKOTA BUILDING AUTHORITY

MEMBERS

Governor John Hoeven	Chairman
Attorney General Wayne Stenehjem	Member
Commissioner of Agriculture Roger Johnson	Member

AUTHORIZED OFFICERS

Karlene Fine
Executive Director and Secretary

Rod Backman
Director, Office of Management and Budget

BOND COUNSEL
Cook Wegner & Wike PLLP
Bismarck, North Dakota

FINANCIAL ADVISOR TO THE INDUSTRIAL COMMISSION
Evensen Dodge, Inc.
Minneapolis, Minnesota

TRUSTEE, REGISTRAR AND PAYING AGENT
Bank of North Dakota
Bismarck, North Dakota

INTRODUCTION TO THE OFFICIAL STATEMENT

The following information is furnished solely to provide limited introductory information regarding the North Dakota Building Authority (the "Issuer") $13,165,000 Lease Revenue Bonds, 2001 Series A (the "Bonds"), and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.

Issuer: The Industrial Commission of North Dakota, acting as the North Dakota Building Authority.

Dated Date: June 1, 2001.

Purpose: The Bonds are being issued to finance the acquisition and construction of certain facilities (the "Projects") for the State Board of the Higher Education, as provided in House Bill No. 1022 enacted by the Fifty-Sixth Legislative Assembly and Senate Bill No. 2023 enacted by the Fifty-Seventh Legislative Assembly. Bond proceeds will also be used to provide funds for deposit into the Reserve Fund, to capitalize interest on the Bonds and to pay costs of issuance.

Security: The Bonds are issued pursuant to a Trust Indenture and Assignment of Lease Rentals (the "Indenture") dated as of June 14, 2001 between the Issuer and the Bank of North Dakota, as Trustee, pursuant to which the Issuer will pledge to the Trustee all of the Issuer's interest in the Project and as lessor under the Lease Agreements (the "Lease") dated as of June 14, 2001, including the right to receive Basic Rent thereunder, for the payment of the principal of and interest on the Bonds. The Bonds are limited obligations of the Issuer payable solely from revenues received pursuant to the Lease which are produced from biennial appropriations by the North Dakota Legislature. See "SECURITY FOR THE BONDS." Summary definitions of certain capitalized terms appear below.

Bond Insurance: The Bonds are insured by MBIA Insurance Corporation. The premium for bond insurance is being paid by the underwriter. See "SECURITY FOR THE BONDS – Bond Insurance."

Optional Redemption: Bonds maturing on or before December 1, 2010 are not subject to optional redemption prior to maturity except under extraordinary circumstances as described herein under "THE BONDS – Redemption Provisions." Bonds maturing on or after December 1, 2011 are subject to redemption at the option of the Issuer in whole or in part on December 1, 2010 and on any business day thereafter at a price of par plus accrued interest.

Sinking Fund Redemption: Bonds maturing on December 1, 2021 are subject to sinking fund redemption of a price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued interest on December 1 as shown below:

Sinking Fund Redemption Date (December 1)	Principal Amount
2019	$940,000
2020	990,000
2021(Final Maturity)	770,000

Extraordinary Optional Redemption:	In the event of damage, destruction or condemnation of the Projects as provided in the Lease, the Bonds will be subject to redemption prior to stated maturity, in whole or in part on the first day of any month, at a redemption Price equal to 100% of the principal amount of such Bonds to be redeemed plus accrued interest thereon to the Redemption Date, at the option of the Issuer as directed by the affected Agency in the event that Agency elects under the Lease or any Amended Lease to redeem the Bonds rather than repair or rebuild the affected Projects.
Denominations:	$5,000 or integral multiples thereof.
Record Date:	The 15th day of the month preceding the payment date.
Principal Payments:	Due annually on December 1, 2001 through 2022.
Interest Payments:	Semiannually on June 1 and December 1 of each year, commencing December 1, 2001.
Tax Status:	Generally exempt from federal and North Dakota income taxes (see "TAX EXEMPTION" herein). The Bonds will not be designated qualified tax-exempt obligations under Section 265(b)(3) of the Code.
Professional Consultants:	*Bond Counsel:* Cook Wegner & Wike PLLP Bismarck, North Dakota *Financial Advisor:* Evensen Dodge, Inc. Minneapolis, Minnesota *Trustee, Registrar and Paying Agent:* Bank of North Dakota Bismarck, North Dakota
Legal Matters:	Legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Cook Wegner & Wike PLLP, Bond Counsel, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix E attached hereto.
Authority for Issuance:	The Bonds are being issued pursuant to Chapter 54-17.2 of the North Dakota Century Code.
Continuing Disclosure:	The Issuer has agreed with the Bondholders to provide ongoing disclosure of certain information. See "CONTINUING DISCLOSURE" herein.
Conditions Affecting Issuance of Bonds:	The Bonds are offered when, as and if issued, subject to the approving legal opinion of Cook Wegner & Wike PLLP, Bismarck, North Dakota.
Delivery:	June 27, 2001.
Book-Entry Only:	The Bonds will be issued as book-entry-only securities through The Depository Trust Company.
Selected Definitions:	"Additional Rent" Additional amounts due under the Lease relating to administrative matters under the Indenture and certain costs of operating and maintaining the Projects.

“Agency”	The North Dakota State Board of Higher Education.
“Basic Rent”	Semiannual rental payments due under the Lease.
“Indenture”	The Trust Indenture and Assignment of Lease Rentals dated as of June 14, 2001 between the Issuer and the Bank of North Dakota, as trustee.
“Initial Term”	The term of the Lease commencing on the date of the sale of the Bonds and expiring on June 30, 2001.
“Lease”	The Lease Agreements dated as of June 14, 2001 between the Issuer and the Agencies.
“Projects”	The facilities, the acquisition or construction of, which are being financed with the proceeds of the Bonds.
“Renewal Term”	Each of the consecutive two-year renewal terms following the Initial Term, commencing on July 1.
“Rent”	The aggregate of Basic Rent and Additional Rent.
“Trustee”	Bank of North Dakota.

The information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable, but it is not to be construed as a representation by the Financial Advisor or the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or in any other information contained herein, since the date hereof.

Questions regarding the Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the Issuer’s audited financial reports and the Indenture, Lease and General Authorization Resolution may be obtained from, Evensen Dodge, Inc., 650 Third Avenue South, Suite 1800, Minneapolis, Minnesota 55402 (612) 338-3535, the Issuer’s financial advisor, or Karlene Fine, Executive Director and Secretary, Industrial Commission of North Dakota, State Capitol, 600 East Boulevard, Bismarck, North Dakota 58505 (701) 328-3722.

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OFFICIAL STATEMENT

NORTH DAKOTA BUILDING AUTHORITY

$13,165,000

LEASE REVENUE BONDS, 2001 SERIES A

This Official Statement, including the cover page and Appendices hereto (the "Official Statement"), is furnished to prospective purchasers in connection with the sale and delivery by the Industrial Commission of North Dakota acting as the North Dakota Building Authority (the "Issuer") of $13,165,000 aggregate principal amount of Lease Revenue Bonds, 2001 Series A (the "Bonds"). The Issuer was created pursuant to Chapter 571 of the 1985 Session Laws of the State of North Dakota for the purpose of acquiring, owning, constructing, reconstructing, extending, rehabilitating or improving buildings, related structures, parking facilities, equipment, improvements, real and personal property and interests therein primarily for the use of the State of North Dakota (the "State") and its agencies and instrumentalities. See "The Industrial Commission of North Dakota" at Appendix A.

The Bonds are being issued pursuant to Chapter 54-17.2 of the North Dakota Century Code, known as the North Dakota Building Authority Act (the "Act"), and as authorized by House Bill No. 1022 enacted by the Fifty-Sixth Legislative Assembly, Senate Bill No. 2023 enacted by the Fifty-Seventh Legislative Assembly and an authorizing resolution of the Issuer adopted on May 24, 2001 (the "General Authorization Resolution"). Proceeds of the Bonds will be used to (i) finance the Projects for the Agency, as provided in House Bill No. 1022 and Senate Bill No. 2023; (ii) provide moneys for deposit into the Reserve Fund established with respect to the Bonds; (iii) provide moneys which, with the investment earnings thereon, will capitalize interest on the Bonds; and (iv) pay costs of issuance related to the Bonds.

With respect to the Bonds, certain higher education projects located on the campuses of the institutions of the State Board of Higher Education will be let by the Issuer to the State Board of Higher Education pursuant to a Lease Agreement I (the "Lease Agreement I") dated as of June 14, 2001 and pursuant to a Lease Agreement II (the "Lease Agreement II") dated as of June 14, 2001. These agreements are referred to collectively as the "Lease".

The Bonds are issued under and are equally and ratably secured by a Trust Indenture and Assignment of Lease Rentals (the "Indenture) dated as of June 14, 2001 (the "Indenture"), by and between the Issuer and the Bank of North Dakota, as trustee (the "Trustee"). Pursuant to the Indenture, the Issuer has mortgaged, pledged and assigned to the Trustee, among other things, its right, title and interest in and to the Projects and as lessor under the Lease, including the right to receive the Basic Rent (as hereinafter defined) thereunder, as security for the payment of the principal of and interest on the Bonds.

Under its Lease, the Agency has agreed to make semiannual rental payments ("Basic Rent"). The Basic Rent payable under each Lease will be sufficient to pay the principal of and interest on the Bonds coming due in each fiscal year, but only if and to the extent that the North Dakota Legislature (the "Legislature") biennially appropriates funds or there is available any other funds authorized by law sufficient to pay the Basic Rent plus such additional amounts related to administrative matters under the Indenture and certain costs to operate and maintain each of the Projects (the "Additional Rent") as are required to be paid pursuant to the Lease.

The Basic Rent and the Additional Rent are hereinafter collectively referred to as the "Rent." An Event of Nonappropriation will occur under the Indenture if the Legislature fails to appropriate sufficient moneys for the payment of any Rent under the Lease during any Renewal Term. If an Event of Nonappropriation has occurred and continues without cure until the following August 1, unless the Agency has certified to the Authority and the Trustee that it will pay the Rent when due from sources other than appropriation by the Legislative Assembly of the State, provided the Legislative Assembly of the State has not specifically terminated the Lease, the Event of Nonappropriation will become an Event of Default under the Indenture, and will entitle the Trustee to exercise the remedies available under the Indenture. See "BONDOWNERS' RISKS -- Expiration or Termination of the Lease " herein.

The Bonds are limited obligations of the Issuer payable solely from the revenues and receipts received pursuant to each Lease, which are produced from biennial appropriations (if any) by the Legislature, other funds or amounts held by the Trustee as security for the Bonds under the Indenture and/or any other funds available and authorized by law. Each Lease specifically provides that nothing therein shall be construed to require the Legislature to appropriate any moneys to pay any Rent thereunder and that the Agency shall not be obligated to pay such Rent except to the extent appropriated for each biennium. THE OBLIGATION OF THE AGENCY TO PAY ANY RENT UNDER ITS LEASE IS SUBJECT TO BIENNIAL APPROPRIATION BY THE LEGISLATURE AS PROVIDED IN SUCH LEASE. NEITHER THE OBLIGATION OF THE AGENCY TO PAY SUCH RENT NOR THE OBLIGATION OF THE ISSUER TO PAY THE BONDS WILL CONSTITUTE A DEBT OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION OF THE STATE OF NORTH DAKOTA WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION. THE ISSUANCE OF THE BONDS DOES NOT DIRECTLY OR CONTINGENTLY OBLIGATE THE AGENCY TO PAY ANY RENT BEYOND THAT APPROPRIATED FOR THE CURRENT BIENNIUM OF THE STATE. THE ISSUER HAS NO TAXING POWER. For certain economic and financial information with respect to the State, see Appendix A and Appendix C hereto.

The Agency has covenanted in its Lease to include in its submission to the Governor for inclusion by the Governor in the biennial executive budget of the State for each year of each biennium during the term of such Lease, as a line item for Rent, an amount fully sufficient to pay the Basic Rent required to be paid in each year of the biennium and certain Additional Rent, less any amounts derived from the net revenues and income of the Project, if any. For each biennium in which the Legislature appropriates funds to pay Rent, the State is legally committed to pay semiannually to the Trustee the specified Rent as described above. For information with respect to the North Dakota State Board of Higher Education, see Appendix D.

Capitalized terms used herein have the same meaning as ascribed to them in the Lease and the Indenture. See “Certain Definitions” in Appendix B hereto.

BONDOWNERS’ RISKS

Purchase of the Bonds involves certain investment risks which are discussed throughout this Official Statement. Accordingly, each prospective Bond purchaser should make an independent evaluation of all of the information presented in this Official Statement in order to make an informed investment decision. Certain of these risks are described below.

Limited Obligations

The Bonds are payable from the aggregate of Basic Rent due under each Lease, which will constitute budgeted expenditures of the State produced from biennial appropriations (if any) by the Legislature, other funds or amounts held by the Trustee as security for the Bonds under the Indenture and/or any other funds available and authorized by law. The Lease Agreement I will commence as of the date of the sale of the Bonds and will expire on June 30, 2001 (the “Initial Term of Lease I”), subject to successive automatic extensions under the provisions of the Lease Agreement I of the term of the Lease Agreement I for consecutive two-year renewal terms commencing on July 1. Upon conclusion of the Initial Term of Lease I, the Lease Agreement I with respect to the Bonds will be subject to automatic two-year renewal terms commencing on July 1 of the years 2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015 and 2017 and a final renewal term commencing July 1, 2019 and ending December 2, 2020. The Lease Agreement II will commence as of the date of the sale of the Bonds and will expire on June 30, 2001 (the “Initial Term of Lease II”), subject to successive automatic extensions under the provisions of the Lease Agreement II of the term of the Lease Agreement II for consecutive two-year renewal terms commencing on July 1. Upon conclusion of the Initial Term of Lease II, the Lease Agreement II with respect to the Bonds will be subject to automatic two-year renewal terms commencing on July 1 of the years 2001, 2003, 2005, 2007, 2009, 2011, 2013, 2015, 2017, 2019 and a final renewal term commencing July 1, 2021 and ending December 2, 2022. The Initial Term of Lease I and the Initial Term of Lease II will be collectively referred to as the Initial Term. Each renewal term is referred to individually as a "Renewal Term" and collectively as the "Renewal Terms". The State's obligation under a Lease does not constitute a general obligation or other indebtedness of the State or any agency or political subdivision of the State within the meaning of any constitutional or statutory provision or limitation. The Issuer has no taxing power.

There is no assurance that the Legislature will appropriate sufficient funds to extend the term of a Lease for any additional Renewal Terms. Accordingly, the likelihood that there will be sufficient funds to pay the principal of and interest on the Bonds depends upon certain factors which are beyond the control of the Bondowners, including (a) the continuing need of the State and the Agencies for the Projects, (b) the economic and demographic conditions within the State, (c) the ability of the State to generate sufficient funds from sales taxes, personal and corporate income taxes and other taxes and other sources of revenue to pay obligations associated with the Lease and other obligations of the State (whether now existing or hereafter created) and (d) the value of any of the Projects if relet, assigned or sold in a foreclosure or other liquidation proceeding instituted by the Trustee in the event of the termination of a Lease as a result of the occurrence of certain events described below or the expiration of the Initial Term or any Renewal Term if the Legislature does not appropriate sufficient funds to extend the term of a Lease as provided therein.

The obligation of the Agency under a Lease will be satisfied solely from funds of that Agency or for the benefit of the Agency which the Legislature appropriates biennially for such use or other funds that are legally available for such use. Neither the Indenture nor any Lease limits the ability of the State to incur additional obligations against its revenues.

The term of a Lease is automatically extended unless specifically terminated by the Legislative Assembly of the State. If a Lease is terminated, the affected Agency will have no obligation under its Lease to pay any further Rent or any other payments with respect to any Lease or the Bonds. However, the termination of a Lease will result in the occurrence of an Event of Default under the Lease. See "Expiration or Termination of the Lease" below.

Expiration or Termination of Lease

The Lease will expire on June 30 of each odd-numbered year commencing June 30, 2001 as described under "BONDOWNERS' RISKS - Limited Obligations" above, but is automatically renewed for each next succeeding Renewal Term, unless specifically terminated by the Legislative Assembly of the State. In the event that the State chooses not to extend the term of a Lease for any Renewal Term, the obligation of the State and the affected Agency to pay any Rent under the Lease will terminate on the June 30 occurring at the end of that Renewal Term. In addition, a default under the Lease and an election by the Trustee to terminate the possessory interest of the affected Agency under the Lease will cause a termination of that Agency's right of possession of the Projects under such Lease. If the Lease is terminated as the result of an Event of Nonappropriation or Event of Default, the Trustee is to use moneys in the Reserve Fund to make payments of principal of and interest on the Bonds coming due to the extent of moneys then held in such fund.

An Event of Nonappropriation, which is not cured as provided in the Indenture, with respect to any of the Projects constitutes an Event of Default under the Indenture. The Indenture further provides that an Event of Default under a Lease constitutes an Event of Default under such Indenture. See "THE INDENTURE -- Events of Default" in Appendix B.

In the event that the Agency's right of possession of Projects under a Lease is terminated for any reason, the obligation of that Agency to pay Rent under the Lease will continue throughout the Renewal Term then in effect, but not thereafter, and the Bonds will be payable, among other sources, from any moneys as may be available by way of recovery from that Agency of the Rent which is due throughout the Renewal Term then in effect. Should the Lease expire at the end of a Renewal Term without any extension for the next succeeding Renewal Term or if any event occurs as described above pursuant to which the Trustee terminates an Agency's right of possession of the Projects under the Lease, the Trustee may enter and take possession of the Projects as provided in the Indenture and subject to the provisions of the Act. The Projects constitute special purpose facilities to be used in connection with the operation of the Agency. No assurance can be given that the Trustee could relet, assign its interest or sell the Projects for the amount necessary (after taking into account moneys legally available from other sources) to pay principal of and interest due on the Bonds. In the event of a reletting or sale of any of the Projects, the net proceeds, together with other moneys then held by the Trustee under the Indenture (with certain exceptions as provided in such Indenture), are required to be used to pay the Bonds to the extent of such moneys. No assurance can be made as to the amount of funds available from any such source for the payment of the principal of or interest on the Bonds. A potential purchaser of the Bonds should not assume that it will be possible to liquidate the Projects after the expiration or termination of the Agency's right of possession of such Projects under a Lease as described above in an amount equal to the aggregate principal amount of the Bonds then outstanding plus accrued interest thereon or that any such amount will be paid on a timely basis. In this regard, it should be noted that (a) the State will retain title to the land, buildings and improvements financed from the proceeds of sale of the Bonds and that the exercise of such remedies with respect to such land and buildings to protect the Trustee's interest in the Projects consequently is limited, (b) the Projects may be subject to ad valorem and other property taxation if owned by someone other than an agency of the State and (c) the Projects may not be suitable for general commercial use and zoning restrictions could limit use of the Projects.

Delays in Exercising Remedies

A termination of an Agency's right of possession of Projects under a Lease as a result of an Event of Default or expiration of the term of a Lease at the end of a Renewal Term without an extension for the next succeeding Renewal Term will give the Trustee the right to possession of, and the right to relet or foreclose upon and sell, such Projects in accordance with the provisions of the Lease and the Indenture. However, the enforceability of the Lease and the Indenture is subject to equitable principles affecting the enforcement of creditors' rights generally and liens securing such rights, the police powers of the State and the exercise of judicial authority by State or federal courts. Because of such use and the delays inherent in obtaining foreclosure upon real property and judicial remedies, it should not be assumed that these remedies could be accomplished rapidly. Any delays in the ability of the Trustee to obtain possession of the Projects, of necessity, will result in delays in any payment of principal of or interest on the Bonds after the expenditure of amounts on deposit in the Reserve Fund.

Destruction of the Project

All of the Projects are to be insured by policies (including casualty and property damage insurance) as provided in each Lease in an amount equal to the greater of the Discharge Price or the full replacement cost of the Projects as certified annually by the Agency. In the event of the damage to or destruction of any of the Projects, the Agency is nevertheless required to continue to pay Rent during the biennium for which the Legislature had appropriated moneys, subject to the State's right with respect to the Projects at the end of each biennium to terminate the Lease by the Legislature's failure to appropriate sufficient funds to extend the term of such Lease. In such event, the Agency will decide whether to apply the proceeds from any available insurance (and any other legally available source) to replace, repair or rebuild such Projects or whether to apply the available proceeds to redemption of Bonds. If the net proceeds from insurance or certain other sources are not used to repair or replace such Projects, the Agency may cause such proceeds to be paid to the Trustee for the redemption of the Bonds (or a portion thereof) as provided in the Indenture, but the Agency will nevertheless be required to continue to pay Rent under the Lease until the Bonds have been paid in full, subject to biennial appropriation by the Legislature. There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect at that time. Furthermore, there can be no assurance that such insurance proceeds will be sufficient to redeem the Bonds in whole or that the Trustee will be able to realize any additional funds from the affected Projects at that time. See "THE LEASE -- Insurance and Condemnation of Projects -- Damage, Destruction and Condemnation of Projects" in Appendix B hereto.

Depreciation and Lack of Residual Value

As a result of the depreciation of certain components of the Projects and the difficulty of removing various components of the Projects, it is probable that upon the occurrence of an Event of Nonappropriation, an Event of Default under a Lease or the Indenture or termination of a Lease for any reason: (a) there would not be sufficient revenues from a sale of the affected Projects to redeem or pay all outstanding Bonds in full and (b) if the Trustee were to lease the affected Projects, the rentals available from such leasing would not be sufficient to pay all outstanding Bonds in full.

Bond Ratings

There is no assurance that the ratings assigned to the Bonds at the time of original issuance (see "RATINGS" herein) will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for or marketability of the Bonds.

THE PROJECTS

House Bill No. 1022 and Senate Bill No. 2023 authorized the financing of several capital projects at various State facilities. These Projects will be financed from the proceeds of the Bonds.

Facility	Project Description	Amount
Williston State College, formerly known as UND-Williston	Health and Wellness Center Addition	$ 3,000,000
Minot State University	Old Main Renovation	7,850,000
Total of Authorized Projects		$10,850,000

The North Dakota Legislature under House Bill No. 1022 authorized funding for the construction of an addition to the Health and Wellness Center for Williston State College. The Health and Wellness Center is an addition to Stevens Hall and will house the Practical Nursing, Physical Therapy Assistant and Massage Therapy Programs, the intercollegiate athletic programs and the health and physical education needs of Williston State College. The entire cost of this building project is $4,500,000. Of this amount $1,500,000 has been raised from private sources for construction costs. These Bonds include $3,000,000 to cover the remaining costs of this construction project. The Board of Higher Education has also committed to provide $1,500,000 over a ten-year period from private sources to pay a portion of the debt service on the Bonds.

The North Dakota Legislature under Senate Bill No. 2023 authorized funding for the renovation of Old Main on the campus of Minot State University. The renovation of Old Main consists of full renovation of the building's mechanical, electrical and life safety systems, new windows, tuckpointing and ADA access. Included in this project is additional classroom space with the latest advancements in technology, one large-tiered classroom to accommodate from 75-100 students, and faculty office space. The entire facility comprises 97,000 square feet, which includes McFarland Auditorium, a 1,000-seat theater. The total cost of this project is $7,850,000. The Board of Higher Education has committed to provide $2,299,000 from private funds to pay a portion of the debt service on the Bonds over a ten-year period.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources of funds from the proceeds to be received from the sale of the Bonds and the estimated uses of such funds are shown in the following schedule:

Sources of Funds:	
Principal Amount of Bonds	$13,165,000.00
Total Sources	$13,165,000.00
Uses of Funds:	
Deposit to the Construction Fund	$10,850,000.00
Deposit to Reserve Fund	1,096,600.01
Capitalized Interest to June 1, 2003[1]	788,401.45
Underwriter's Discount	197,243.45
Costs of Issuance	90,000.00
Deposit to Debt Service Fund	142,755.09
Total Uses	$13,165,000.00

(1) Interest will only be capitalized on the portion of the Bonds allocable to the Project funded pursuant to Lease Agreement II.

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THE BONDS

General Provisions

The Bonds will be issued in the aggregate principal amount of $13,165,000, will be initially dated as of June 1, 2001, and will bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) at the rates specified on the inside cover page of this Official Statement, payable on December 1, 2001 and semiannually thereafter on June 1 and December 1 of each year (collectively, the "Bond Payment Dates"), and mature on the dates, all as set forth on the inside cover page of this Official Statement. The Bonds are issuable only in fully registered form without coupons in the denomination of $5,000 or any integral multiple thereof.

The principal of the Bonds is payable at the principal trust office of the Trustee, as paying agent, in Bismarck, North Dakota, or at any paying agent appointed by the Issuer as provided in the Indenture, upon presentation and surrender thereof. Interest on the Bonds will be paid to the person who is the registered owner thereof as of the close of business on the 15th day of the month next preceding such Bond Payment Date (the "Record Date") and will be paid by check or draft drawn on the Trustee, or on any paying agent appointed by the Issuer as provided in the Indenture, and mailed on each Bond Payment Date to the registered owner thereof at the address on the registration books maintained by the Trustee notwithstanding the cancellation of any such Bond upon any exchange or transfer thereof subsequent to the Record Date and prior to such Bond Payment Date. The principal of, if any, and interest on the Bonds will be paid in lawful money of the United States of America.

Book-Entry-Only System

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The Issuer makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC or Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

NEITHER THE ISSUER, THE TRUSTEE, ANY BORROWER NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before December 1, 2010 are not subject to call and redemption prior to maturity, except as described under "Extraordinary Optional Redemption Upon the Occurrence of Certain Events" below. The Bonds maturing on or after December 1, 2011 are subject to redemption from moneys deposited to the credit of the Bond Fund pursuant to the Lease, at the option of the Issuer in whole or in part on December 1, 2010 and on any business day thereafter, by direction of the Issuer, at a Redemption Price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the Redemption Date.

Sinking Fund Redemption. Bonds maturing on December 1, 2021 are subject to sinking fund redemption in part by lot at a Redemption Price equal to 100% of the principal amount of the Bonds to be redeemed together with accrued interest thereon to the Redemption Date on December 1 of each of the following years and in the following amounts:

Sinking Fund Redemption Date (December 1)	Principal Amount
2019	$940,000
2020	990,000
2021 (Final Maturity)	770,000

Extraordinary Optional Redemption Upon the Occurrence of Certain Events. In the event of damage, destruction or condemnation of the Projects as provided in the Lease, the Bonds will be subject to redemption prior to stated maturity, in whole or in part on the first day of any month, at a Redemption Price equal to 100% of the principal amount of such Bonds to be redeemed plus accrued interest thereon to the Redemption Date, at the option of the Issuer as directed by the affected Agency in the event that Agency elects under the Lease or any Amended Lease to redeem the Bonds rather than to repair or rebuild the affected Projects.

Selection of Bonds for Redemption. Outstanding Bonds subject to redemption shall, unless otherwise directed by the Issuer, be redeemed in inverse order of serial maturity. If less than all of the Bonds of a serial maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by lot in such manner as the Trustee shall deem fair and appropriate, in denominations of not less than $5,000.

Notice of Redemption. Notice of redemption shall be given by the Trustee by registered or certified mail with return receipt requested, postage prepaid, mailed not less than 30 days before the Redemption Date to each owner of Bonds to be redeemed at the address of such owner appearing in the Register; but neither failure to give such notice by mail nor defect in any notice so mailed shall affect the validity of the proceedings for redemption of any Bond not affected by such failure or defect.

Payment of the Bonds

Each Lease requires semiannual Basic Rent to be paid by each Agency to the Issuer which, when aggregated, represents the total amount of principal of and interest on the Bonds, which Basic Rent has been assigned to the Trustee pursuant to the Indenture. See "SECURITY FOR THE BONDS--The Lease and the Indenture" herein. The aggregate amount of such Basic Rent payable under each Lease is designed to be sufficient to pay the principal of and interest on the Bonds becoming due during the term of such Lease (assuming that the Legislature appropriates sufficient funds in each biennium for the succeeding biennium to automatically extend the term of such Lease).

The following table shows the scheduled Basic Rent payable under the Lease for the entire term of the Lease (assuming that the Legislature appropriates biennially sufficient moneys to pay Basic Rent under the Lease coming due during the stated term of the Lease), which are equal to the payments of principal of and interest on the Bonds:

Scheduled Basic Rent

Fiscal Year Ending June 30	Principal Component	Interest Component	Total Basic Rent
2002	$ 105,000.00	$ 620,776.26	$ 725,776.26
2003	110,000.00	616,476.26	726,476.26
2004	220,000.00	609,876.26	829,876.26
2005	225,000.00	600,976.26	825,976.26
2006	460,000.00	587,276.26	1,047,276.26
2007	480,000.00	568,476.26	1,048,476.26
2008	500,000.00	548,251.26	1,048,251.26
2009	525,000.00	526,470.01	1,051,470.01
2010	555,000.00	502,826.26	1,057,826.26
2011	580,000.00	477,288.76	1,057,288.76
2012	610,000.00	450,513.76	1,060,513.76
2013	635,000.00	422,501.26	1,057,501.26
2014	670,000.00	392,468.76	1,062,468.76
2015	710,000.00	359,683.76	1,069,683.76
2016	750,000.00	324,268.76	1,074,268.76
2017	795,000.00	286,018.76	1,081,018.76
2018	835,000.00	245,268.76	1,080,268.76
2019	885,000.00	202,268.76	1,087,268.76
2020	940,000.00	156,056.26	1,096,056.26
2021	990,000.00	106,600.01	1,096,600.01
2022	770,000.00	61,500.01	831,500.01
2023	815,000.00	20,884.38	835,884.38
Total	$13,165,000.00	$8,686,727.09	$21,851,727.09

SECURITY FOR THE BONDS

The Lease and the Indenture

The Bonds are payable from Basic Rent due under each Lease and certain other revenues as provided in the Indenture. The term of the Lease will commence as of the date of the sale of the Bonds and will expire on June 30, 2001, subject to successive automatic extensions under the provisions of such Lease, unless specifically terminated by the State Legislative Assembly. For circumstances under which a Lease may be terminated, see "THE LEASE--Term of the Lease" in Appendix B. In the opinion of Bond Counsel, neither the Lease, nor the Bonds constitute a general obligation or indebtedness of the State within the meaning of any constitutional or statutory debt limitation. The State has not pledged its credit to the payment of the Lease, or the Bonds, and the State is not directly or contingently obligated to apply money from, or to levy or pledge, any form of taxation to the payment of the Lease, or the Bonds. The Issuer has no taxing power.

The Issuer, as lessor under each Lease and pursuant to the Indenture, will assign to the Trustee its right, title and interest as lessor under each Lease and all Basic Rent payable under the Leases for the benefit of the owners of the Bonds. The Issuer has also granted to the Trustee for the benefit of the owners of the Bonds a mortgage lien on, or a security interest in, or both, in the Projects and in and to certain specified funds held under the Indenture and any Additional Security.

So long as the term of the Lease has not expired on June 30, 2001 by its terms, the Agency is required under the Lease to pay semiannually to the Trustee any specified Basic Rent for the Projects leased to the Agency under such Lease. The aggregated Basic Rent payable under the Lease, represents an amount sufficient to pay the principal of and interest on the Bonds.

The Agency has covenanted in its Lease to cause to be included in the Governor's budget submitted to the Legislature for each successive biennium for so long as such Lease is in effect a request or requests for a sufficient amount to permit the Agency to discharge all of its obligations under the Lease as required. See "THE LEASE -- Lease of Projects -- Covenant to Request Appropriations" in Appendix B hereto. The Issuer has covenanted in the Indenture that, upon notification from the Trustee, the Issuer will request that the Legislature include in the executive budget of the State a sufficient amount for payment of Rent pursuant to the Lease if any Agency has failed to comply with its covenant to request such an appropriation as described above.

In the event the Legislature does not appropriate sufficient funds or there are no other funds available as authorized by law to extend the term of the Lease and such Lease thereby expires by its terms at the end of a Renewal Term, the affected Agency will have no further payment obligation under the Lease, except for the Rent which is payable prior to the termination of the Lease. Upon such expiration, the Trustee may exercise one or more of the rights provided in the Lease and the Indenture, including an option to take possession of and operate and maintain the Projects, subject to the limitations prescribed by the Indenture, and apply any proceeds realized by such action to the payment of principal of outstanding Bonds and accrued interest thereon. Due to the nature of the Projects, it is unlikely that revenues realized from the repossession, operation and maintenance of the Projects would be sufficient to pay then outstanding Bonds in full. See "BONDOWNERS' RISKS" herein. Should such a shortfall occur, the Bonds would be paid ratably as to interest and principal as described under "THE INDENTURE -- Remedies on Default -- Application of Moneys" in Appendix B hereto.

Maintenance and Insurance of the Projects

The Agency has agreed in its Lease, at its own expense, to maintain, manage and operate the Projects and all improvements thereon in good order, condition and repair, ordinary wear and tear excepted. The Agency will provide or cause to be provided all security service, custodial service, power, gas, telephone, light, heating, water and all other public utility services. As provided in the Lease, the Issuer, the Trustee and the owners of the Bonds will not have any obligation to incur any expense of any kind or character for the management, operation or maintenance of the Projects during the term of such Lease.

The Projects are required to be insured to the extent described under "THE LEASE -- Insurance and Condemnation of Projects -- Insurance" in Appendix B hereto. All net proceeds (including any moneys derived from any self-insurance program) from policies of insurance required by the Lease or condemnation awards will be deposited into the Repair and Replacement Fund under the Indenture if the affected Agency elects to proceed with the repair and restoration of the affected Projects as described under (a) below or into the Bond Fund under the Indenture if the Agency elects to effect the redemption of a portion or all of the Bonds then outstanding as described under (b) below. Within 90 days after any such damage, destruction or taking, the Agency is required under the Lease to notify the Trustee in writing of the Agency's intent as to the application and disbursement of such funds as follows:

(a) to the prompt repair, replacement or restoration of the damaged or destroyed portion of the Projects with the understanding as provided in the Lease that if the net proceeds of insurance or condemnation awards are not sufficient to pay the costs of repair, replacement or restoration in full, the Agency will nonetheless complete the same and will pay that portion of the cost thereof in excess of the amount of such net proceeds or condemnation awards, but only from legally available moneys; or

(b) to the redemption, in whole or in part, of the principal of and interest on the then outstanding Bonds as described under "THE BONDS--Redemption--Extraordinary Optional Redemption Upon the Occurrence of Certain Events" above.

Bond Insurance

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix G for a specimen of the Insurer's policy.

The MBIA Insurance Corporation Insurance Policy

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's policy does not under any circumstances, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy does not insure against nonpayment of principal and interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make deposit of funds, in an account with the State Street Bank and Trust Company, N.A.; in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amount6s due on the Bonds as are aid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N..A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally therefore.

MBIA Financial Information

As of December 31, 2000, the Insurer had admitted assets of $7.6 billion (audited), total liabilities of $5.2 billion (audited), and total capital and surplus of $2.4 billion (audited) determined in accordance with the statutory accounting practices prescribed or permitted by the insurance regulatory authorities. As of March 31, 2001, the Insurer had admitted assets of $7.8 billion (unaudited); total liabilities of $5.4 billion (unaudtied), and total capital and surplus of $2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Additional Information About the Insurer

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rice, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. These SEC filings are available to the public over the Internet at the SEC's web site at http://www.sec.gov. The public may also read and copy any of these SEC filings at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2000, (2) the Company's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2001, and (3) the report on Form 8-K filed by the Company on January 30, 2001 are also available, at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545. The SEC filings are also available to the public over the Internet at the Company's web site at http://www.mbia.com.

The following documents filed by the Company with the Securities and Exchange Commission are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2000
(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.
(3) The report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Official Statement and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which is also or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Financial Strength Ratings of the Insurer

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA."

Fitch, Inc. rates the financial strength of the Insurer "AAA."

Each rating if the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price on the Bonds will not be revised or withdrawn.

Reserve Fund

A Reserve Fund is established by the Indenture for the Bonds and will be fully funded at the time of original issuance of the Bonds, from proceeds of the sale of the Bonds in an amount equal to the Reserve Fund Requirement. The Bonds maturing on December 1, 2022 and accrued interest thereon is expected to be paid, in part, from amounts then held in the Reserve Fund.

Amounts in the Reserve Fund are to be used for the payment of principal of and interest on the Bonds to the extent amounts in the Bond Fund under the Indenture are insufficient therefor and for certain other purposes as specified in the Indenture. See "THE INDENTURE--Funds and Accounts--Reserve Fund" in Appendix B hereto.

TAX EXEMPTION

In the opinion of Bond Counsel, assuming compliance with the tax covenants described below, under existing law, interest on the Bonds is excludable from the "gross income" of the owners thereof for purposes of federal and State of North Dakota income taxation (other than the privilege tax measured by net income imposed on banks, trust companies and building and loan associations by North Dakota Century Code, Chapter 57-35.3).

Noncompliance following issuance of the Bonds with certain requirements of the Internal Revenue Code of 1986 as amended (the "Code") may result in the inclusion of interest on the Bonds in the federal and North Dakota "gross income" of the owners thereof retroactive to the date of issuance of the Bonds. The Issuer and the Agency have covenanted to comply with such requirements.

The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. Interest on the Bonds will not be treated as a preference item in calculating the federal alternative minimum taxable income of individuals and corporations. The Code provides, however, that 75 percent of the interest on bonds held by corporations will be included for purposes of calculating the alternative minimum tax that may be imposed with respect to corporations.

Prospective purchasers of the Bonds should also be aware that (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of such Subchapter S corporation is passive investment income and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

LITIGATION

It is a condition of closing that the Issuer execute a certificate to the effect that there is no litigation pending or known to be threatened (i) to restrain or enjoin the issuance or delivery of the Bonds or the collection of revenues pledged under the Indenture, (ii) in any way contesting or affecting the authority for the issuance of the Bonds, the validity of the Bonds, the Lease or the Indenture, or (iii) in any way contesting the organization, existence or powers of the Issuer.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, validity and enforceability of the Lease, as to the Issuer and the Agencies and the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Cook Wegner & Wike PLLP, Bismarck, North Dakota, Bond Counsel. The opinion of Bond Counsel is attached to this Official Statement as Appendix E. Copies of the opinion will be available at the time of the initial delivery of the Bonds. Certain legal matters will be passed upon for the Issuer by the Attorney General.

CONTINUING DISCLOSURE

In the Bond Resolution, the Issuer will covenant for the benefit of all Bondholders to provide certain continuing disclosure information relating to the Bonds and the security therefor to permit the Underwriter of the Bonds to comply with the amendments to Rule 15c2-12 under the Securities and Exchange Act. At the time of the initial delivery of the Bonds, the Issuer will furnish an undertaking to provide continuing disclosure substantially in the form attached to this Official Statement as Appendix F.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group ("S&P") will assign the Bonds the ratings of "Aaa" and "AAA" respectively, based on the issuance by MBIA Insurance Corporation of its municipal bond insurance policy simultaneously with the delivery of the Bonds. Moody's and S&P have assigned underlying ratings of "A1" and "A+", respectively, to the Bonds. For an explanation of the significance of a particular rating, an investor should communicate directly with the appropriate rating agency. Such rating reflects only the views of such rating agency. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be lowered, suspended or withdrawn entirely, if, in an agency's judgment, circumstances warrant. Any such downgrade change or suspension or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Issuer has sold the Bonds at public sale to a syndicate managed by Dain Rauscher, Inc., as Underwriter, for a price of $12,967,756.55 and accrued interest.

FINANCIAL ADVISOR

Evensen Dodge, Inc., of Minneapolis, Minnesota, has served as Financial Advisor to the Issuer in connection with the offering of the Bonds. The Financial Advisor will not participate in the underwriting of the bonds.

ADDITIONAL INFORMATION

All of the summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data and other related documents described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are publicly available for inspection during normal business hours at the offices of the Industrial Commission of North Dakota, Bismarck, North Dakota or Evensen Dodge, Inc., Minneapolis, Minnesota. This Official Statement is not to be construed as a contract or agreement between the Underwriter and the purchasers or owners of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the State.

STATE OF NORTH DAKOTA

/s/ John Hoeven
Governor John Hoeven, Chairman,
Industrial Commission of North Dakota

/s/ Wayne Stenehjem
Attorney General Wayne Stenehjem, Member
Industrial Commission of North Dakota

/s/ Roger Johnson
Commissioner of Agriculture Roger Johnson, Member
Industrial Commission of North Dakota

<u>APPENDIX A</u>

General Information Regarding
The State of North Dakota

THE INDUSTRIAL COMMISSION OF NORTH DAKOTA

The Legislature created the Industrial Commission of North Dakota (the "Commission") in 1919 to conduct and manage, on behalf of the State, certain utilities, industries, enterprises and business projects established by State law. The North Dakota Building Authority Act (the "Act") provides that the Commission, acting as the North Dakota Building Authority (the "Authority"), may negotiate the sale of the bonds of the Authority in such amounts and in such manner as may be provided by law for projects of the Authority. The Commission is responsible for the operation and management of certain other State enterprises, including the Bank of North Dakota, the North Dakota Mill and Elevator Association, the North Dakota Municipal Bond Bank, the North Dakota Housing Finance Agency and the North Dakota Student Loan Trust. The Commission performs regulatory functions through its Oil and Gas Division and Geological Survey and administers the Agricultural Revenue Bond Program. Effective August 1, 1997, the Commission also became the Farm Finance Agency. The Commission, effective July 1, 1991, among other powers, has the authority to borrow money and issue evidences of indebtedness for the purpose of funding lignite research, development and marketing projects, processes or activities directly related to lignite and products derived from lignite.

The members of the Commission are the Governor, the Attorney General and the Commissioner of Agriculture of the State. The Governor is the Chairman of the Commission, and a quorum for the transaction of business of the Commission consists of the Governor and one additional member. The present members of the Commission, all of whom have been elected to office for four-year terms expiring December 14, 2004 (with respect to the Governor) and December 31, 2004 (with respect to the other two members), are:

John Hoeven, Governor
Wayne Stenehjem, Attorney General
Roger Johnson, Commissioner of Agriculture

The Attorney General of the State serves as general counsel to the Commission. Each State enterprise under the control of the Commission employs and is operated by a separate staff or authorized agents under the supervision of the Commission.

The Commission's mailing address is the Industrial Commission of North Dakota, State Capitol, 600 East Boulevard, Bismarck, North Dakota 58505, c/o Executive Director and its telephone number is (701) 328-3722.

NORTH DAKOTA STATE GOVERNMENT

The following description of State government is written with an emphasis on those functions of government that might have a direct bearing or effect on the financial condition of the State and the State's ability to pay Rents under the Lease, but is not a detailed description of all functions of the State's government.

General

The State of North Dakota is governed by its constitution, the present form of which was adopted in 1889 and which has been amended from time to time.

The legislative power of North Dakota is vested in the Legislative Assembly. Pursuant to the legislative redistricting plan adopted by the Fifty-second Session of the Legislative Assembly (1991 N.D. Sp. Sess. Laws ch. 886), the Legislative Assembly consists of a 49-member Senate elected for four-year terms and a 98-member House of Representatives elected for two-year terms from legislative districts established by law on the basis of population. A constitutional amendment, effective July 1, 1997, increased the term of representatives to four years. The

Legislative Assembly meets every two years, beginning on the first Tuesday after the first Monday in January after the general election, or as otherwise determined by the Legislative Assembly, for a period not to exceed 80 legislative days. The people, however, reserve the power to propose measures and to approve or reject the same at the polls by initiative and to approve or reject at the polls by referendum any measure or any item, section, part or parts of any measure enacted by the Legislative Assembly.

The chief executive power of the State is vested in the Governor who, with a Lieutenant Governor, is elected on a joint ballot for a four year term. The Governor is responsible for all executive actions and for the execution of laws passed by the Legislative Assembly. Under the Constitution the Governor can veto legislation, which veto may be overridden by a two-thirds majority vote of each house of the Legislative Assembly. The constitutional veto power of the Governor also includes the power to "veto items in an appropriation bill". The Governor has direct control of 14 departments of the Executive Branch, and chairs a number of State Commissions including the Industrial Commission, the Indian Affairs Commission and the State Water Commission.

The judicial powers of the state are vested in a unified judicial system consisting of the Supreme Court, the temporary court of appeals, district courts, and such other courts as are or may be created by law for cities. The Supreme Court, consisting of five justices elected for ten-year terms, may only exercise appellate jurisdiction except as otherwise specifically provided by statute or by the constitution. In the exercise of its original jurisdiction, the Supreme Court may issue writs of habeas corpus, mandamus, quo warrant to, certiorari, and injunction, and may exercise its original jurisdiction only in habeas corpus cases and in cases of strictly public concern involving questions affecting the sovereign rights of the state or its franchises or privileges. In the exercise of its appellate jurisdiction and in its superintending control over inferior courts, the Supreme Court may issue such original and remedial writs as are necessary to the proper exercise of such jurisdiction.

NORTH DAKOTA STATE FINANCES

State Fund Structure; Accounting Basis

The State maintains a general fund for the receipt of all unrestricted tax revenues from which the State appropriates moneys for the activities of the State. The State also maintains several hundred special funds (including trust funds) for tax revenues and federal revenues received by the State which are restricted as to use.

The State operates a statewide accounting and management information system. This system is an accrual system capable of providing information for preparation of statewide financial statements in accordance with generally accepted accounting principles ("GAAP") for governmental units. The system maintains general ledger accounts for all of the State's funds and also for the GAAP funds and account groups as recommended by the Governmental Accounting Standards Board. The Office of Management and Budget has been statutorily mandated to prepare annual statewide financial statements. The comprehensive annual financial report of the State for fiscal year 2000 is attached as Appendix C.

Budget Procedures

The focus of North Dakota's budget format and process is on programs. The budget includes spending requests for general funds, federal funds and other state-appropriated revenues. State agencies submit their budget requests on a biennial basis to the Office of Management and Budget based on guidelines that are published by the Office of Management and Budget to assist in preparation. State agencies have complete discretion in the formulation of their budget requests. The agency director makes the final determination regarding overall formulation of the budget request. Once the budget request is submitted to OMB, a budget hearing is held for further clarification of budgetary data and discussion of outstanding issues and policy.

The Governor presents the executive budget to the Legislative Assembly for its consideration. The Legislative Assembly then makes changes to the executive budget in the course of its deliberations.

In addition, the Governor presents a capital budget recommendation separate from operating budget recommendations to the Legislature. Key components in the decision to prepare a formalized capital budget included statewide concerns of possible deferred building maintenance and the lack of long-term planning for new construction.

Non-Legislative Powers to Control Expenditures from Appropriations

By statute, the Director of the Office of Management and Budget exercises continual control over the execution of the budget affecting the departments and agencies of the executive branch of the State government. This control entails the analysis and approval of all commitments for conformity with the program provided in the budget, frequent comparison of actual revenues and budget estimates, and, on the basis of these analyses and comparisons, control of the rate of expenditures through a system of allotments. The allotment must be made by specific fund and all departments and agencies that receive moneys from that fund must be allotted moneys on a uniform percentage basis except that appropriation to the Department of Public Instruction for foundation aid, transportation aid and special education aid may only be allotted to the extent that the allotment can be offset by transfers from the foundation aid stabilization fund. Before an allotment is made which will reduce the amount of funds which can be disbursed pursuant to an appropriation or before an allotment disallowing a specific expenditure is made, the Director must find one or more of the following circumstances to exist:

1. The moneys and estimated revenues in a specific fund from which the appropriation is made are insufficient to meet all legislative appropriations from the fund.

2. The payment or the obligation incurred is not authorized by law.

3. The expenditure or obligation is contrary to legislative intent as recorded in any reliable legislative records, including:

   a. Statements of legislative intent expressed in enacted appropriation measures or other measures enacted by the Legislative Assembly; and

   b. Statements of purpose of amendment explaining amendments to enacted appropriation measures, as recorded in the journals of the Legislative Assembly.

4. Circumstances or availability of facts not previously known or foreseen by the Legislative Assembly which make possible the accomplishment of the purpose of the appropriation at a lesser amount than that appropriated.

The foregoing allotment system applies to the various funds maintained by the State and the departments and agencies which receive moneys from such funds. Except for certain appropriations to the Department of Public Instruction, any reduction in expenditures from appropriations is required to be on a uniform percentage basis among the departments and agencies that draw on any particular fund. The allotments are also subject to objection by the Budget Section of the Legislative Council.

A percentage reduction in the moneys available from any affected fund to any department, agency or institution in all three branches of the State government may also occur as a result of an initiated or referendum action pursuant to Article III of the Constitution of North Dakota.

Financial Controls

The State has financial controls over the appropriation and expenditure of funds. No moneys can be spent in excess of appropriations or without a cash balance in the particular fund from which the expenditure is to be made. In addition, by statute, no State institution, department, board, commission or bureau may disburse more than 75% of the operating and salary appropriations made by the Legislative Assembly for the biennium during the first eighteen months of the biennium. Under certain circumstances, an exception to this limitation may be authorized except for salaries and wages. The State's financial control is centered in the Office of Management and Budget, including pre-audit of claims. The post-audit function is carried out by the State Auditor, an elected official.

In order to meet the cash flow needs of State government, the Office of Management and Budget may issue certificates, notes or bonds in anticipation of revenue to special funds on deposit in the State Treasury. Any such borrowing must be approved by the Emergency Commission and be utilized for cash flow financing only and not to offset any projected deficits in State finances unless first approved by the Budget Section of the Legislative Council. The terms of any such issue may not exceed 180 days from the date of issuance, with principal and interest paid in full from the State general fund by the close of the biennium.

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REVENUES AND EXPENDITURES OF NORTH DAKOTA

The following table sets forth a five-year analysis of the State's General Fund revenues and expenditures as of the end of each of the past five fiscal years.

Five-Year Analysis of General Fund Revenues and Expenditures

	Fiscal Year End June 30				
	1996	1997	1998	1999	2000
Revenues					
Taxes	$ 629,193,090	$ 646,167,720	$ 705,385,031	$ 684,654,913	$ 734,974,065
Licenses & Permits	7,491,178	7,550,901	9,130,177	8,657,036	11,317,453
Intergovernmental	340,154	323,609	244,980	314,659	164,095
Sales and Services	1,431,072	1,585,748	1,603,631	1,606,971	1,408,547
Royalties and Rents	2,846,928	4,519,976	5,481,495	3,222,016	4,451,445
Fines and Forfeits	1,910,289	2,283,862	2,538,787	2,234,407	1,664,005
Interest and Investment Income	5,098,467	6,275,829	6,456,854	7,060,830	7,511,546
Miscellaneous	224,513	232,654	306,138	53,764	1,664,074
TOTAL REVENUES	$ 648,535,691	$ 668,940,099	$ 731,147,093	$ 707,804,596	$ 763,155,230
Expenditures					
General Government	$ 45,389,315	$ 52,349,646	$ 48,943,272	$ 63,584,503	$ 51,857,281
Education	247,719,473	254,472,214	269,078,165	270,305,831	288,446,110
Health and Human Services	151,836,882	160,549,472	167,143,804	183,052,329	166,163,619
Regulatory	4,852,229	5,195,620	5,509,119	5,399,367	5,909,924
Public Safety	21,154,083	24,087,054	27,972,292	31,695,743	44,230,789
Agriculture and Economic Development	5,034,103	5,053,026	5,107,912	5,801,158	5,399,415
Natural Resources	10,727,156	10,729,463	11,242,861	12,973,132	12,507,337
Highways	--	2,969,065	--	140,500	263,872
Interest and Other Charges	--	147,866	--	--	--
TOTAL EXPENDITURES	$ 486,713,241	$ 515,553,426	$ 534,997,425	$ 572,952,563	$ 574,778,347
Other Financing Sources (Uses)					
Operating Transfers In	$ 22,582,212	$ 5,174,452	$ 37,442,899	$ 11,695,796	$ 33,460,525
Operating Transfers Out	(157,118,917)	(167,640,325)	(204,932,308)	(200,007,664)	(194,061,401)
Operating Transfers to Component Units	(3,455,982)	2,969,065	(1,204,936)	(1,204,936)	(375,000)
Other	76,919	13,363	76,759	7,448	5,606
Total Other Financing Sources (Uses)	$(137,915,768)	$(159,483,445)	$(168,617,586)	$(189,509,356)	$(160,970,270)
Revenues and Other Sources Over Expenditures and Other Uses	23,906,682	(6,096,772)	27,532,082	(54,657,323)	27,406,613
Beginning Cash Balance	97,211,779	121,118,461	115,021,689	142,553,771	87,896,448
Other Transfers in (Out)	--	--	--	--	--
FUND BALANCE – END OF YEAR	$ 121,118,461	$ 115,021,689	$142,553,771	$ 87,896,448	$ 115,303,061

Source: Office of Management and Budget.

Analysis of General Fund Balances

The following table sets forth the cash balances (General Fund only) as of the end of each quarter, Fiscal Year 1996 through the third quarter of Fiscal Year 2001 (dollars in millions).

Quarter	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001
First	$31.1[(1)]	$19.5[(2)]	$66.7[(1)]	$94.3[(1)]	$45.4[(1)]	$50.8
Second	2.9[(1)]	36.6[(1)]	26.6[(1)]	63.3[(1)]	21.1[(1)]	10.1
Third	8.6[(1)]	47.5[(1)]	23.6[(1)]	60.3[(1)]	15.2	32.4
Fourth	22.7[(1)]	66.4	76.5	66.0	43.0	

(1) Totals include up to $60 million of borrowing from other funds as authorized by law.
(2) Totals include up to $30 million of borrowing from other funds as authorized by law.

Source: Office of Management and Budget.

Analysis of Total State End of Biennium Balances

The following table sets forth the results of the financial operations of the State (including both General Fund and special fund revenues and expenditures) for the biennium periods 1991 to 1993, 1993 to 1995, 1995 to 1997 and 1997 to 1999.

	1991-93	1993-95	1995-97	1997-99
Cash Balance Beginning July 1	$ 178,927,667	$ 131,779,342	$ 170,958,855	$ 210,872,624
Collections	3,771,350,919	3,923,059,395	4,283,926,637	4,781,013,805
Transfer from Other Funds	0	0	0	0
Disbursements	(3,818,499,244)	(3,883,879,882)	(4,244,012,868)	(4,770,191,532)
Transfer to Other Funds	0	0	0	0
Cash Balance Ending June 30	$ 131,779,342	$ 170,958,855	$ 210,872,624	$ 221,694,897

Source: Biennial Reports of the State of North Dakota, Office of the Treasurer; July 1, 1991 to June 30, 1993; July 1, 1993 to June 30, 1995; July 1, 1995 to June 30, 1997; and July 1, 1997 to June 30, 1999.

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1999-2001 General Fund Appropriations

Purpose		Appropriation
General Government		$117,789,702
Education:		898,762,448
Public Institutions and Other	$569,948,811	
Higher Education	328,813,637	
Health and Human Services		366,459,182
Regulatory		35,045,443
Public Safety		84,403,147
Agricultural, Economic Development, Extension and Research:		59,950,307
Extension and Research	47,125,156	
Other Agricultural and Economic Development	12,825,151	
Natural Resources		27,087,496
Miscellaneous		4,540,813
TOTAL		$1,594,038,538

2001-2003 General Fund Appropriations

Purpose		Appropriation
General Government		$ 159,825,655
Education:		963,311,533
Public Institutions and Other	$596,357,697	
Higher Education	366,953,836	
Health and Human Services		390,302,863
Regulatory		22,240,849
Public Safety		111,181,566
Agricultural, Economic Development, Extension and Research:		74,569,578
Extension and Research	51,742,895	
Other Agricultural and Economic Development	22,826,683	
Natural Resources		25,551,669
TOTAL		$1,746,983,713

Source: Office of Management and Budget.

Sources of General Fund Revenues

Actual collections for the General Fund portion of State revenues for the 1995-97 and 1997-99 biennia and the State's revised forecasted revenue projections for the 1999-2001and 2001-2003 biennia are shown below.

Revenue Source	1995-1997 Actual Collections	1997-1999 Actual Collections	Revised 1999-2001 Forecast	2001-2003 Forecast
Sales and Use Tax	$ 517,328,105	$ 569,501,827	$ 616,840,047	$ 643,705,000
Motor Vehicle	88,142,913	94,863,089	109,998,958	113,531,000
Individual Income Tax	315,516,252	358,287,825	402,767,325	450,847,000
Corporate Income Tax	99,347,937	123,420,219	94,220,001	104,439,000
Business Privilege Tax	3,854,132	6,494,162	4,782,211	4,800,000
Cigarette and Tobacco Tax	45,030,090	44,091,170	41,692,734	38,796,000
Oil and Gas Production Tax	33,042,320	26,973,613	38,433,430	38,431,000
Oil Extraction Tax	21,987,655	16,703,114	23,566,570	23,569,000
Coal Severance Tax	22,245,267	22,596,137	22,437,459	0
Coal Conversion Tax	24,064,781	23,786,790	25,518,737	48,670,000
Insurance Premium Tax	36,968,670	33,133,216	39,260,916	39,896,000
Wholesale Liquor Tax	10,339,078	11,140,328	10,857,646	10,540,543
Gaming Tax	22,848,486	22,801,868	27,046,000	20,403,000
Departmental Collections	28,737,207	32,997,069	42,501,898	48,977,350
Interest Income	15,554,914	19,013,889	20,382,000	21,011,000
Mineral Leasing Fees	5,629,526	7,257,989	7,896,523	6,757,500
Bank of North Dakota Transfers	50,214,540	29,600,000	50,000,000	60,000,000
State Mill Transfers	1,000,000	3,000,000	3,000,000	6,000,000
Student Loan Trust Fund Transfers	0	0	0	9,000,000
Gas Tax Administration	1,071,878	1,128,872	1,380,608	1,363,392
Other Transfers[1]	38,445,224	36,713,873	5,142,859	15,578,922
Total	$1,381,368,975	$1,483,505,050	$1,587,725,922	$1,706,315,707

[1] Other transfers for the 1993-95 biennium consist of $21,980,000 from the State Aid Distribution Fund, $12,000,000 from the Fire and Tornado Fund, $5,000,000 from the sale of school construction bonds, $2,500,000 from the State Bonding Fund, $2,500,000 from the Lands and Minerals Trust Fund, $565,188 from the Capital Construction Fund, $229,000 from the Pay Equity Fund and $5,290,976 from other miscellaneous funds. Other transfers for the 1995-97 biennium consist of $35,444,748 from the State Aid Distribution Fund, $2,000,000 from the Lands and Minerals Trust Fund and $1,000,476 from other miscellaneous funds. Other transfers for the 1997-99 biennium include $28,016,830 from the State Aid Distribution Fund and $5,500,000 from the Land and Minerals Trust Fund. Other transfers for the 1999-2001 biennium include $3,000,000 from Land & Minerals Trust Fund, $1,500,000 from the PERS Life Insurance Fund, $200,000 from the Financial Institutions Regulatory Fund and $442,859 from miscellaneous sources. Other transfers estimated for the 2001-03 biennium include $3,545,102 from the Land and Minerals Trust Fund, $300,000 from the Financial Institutions Regulatory Fund and $9,733,820 from the Water Development Trust Fund.

Source: Office of Management and Budget.

Sources of Total State Appropriations

A comparison of the sources for the total appropriations made for the 1995-97, 1997-99, 1999-01 and 2001-03 biennia is presented below:

	1995-1997 Legislative Appropriation	1997-1999 Legislative Appropriation	1999-2001 Legislative Appropriation	2001-2003 Legislative Appropriation
General Fund	$1,346,990,260	$1,489,240,087	$1,594,038,538	$1,746,983,713
Special Funds	2,244,169,894	2,485,367,317	3,215,299,301	3,022,696,983
Total	$3,591,160,154	$3,974,607,404	$4,809,337,839	$4,769,680,696

Tax Structure

The State general fund receives the major share of its revenues from the following six taxes:

Sales and Use Tax. North Dakota currently imposes a State retail tax of 5% on the purchase price of most commodities, with food being the most notable exception. A 7% sales tax is levied upon retail sales of all alcoholic beverages. New farm machinery, irrigation equipment, new mobile homes and the purchase of qualifying manufacturing equipment are subject to a sales and use tax of 3%. The tax is collected by businesses and remitted to the State.

The history for sales and use tax rates during the past ten years is as follows:

> 1991 Session reduced the rate on natural gas from 5% as follows: 4% effective January 1, 1993; 3% effective January 1, 1994; and 2% effective January 1, 1995. Effective July 1, 1991, the 3% rate has been eliminated on manufacturing or processing machinery and equipment used by new or expanding manufacturers or agricultural processors.
>
> 1993 Session clarified and expanded the exemption for manufacturing machinery and equipment to include recycling machinery and equipment. Performances of community non-profit music or dramatic arts organizations held in a public facility were exempted. Items purchased by political subdivisions of another state were made taxable if the other state also taxes the items. A new highway contract privilege tax was established at 5% of the gross contract amount.
>
> 1994 Special Session broadened the qualifications for the manufacturing and equipment exemption to include machinery and equipment used primarily in the manufacturing operation from receipt of raw materials to any process before final transportation from the site. The exemption was expanded to include research and development equipment. A new exemption was created for materials used to construct an agricultural processing facility.
>
> 1995 Session redefined the application of sales and use tax on the sale and installation of carpet and drapes. The sale and installation of carpet, draperies or drapery hardware will always constitute a construction contract. The expiration provision for the sales and use tax exemption for recycling machinery and equipment was removed. The solid waste management surcharge was repealed effective July 1, 1995. The controlled substance tax was repealed effective July 1, 1995. The definition of a retail sale was amended to include tire retreading.
>
> 1997 Session enacted legislation enabling the Tax Commissioner to accept the filing of a sales tax return electronically.

1999 Session enacted legislation reducing the sales and use tax rate on used farm machinery and repair parts from three percent to one and one-half percent from May 1, 1999 through June 30, 2001. This is expected to impact General Fund revenues by approximately $4.471 million during the 1999-2001 biennium. Also enacted by the 1999 Legislature was the Renaissance Zone Act. The provisions of this legislation include income and property tax exemptions in addition to income and financial institutions tax credits. At this time there is no estimate on the impact to the General Fund for exemptions for tax credits provided in this legislation.

2001 Session enacted legislation that continued the one and one-half percent sales tax rate on used farm machinery and repair parts through June 30, 2002. Beginning July 1, 2002, sales of used farm machinery and repair parts will be exempt from sales tax.

Individual Income Tax. A tax on income (defined as federal taxable income with adjustments) is imposed upon individuals and fiduciaries. The 2001 rates and brackets for married taxpayers filing joint return are as follows:

	2001
Up to $45,200	Computed at 2.10%
$45,200 to $109,250	$949.20 plus 3.92% of excess over $45,200
$109,250 to $166,500	$3,459.96 plus 4.34% of excess over $109,250
$166,500 to $297,350	$5,944.61 plus 5.04% of excess over $166,500
Over $297,350	$12,539.45 plus 5.54% of excess over $297,350

The same rates apply on different income brackets for taxpayers with filing statuses of single, married filing separately, or head of household. The income brackets are adjusted annually for inflation.

Individual income taxpayers have the option of using a long-form method of computing their state income tax liability. This method allows several deductions and tax credits not available on the standard form. The long form rates, imposed on federal taxable income with adjustments, range from 2.67% on income up to $3,000 to 12.00% on income in excess of $50,000. As these rates are substantially higher than those on the standard form, only 3% of all taxpayers file the long form.

Corporate Income Tax. All corporations doing business in the State are subject to a tax on the amount of net income derived from business done in the State. The current rates are as follows:

Up to $3,000	Computed at 3%
$3,000 to $8,000	$90 plus 4.5% of excess over $3,000
$8,000 to $20,000	$315 plus 6.0% of excess over $8,000
$20,000 to $30,000	$1,035 plus 7.5% of excess over $20,000
$30,000 to $50,000	$1,785 plus 9.0% of excess over $30,000
Over $50,000	$3,585 plus 10.5% of excess over $50,000

Oil Extraction Tax. The State imposes a 6.5% tax on the value (or selling price) of oil at the wellhead. This tax applies only to oil and not natural gas. New wells drilled after April 27, 1987 receive a 15-month holiday from this tax, and a subsequent reduction in the rate from 6.5% to 4%. In addition, a one-year exemption is available after a well has undergone a qualifying workover. The revenues from this tax are distributed 60% to the General Fund, 20% as provided in Article X, Section 24 of the North Dakota Constitution, and 20% to a resources trust fund. The Oil Extraction Tax went into effect January 1, 1981. Effective July 1, 1991, the Legislature expanded oil extraction tax incentives. Effective July 1, 1993, the Legislature loosened the definition of a qualifying workover project. Effective July 1, 1995, the Legislature again expanded oil exploration tax incentives.

Oil and Gas Production Tax. The State imposes a tax on oil and gas production at a rate equal to 5% of gross well value, payable on a monthly basis. Effective July 1, 1991, instead of gas being taxed at 5% of gross value at the well it will be taxed at four cents per non exempt mcf of gas produced. This rate will be adjusted annually to follow fluctuations in gas value by using the yearly producer price index for gas fuels.

Cigarette and Tobacco Products Tax. A tax of 44 cents per package is imposed on cigarettes with 41 cents per package going to the State General Fund and 3 cents to cities on a population basis. A tax equal to 28% of the wholesale price of other tobacco products is collected and distributed to the General Fund.

Below are descriptions of other major taxes and fees in North Dakota:

Alcohol and Beverage Tax. This tax is imposed on the wholesalers of alcoholic beverages for the privilege of doing business in the State. The tax is based on gallonage sold by wholesalers in the following amounts:

Beer sold in bulk containers	\$0.08/gallon
Beer sold in bottles, cans	\$0.16/gallon
Wine with less than 17% alcohol	\$0.50/gallon
Wine with between 17% and 24% alcohol	\$0.60/gallon
Sparkling wines	\$1.00/gallon
Distilled spirits	\$2.50/gallon
Straight distilled alcohol	\$4.05/gallon

Financial Institutions Tax. All financial institutions are required to file and pay a 7% tax on taxable income, in lieu of all other income taxes.

Coal Conversion Facilities Tax. Electrical generating plants which use coal and have a single generating unit with the capacity of 10,000 kilowatts or more (effective January 1, 2002) are taxed at a rate equal to 0.65 mill times 60% of installed capacity times the number of hours in the taxable period plus 0.25 mill per kilowatt hour of electricity produced for sale. This tax is in lieu of all ad valorem taxes except on land. Other energy installations which are subject to the coal conversion facilities tax include, but are not limited to, coal gasification plants, coal liquefaction plants and plants for the manufacture of fertilizer and other products, which use or are designed to use over 500,000 tons of coal per year. These types of plants pay a tax of 4.1% of gross receipts, or in the case of coal gasification plants, either 4.1% of gross receipts or \$.135 per 1,000 cubic feet of gas produced for sale, whichever is greater. A plant which is designed for coal benefication is taxed at the rate of \$.20 on each ton of beneficiated coal produced for sale or 1.25% of gross receipts, whichever is greater. This tax is collected on a monthly basis. A newly constructed coal conversion facility is exempt from the State's share of the coal conversion tax for five years and may be exempted from all or part of the county's share by resolution of the county commissioners.

Coal Severance Tax. This tax applies to coal severed from the ground for sale or for industrial purposes. Effective July 1, 2001, there is a \$0.375 per ton tax with an additional \$.02 per ton to be deposited into the Lignite Research Fund.

Estate Tax. North Dakota's estate tax is entirely contingent on credits which the federal government allows on federal estate taxes. Specifically, the federal government allows a credit for State estate taxes paid, a credit which is applied against the federal estate tax. North Dakota law now provides that its State estate tax will be equal to, but no more than, the credit allowed on federal estate tax returns.

Gaming Tax. A gaming tax is levied on the total adjusted gross proceeds from games of chance conducted by various licensed organizations. The tax rate is 5% for the first \$200,000 of adjusted gross proceeds, increasing to a maximum rate of 20% for adjusted gross proceeds in excess of \$600,000. In addition, a 4.5% excise tax is imposed on gross proceeds from pull tabs. In a special election held on December 6, 1989, a measure authorizing and regulating the use of electronic video gaming devices was defeated.

Insurance Premium Tax. This tax is on the gross amount of premiums, assessments, membership fees, subscriber fees, policy fees and finance and service charges received in North Dakota by any insurance company doing business in the State. The tax is imposed in an amount of 2% of life insurance, 1.75% with respect to accident and sickness insurance and 1.75% on all other lines of insurance, excluding annuity considerations.

Mineral Leasing Fees. This fee represents the money the State receives for the lease of the State's mineral interests. As of June 30, 1999, the State had rights to approximately 2.5 million acres, of which approximately 18.7% was under lease.

Motor Vehicle Fuels Tax. North Dakota generally imposes a tax of 21 cents per gallon on all sales of motor vehicle fuels. The State also imposes a special fuels tax on certain other motor fuels, primarily diesel fuel. The special fuels tax is 21 cents per gallon if the fuel is for use in licensed vehicles or if it is sold to public contractors performing public-funded contracts. If the special fuels are sold for heating, agricultural, railroad or privately funded industrial purposes, the special fuels tax is 2% of the purchase price of these fuels. The 1995 Legislature enacted provisions for up to two cents additional tax on motor fuels and special fuels, dependent upon the availability of federal highway matching funds. The 1997 Legislature continued the two cent tax through December 31, 1999. The 1999 Legislature established the motor fuels tax at 21 cents per gallon a decrease of one cent per gallon.

The Legislature has established statutory limitations on the amount of general fund revenues that will be made available for lease payments during a biennium, tying the limitation to a percentage of a portion of the net sales, use, and motor vehicle excise tax collections during a biennium. In 1995 the Legislature set the limitation at no more than 11% of that portion of the sales, use and motor vehicle excise taxes representing collections from one cent of the five cent (per dollar) sales, use, and motor vehicle excise taxes. In 1997 the Legislature reduced the percentage limitation from 11% to 10% of that portion of the sales, use, and motor vehicle excise taxes representing collections from one cent of the five cent (per dollar) sales, use, and motor vehicle excise taxes. The percentage limitation remains at 10% currently. (Because these limitations are statutory, the Legislature is free to alter or even eliminate such limitations in future sessions.)

NORTH DAKOTA STATE TAX DEPARTMENT
NET COLLECTIONS
FOR THE FISCAL YEARS ENDED JUNE 30, 1996 TO 2000

TAX TYPE	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000
Sales and Use Taxes[(1)]	$329,134,893	$358,900,354	$363,095,256	$383,173,850	$390,332,981
Oil Extraction Tax	16,467,484	19,079,936	15,328,212	12,074,588	22,033,670
Gross Production Tax	26,905,996	34,772,117	29,521,309	22,705,995	38,464,671
Motor Fuels Taxes	96,044,324	103,727,317	105,131,399	103,050,448	111,937,585
Individual Income Tax	152,087,864	163,732,247	177,904,251	181,389,034	198,287,830
Corporation Income Tax	49,047,417	50,300,520	65,543,025	57,877,194	47,528,001
Coal Taxes[(2)]	37,908,208	37,641,659	37,257,693	38,274,528	38,959,421
All Other Taxes and Fees[(3)]	75,554,176	82,364,267	86,067,863	106,892,031	109,509,989
Total Net Collections	**$783,150,362**	**$850,518,417**	**$879,849,008**	**$905,437,668**	**$957,054,148**

(1) Includes sales and use tax, motor vehicle excise tax and State Aid Distribution Fund.

(2) Includes coal severance tax and coal conversion facilities privilege tax.

(3) Includes cigarette tax, tobacco tax, estate tax, business and corporation privilege tax, financial institutions tax, telecommunications tax, transmission lines tax, city sales tax, city lodging tax, music and composition tax, sales and use tax and motor fuel tax cash bonds, motor fuel license fees, solid waste management fees, centennial tree contributions, organ transplant support contributions, drug tax, city restaurant and lodging, nongame wildlife contributions, and miscellaneous remittances.

Source: Comparative Statement of Collections, North Dakota State Tax Department.

NORTH DAKOTA STATE INDEBTEDNESS

Authorization and Debt Limits

Article X, Section 13 of the North Dakota Constitution provides that:

> "The state may issue or guarantee the payment of bonds, provided that all bonds in excess of two million dollars shall be secured by first mortgage upon real estate in amounts not to exceed sixty-five percent of its value; or upon real and personal property of state-owned utilities, enterprises or industries, in amounts not exceeding its value, and provided further, that the State shall not issue or guarantee bonds upon property of state-owned utilities, enterprises or industries in excess of ten million dollars.
>
> No further indebtedness shall be incurred by the state unless evidenced by a bond issue, which shall be authorized by law for certain purposes, to be clearly defined. Every law authorizing a bond issue shall provide for levying an annual tax, or make other provision, sufficient to pay the interest semiannually, and the principal within thirty years from the date of the issue of such bonds and shall specially appropriate the proceeds of such tax, or of such other provisions to the payment of said principal and interest, and such appropriation shall not be repealed nor the tax or other provisions discontinued until such debt, both principal and interest, shall have been paid. No debt in excess of the limit named herein shall be incurred except for the purpose of repelling invasion, suppressing insurrection, defending the State in time of war or to provide for the public defense in case of threatened hostilities."

The State currently has no general obligation debt outstanding.

Previous North Dakota Building Authority Financings

The Industrial Commission of North Dakota acting as the North Dakota Building Authority previously issued and has outstanding as of December 31, 2000, Lease Revenue Bonds as follows:

1991 Series A:	
6.30% Serial Bonds, due June 1, 2001	$ 730,000
1993 Series A:	
5.25% to 5.90% Serial Bonds, due June 1, 2001-2007	14,615,000
6.00% Term Bonds, due June 1, 2010	8,270,000
1993 Series B:	
4.70% to 5.40% Serial Bonds, due August 15, 2001-2008	5,895,000
5.45% Term Bonds, due August 15, 2011	2,830,000
5.50% Term Bonds, due August 15, 2014	3,370,000
1995 Series A:	
5.00% to 6.10% Serial Bonds, due December 1, 2001-2016	15,865,000

1998 Series A:	
4.40% to 5.125% Serial Bonds, due December 1, 2001-2013	$ 4,920,000
5.125% Term Bonds, due December 1, 2018	2,910,000
1998 Series B:	
4.50% to 5.00% Serial Bonds, due December 1, 2001-2010	11,255,000
1998 Series C:	
3.65% to 4.35% Serial Bonds, due December 1, 2001-2009	2,870,000
2000 Series A:	
5.125% to 5.60% Serial Bonds, due December 1, 2001-2019	4,430,000
Total Outstanding (Excluding the Bonds)	**$77,960,000**

The 1991 Bonds were issued to advance refund the then outstanding 1986 Bonds, which were issued for the purpose of current refunding certain bond anticipation notes that were sold to provide interim financing for the acquisition, construction and equipping of the State Penitentiary in Bismarck, the State Hospital in Jamestown and the Developmental Center at Grafton. A portion of the 1998B Bonds were used to advance refund and defease the June 1, 2002 to 2011 maturities, totaling $9,495,000, of the 1991 Bonds.

The 1993A Bonds were issued to advance refund and defease all outstanding maturities of the then outstanding 1990 Bonds (Series A, B and C) which were issued to finance the cost of the acquisition, construction of improvements and renovations of State facilities located on the campuses of the State Board of Higher Education, the State Penitentiary and the North Dakota Veterans' Home. The 1990 Bonds were called on June 1, 2000 at a price of par and in the amount of $23,780,000. The total par amount of bonds refunded and defeased is $31,845,000.

The 1993B Bonds were issued to finance the acquisition or construction of a replacement facility for Job Service North Dakota, various capital construction projects (including handicapped access and renovation of the Memorial Library at Minot State University) and prepayments of special assessments of the State Board of Higher Education, demolition, renovation and asbestos removal at Dakota Hall of the Youth Correctional Center of the Department of Corrections and Rehabilitation, and for construction of an armory and other renovation projects for the North Dakota National Guard.

The 1995A Bonds were issued to finance capital construction projects located on various campuses of the State Board of Higher Education.

The 1998A Bonds were issued to finance the acquisition, construction, improvement or equipping of certain facilities for the State Board of Higher Education and the Department of Corrections and Rehabilitation.

A portion of the 1998B Bonds were issued to advance refund the callable maturities, June 1, 2002 through 2011, of the outstanding 1991 Series A Bonds. The 1991 Bonds will be called on June 1, 2001 at a price of par and in the amount of $9,495,000. The remainder of the 1998B Bonds were issued to advance refund the callable maturities, August 15, 2001 through 2007, of the outstanding 1992 Series A Bonds. The 1992 Bonds were called on August 15, 2000 at a price of par and in the amount of $1,755,000.

The 1998C Bonds were issued to finance a portion of the renovation and addition to the Ed James Wing of the medical school at the University of North Dakota for the State Board of Higher Education.

The 2000A Bonds were issued to finance a portion of the construction an Animal Research Facility at North Dakota State University for the State Board of Higher Education and to fund a portion of the renovation of the Pine Cottage at the North Dakota Youth Correctional Center for the Department of Corrections and Rehabilitation.

Building Authority bonds do not constitute an obligation of the State within the meaning of any constitutional or statutory provision. All of the Building Authority bonds listed above were issued under separate indentures of trust and are not on a parity with each other.

Revenue Debt

The State and certain State-created entities have the authority to incur debt supported by revenues derived from the assets of the various programs financed by such indebtedness. Only the Municipal Bond Bank Bonds listed below include a moral obligation provision. Such outstanding debt as of December 31, 2000 is shown below:

	Outstanding
State of North Dakota Student Loan Revenue Bonds	$ 217,586,000
North Dakota Municipal Bond Bank Bonds[(1)]	145,705,000
North Dakota Housing Revenue Bonds, including accreted value	811,799,000
Board of Higher Education	53,477,000
North Dakota State Water Commission[(2)]	40,000,000
Lignite Bonds[(2)]	5,400,000
Total	$1,273,967,000

(1) Section 6-09.4-10 of the North Dakota Municipal Bond Bank Act provides that in order to assure the maintenance of the required Debt Service Reserve in the Reserve Fund, if a reserve is required or implemented under or by the Act, there shall be appropriated by the Legislative Assembly and paid to the Bond Bank for deposit in said Fund, such sum, if any, as shall be certified by the Industrial Commission, as necessary to restore said Fund to an amount equal to the Required Debt Service Reserve.

(2) A portion of the outstanding North Dakota State Water Commission Bonds and the Lignite Bonds are supported by biennial legislative appropriations from special funds and not from revenues as set out above.

NORTH DAKOTA ECONOMY

General

North Dakota lies in the central portion of the Northern Plains with a land area of 70,665 square miles. Elevation in the northeast corner of the State is 750 feet above sea level and in the southwest corner of the State is 3,506 feet.

In the east, the Red River Valley is flat with fertile soil, and particularly suited to agricultural activity. Gently rolling hills characterize the glaciated plains in the central area of the State and west of this area is the Missouri Plateau.

With an average growing season of 120 days, relatively low growing season temperatures and an average growing season rainfall of 13 inches, North Dakota's climate is particularly conducive to the growing of grains. The premier farming area is located in the eastern part of the State, gradually displaced by ranching toward the west.

Agriculture

North Dakota's economy is dependent upon the well-being of agriculture. Agriculture is the state's chief source of revenue and composes one-third of the state's economic base (excluding federal activity). Crops make up two-thirds of the State's annual agricultural productivity; livestock makes up the rest.

Cash receipts for 1999 from the marketing of crops and livestock in the State totaled over $2.8 billion, as compared to $2.9 billion in 1998. Each dollar produced by agriculture turns over an additional three to four dollars of revenue in the business sector.

Historically, wheat has been the single most important source of agricultural income in North Dakota, and accounted for 19.5% of the total cash receipts in 1999. Cattle and calves ranked third, with 12.3% of the total and government payments ranked first with 25.5% of the total.

Agricultural exports totaled $917.9 million in 1999 with wheat and wheat products accounting for 30.5% of the total. Sunflower seed and oil were the second most exported commodities in the State, followed by soybeans and products.

Below is a table which lists the major crops of North Dakota in 1999, the State's rank in national production of each of these crops, and the percentage of the national production of each of these crops that is grown in North Dakota.

State of North Dakota
Major Crop Production 1999

Crop	Rank in Nation	Percent of U.S. Production
All Wheat	2nd	11%
Durum Wheat	1st	72%
Spring Wheat	1st	33%
Barley	1st	21%
Flaxseed	1st	87%
All Sunflower	1st	43%
Sunflower, Oil	1st	40%
Sunflower, Non-Oil	1st	55%
All Dry Edible Beans	1st	25%
Pinto Beans	1st	45%
Navy Beans	2nd	35%
Rye	1st	14%
Sugar Beets	2nd	15%
Oats	3rd	12%
Potatoes	6th	6%
All Hay	10th	3%
All Other Hay	9th	3%
Alfalfa Hay and Mixtures	12th	4%
Corn for Silage	22nd	1%
Corn for Grain	15th	1%
Honey	2nd	13%
Total Acreage of Principal Crops Harvested	6th	6%

Source: North Dakota Agricultural Statistics Service.

North Dakota 1999 Cash Receipts From Crops and Livestock ($000)

	Receipts	Rank Among All States
Crops	$2,138,454	13th
Livestock	647,425	38th
Total Crops & Livestock	$2,785,879	28th
Government Payments	951,581	7th
TOTAL	$3,737,460	
Five Leading Commodities[(1)]:		
Wheat	$728,253	
Cattle/Calves	461,132	
Sunflower	238,477	
Soybeans	208,585	
Sugarbeets	181,885	

(1) Receipts data in dollars are for 1999, the latest year for which data is available.

Source: North Dakota Agricultural Statistics and U.S. Department of Agriculture.

North Dakota Net Income Per Farm

Year	Amount
1998	$24,049
1997	4,069
1996	33,244
1995	12,735
1994	26,548

Source: North Dakota Agricultural Statistics.

Energy and Mineral Resources

Commodities commercially produced in North Dakota include oil and gas, lignite, leonardite, sand and gravel, and clay.

Oil and gas have been produced in 19 counties from an estimated 934 separate pools that have been discovered in North Dakota since 1951. North Dakota's crude oil production reached its first peak in 1966 at 27 million barrels, then declined to 19.6 million barrels in 1974. An exploration boom began in the late 1970's, triggered by higher crude oil prices, a high success ratio for wildcat wells, and significant new discoveries such as Little Knife Field in 1976. Drilling peaked in 1981, with annual crude oil production reaching its all-time peak in 1984 at 52.7 million barrels.

The downward slide in crude oil production that began in 1985 continued through 1994, when production hit its lowest point since 1979. Production in 1994 was 27.6 million barrels with a daily average of 75,826 barrels. Exploration for new oil and production of existing resources continued to lag through much of the 1990's, a result of low crude oil prices, but production has risen to its current level of 85,013 barrels/day in April, 2001 as a result of increasing horizontal drilling activity. North Dakota remains the nation's 9th ranking oil-producing state.

Lignite coal is the only rank of coal found in North Dakota in economic amounts. It underlies much of the western two-thirds of the state. Lignite is a "low-rank" coal, meaning it has been altered only slightly by heat and pressure, is still relatively soft, and has a relatively low heat value. Lignite is generally high in moisture content and volatile matter. North Dakota lignite has a low sulfur content (generally less than one percent) and a low ash content.

Twenty-one North Dakota counties have strippable lignite reserves. The North Dakota Geological Survey estimates total strippable reserves of lignite at about 26 billion tons. This represents more than 60% of the recoverable lignite in the United States.

The earliest recorded economic production of lignite in North Dakota is for the year 1884, but small quantities had been mined for domestic use prior to that time. Production increased steadily, with some fluctuations, rising to above two million short tons in the late 1930's and above three million tons in the early 1950's. It remained at about that level into the early 1960's. Production turned sharply upward in the late 1960's and 1970's, chiefly to provide fuel for new electrical generating plants built in the state. By 1975, lignite production was about 11 million tons. Today, several large-scale plants are clustered near the plentiful water supply of Lake Sakakawea in west-central North Dakota.

A decade of rapidly increasing lignite production began in the mid-1970's, with production reaching about 25 million tons by 1985 and increasing to over 32 million tons by 1993. In 2000, coal production was 31 million tons. North Dakota currently ranks 10th among coal-producing states.

Nearly all the lignite produced in North Dakota is consumed in the state. About 79% of the lignite mined is used to generate electricity (13.5% is used to generate synthetic natural gas, and 7.5% is used to produce fertilizer products). Electricity from lignite-fired power plants is one of North Dakota's leading exports.

Source: North Dakota Industrial Commission, North Dakota Geological Survey.

Population and Labor Force

The 2000 population of North Dakota was estimated by the United States Census Bureau at 642,200. The State is divided into 53 counties with the City of Bismarck as the capitol of the State and county seat of Burleigh County.

North Dakota Population by Decade, 1950-1990, Current Estimate

Year	Population	Percent Change
1950	619,636	(3.5%)
1960	632,446	2.1%
1970	617,792	(2.3%)
1980	652,717	5.6%
1990	638,800	(2.1%)
2000	642,200	1.3%

2000 Population by Age

Age	Population	Percent
0-19	183,464	28.6%
20-24	50,503	7.9%
25-44	174,891	27.2%
45-64	138,864	21.6%
65+	94,478	14.7%
Total	642,200	100.0%

Source: U.S. Census Bureau.

Total average nonagricultural employment in the State in 2000 was approximately 327,100. Below is a table with North Dakota annual nonagricultural employment for the years 1996 through 2000.

North Dakota Annual Average Total Nonagricultural Employment

	1996	1997	1998	1999	2000
Mining	4,100	4,150	4,050	3,500	3,750
Construction	14,850	14,650	15,150	16,650	16,150
Manufacturing:					
Durable Goods	12,100	13,250	13,950	14,350	15,200
Non-Durable Goods	9,450	9,950	10,200	9,850	9,750
Total Manufacturing	21,550	23,200	24,150	24,200	24,950
Total Goods Employment	40,500	42,000	43,350	44,350	44,850
Transportation, Comm. & Public Utilities	18,350	18,000	17,800	18,500	18,700
Wholesale Trade	21,200	21,850	21,550	21,850	21,400
Retail Trade	59,050	59,050	59,350	59,550	60,300
Finance, Insurance & Real Estate	14,300	14,800	15,650	16,400	16,600
Other Services	84,450	86,800	89,550	91,400	92,400
Government	70,800	70,500	70,550	71,800	72,850
Total Services Employment	268,150	271,000	274,450	279,500	282,250
Total Nonagricultural Employment	308,650	313,000	317,800	323,850	327,100

Source: North Dakota Job Service.

Annual Average
Unemployment Rates

	1996	1997	1998	1999	2000
United States	5.4%	4.9%	4.5%	4.2%	4.0%
North Dakota	3.1%	2.5%	3.2%	3.4%	3.0%
Bismarck MSA	2.9%	2.5%	3.0%	3.0%	2.5%
Fargo MSA	2.5%	1.8%	1.7%	2.0%	2.0%
Grand Forks MSA	3.4%	3.6%	2.7%	3.0%	3.4%

Source: North Dakota Job Service.

Personal Income Trends

The table below shows trends in per capita personal income in current dollars in the State of North Dakota, the United States and other states in the Northern Plains Region.

Per Capita Personal Income

	1980	1990	1994(1)	1995(1)	1996(1)	1997(1)	1998(1)	1999(2)	1999 Rank
United States	$9,940	$18,667	$22,056	$23,562	$24,169	$25,288	$27,203	$28,518	--
North Dakota	7,641	15,320	18,157	19,084	20,308	20,103	22,892	23,518	38th
Other Northern Plains States									
Minnesota	9,982	18,784	22,794	24,583	25,260	26,243	29,263	30,622	10th
Iowa	9,346	16,683	19,965	21,181	22,078	23,120	24,745	25,727	33rd
South Dakota	7,701	15,628	18,558	19,848	20,503	21,076	23,715	25,107	36th
Montana	8,728	14,743	17,589	18,764	18,886	19,660	21,229	22,314	46th

(1) Revised
(2) Preliminary

Source: Department of Commerce, Bureau of Economic Analysis.

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Taxable Sales and Purchases

Below is a table which sets forth the taxable sales and purchases within the State of North Dakota by sales category for the calendar years 1996-2000.

Sales Category	1996	1997	1998	1999	2000
Mining, Construction, & Manufacturing	$ 507,764,591	$ 522,743,216	$ 590,765,427	$ 784,407,243	$ 579,635,931
Transportation, Communication, & Public Utilities[1]	459,641,933	480,400,845	514,217,026	514,531,159	557,613,208
Wholesale & Retail Trade	4,487,459,975	4,714,754,818	4,657,277,531	4,847,392,217	4,957,739,151
Services	598,737,994	646,470,862	661,323,260	677,897,340	686,301,315
Other	36,399,315	40,178,554	52,528,621	45,640,042	45,098,067
Total	$6,090,003,808	$6,404,548,295	$6,476,111,865	$6,869,868,001	$6,826,387,672

(1) Includes Gas and Sanitary Services.

Source: North Dakota Sales and Use Tax statistical report, North Dakota Tax Department.

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APPENDIX B

Summary of Certain Provisions of the Indenture and the Lease

SUMMARY OF CERTAIN PROVISIONS OF
THE INDENTURE AND THE LEASE

The following is a brief summary of certain provisions of the Indenture and the Lease and is not to be considered as a full statement of the provisions of the Indenture and the Lease. The summary is qualified by references to and is subject to the complete Indenture and Lease, copies of which may be examined at the offices of the Issuer and the Trustee.

PART A
2001 SERIES A INDENTURE
CERTAIN DEFINITIONS

"**Accountant**" means a certified public accountant or accountants licensed by the State and employed or retained by the Authority.

"**Act**" means NDCC Chapter 54-17.2, as amended by the Legislative Assembly of the State.

"**Additional Rent**" means the rent to be paid pursuant to Section 3.5 of the Lease.

"**Additional Security**" means any right, title, or interest in property, real, personal or mixed, not acquired by the Authority by the expenditure of the proceeds from the sale of the Bonds, that is pledged to the security of the Bonds and made a part of the Trust Estate in lieu of or in addition to the security interest in the Project or Projects as described in the Lease.

"**Administration Fund**" means the Administration Fund established by Section 5.06 of the Indenture.

"**Administrative Expenses**" means the Authority's expenses of carrying out and administering its powers, duties and functions under the Lease and the Indenture. Such expenses shall not include (i) Debt Service on the Bonds or on any other bonds, notes or other evidences of indebtedness of the State, or (ii) the Costs of Issuance, (iii) Bond Fees, or (iv) the fees, costs or expenses of the Authority, the Commission or the State with respect to any other bonds, notes or indebtedness of the Authority, the Commission or the State.

"**Agency**" means the North Dakota State Board of Higher Education.

"**Agent**" means, whether one or more, the person at any time designated to act on behalf of the Agency by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person. Such certificate may designate an alternate or alternates.

"**Authority**" means the Industrial Commission of North Dakota acting in its capacity as the North Dakota Building Authority created under and pursuant to the provisions of the Act or any body succeeding to its rights or duties under the Indenture.

"**Authority Bonds**" means (i) Bonds owned or held by the Authority or the State or held by the Trustee, or their agents, for the account of the Authority or the State or (ii) Bonds which the Authority has notified the Trustee, or which the Trustee knows, were purchased by another Person for the account of the Authority or the State with moneys furnished by the Authority or the State.

"**Authority Certificate**" or "**Authority Consent**" means, respectively, a written request, order, certificate or consent signed in the name of the Authority by an Authorized Officer and delivered to the Trustee.

"**Authorized Officer**" means the person or persons at any time designated to act on behalf of the Authority in the Bond Resolution.

"**Balance**" when used with reference to any Fund, means the aggregate sum of all assets deposited in and standing to the credit of such Fund, including, without limitation, Permitted Investments computed at the value of Permitted Investments; and lawful money of the United States; provided, however, that the Balance of the Bond Fund shall not include amounts standing to the credit thereof which are being held therein for: (a) the payment of past due and unpaid interest on and principal of Bonds and (b) the payment of interest on and principal of Bonds that are deemed no longer Outstanding as a result of the defeasance thereof pursuant to Section 10.01.

"**Bank of North Dakota**" means the State doing business as the Bank of North Dakota pursuant to Chapter 6-09 of the NDCC and any other board, body, commission or agency succeeding to the functions thereof under the Indenture.

"**Basic Rent**" means the rent to be paid pursuant to Section 3.3 of the Lease.

"**Bond Counsel**" means any Counsel of nationally recognized standing in the field of law relating to exemption from federal income taxation with respect to municipal bonds.

"**Bond Fees**" means the fees, costs and expenses of the Trustee and Paying Agent, Independent Accountants, Bond Counsel or Registrar incurred by the Authority including the NDBA Fee in carrying out and administering its powers, duties and functions under the Indenture and the Lease.

"**Bond Fund**" means the Bond Fund created under Section 5.01 of the Indenture.

"**Bond Resolution**" means the resolution of the Authority adopted by the Authority on May 24, 2001, authorizing the issuance and sale of the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

"**Bond Year**" means a one (1) year period beginning on December 1 and ending on November 30 of the next succeeding calendar year, or such other dates as designated by the Authority.

"**Bonds**" means the State of North Dakota, North Dakota Building Authority Lease Revenue Bonds, 2001 Series A, described in the Indenture and any additional bonds authorized to be issued hereunder and any bonds issued to refund the 2001 Series A Bonds in whole or in part.

"**Building Authority Fund**" means the Building Authority Fund established pursuant to Section 5.07 of the Indenture.

"**Business Day**" means any day other than a Saturday or Sunday or legal holiday, or a day on which the Trustee is required or authorized by law to remain closed or a day on which the New York Stock Exchange is closed.

"**Certificate**" means a certification in writing required or permitted by the provisions of the Lease or the Indenture, signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of Section 1.02 of the Indenture, each Certificate shall include the statements provided for in Section 1.02.

"**Certified Resolution**" means a copy of a resolution of the Authority, certified by the Secretary to the Commission to have been duly adopted by the Authority.

"**Commission**" means the Industrial Commission of North Dakota created by NDCC. 54-17-01, and any other board, body, commission, agency or officer succeeding to the functions thereof to which the powers and duties granted or imposed by the Indenture shall be given by law.

"**Completion Date**" means the date certified as provided in Section 2.8 of the Lease.

"**Condemnation**" means the taking or requisition by governmental authority or by a person, firm or corporation acting under governmental authority and a conveyance made under threat of condemnation provided such conveyance is made with the approval of the Trustee, and condemnation award shall include payment for property taken or requisitioned or conveyed under threat of condemnation.

"**Construction Fund**" means the Construction Fund created in Section 4.01 of the Indenture for the Project.

"**Costs of Project**" means the aggregate of all Costs of the Project set out in Section 2.1 of the Lease.

"**Costs of Issuance**" means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, sale and issuance of the Bonds and including, but not limited to printing costs, costs of preparation and reproduction of documents, filing fees, Trustee, Registrar and Paying Agents, legal fees and charges, fees and disbursements of consultants and professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of the Bonds, any bond insurance premiums, any costs associated with obtaining title opinions or title insurance with respect to the Project, and any accrued interest paid in connection with or with respect to the initial investment of Bond proceeds, other costs incurred by the Authority in anticipation of the issuance of the Bonds and any other cost, charge or fee in connection with the issuance of the Bonds.

"**Counsel**" means an attorney duly admitted to practice law before the highest court of any state.

"**Debt Service**" means, as of any particular date and with respect to any particular period, the aggregate of the moneys to be paid or set aside on such date or during such period for the payment of the principal of, including any sinking fund redemptions of Term Bonds, premium, if any, and interest on the Bonds.

"**Default**" means default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture, exclusive of any notice or period of grace required to constitute a default as an "Event of Default" as described in Section 7.01 of the Indenture.

"**Default in Payment**" means an Event of Default described in paragraph (a) or (e) of Section 7.01 of the Indenture.

"**Event of Default**" means an event of default described in Section 7.01 of the Indenture which has not been cured.

"**Event of Nonappropriation**" means the failure, for whatever reason, of the Legislative Assembly of the State to appropriate sufficient moneys for the payment of Basic and Additional Rent under the Lease during any Renewal Term of the Lease, wherein Basic and Additional Rent are payable, on or before the commencement of such Renewal Term.

"**Excess Earnings**" means (a) investment earnings on obligations purchased with amounts deposited in any Fund created pursuant to the Indenture (other than the Bond Fund and Rebate Fund) in an amount equal to the difference between the excess of the aggregate amount earned during the Bond Year less the amount of investment earnings that would have been generated if the Yield on the investment of such amount during the Bond Year had been equal to the Bond Yield plus (b) any income attributable to the excess described in (a). The foregoing shall be interpreted and applied consistent with Section 148 of the Internal Revenue Code and Section 1.148 of the Treasury Regulations.

"**Financial Newspaper**" or "**Financial Journal**" means any newspaper or journal of general circulation carrying financial news circulated in the English language in New York, New York.

"**Fiscal Year**" means the Agency's fiscal year, and shall initially mean the 12-month period commencing on the first day of July in each year.

"**Fund**" means any of the Funds established by the Indenture.

"**Indenture**" means the Trust Indenture, constituting a trust agreement between the Authority and the Bank of North Dakota, as Trustee, and including any indenture which amends or is supplemental hereto entered into in accordance with the provisions of the Indenture.

"**Independent**" when used with respect to any specified Person, means a Person who (1) is in fact independent; (2) does not have direct financial interest or any material indirect financial interest in the Authority or State, other than the payment to be received under a contract for services to be performed by such Person; and (3) is not connected with the Authority or State as an official, officer, employee, promoter, underwriter, trustee, partner, affiliate, subsidiary, director or Person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person shall be appointed by the Authority or the Trustee, as the case may be, and such opinion or certificate shall state that the signer had read the definition and that the signer is Independent within the meaning of the Indenture.

"**Interest Payment Date**" means a date on which interest is payable on any Bond including any date upon which interest is payable under an acceleration of maturity pursuant to Section 7.02 of the Indenture.

"**Interest Period**" means any semiannual period prior to each Interest Payment Date.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder or applicable to the Bonds.

"**Investment Agreement**" means an agreement by and between the Authority and a bank, trust company, national banking association, insurance company or other financial institution, providing for the investment of moneys in any of the Funds.

"**Lease**" or "**Leases**" means the Lease Agreement I, dated as of the date of the sale of the Bonds, between the Authority and the North Dakota State Board of Higher Education for the construction of an addition to the Health and Wellness Center at Williston State College, formerly known as the University of North Dakota-Williston, and the

Lease Agreement II, dated as of the date of the sale of the Bonds, between the Authority and the North Dakota State Board of Higher Education for the renovation of Old Main at Minot State University.

"**Lease Term**" means the duration of the leasehold estate created in the Lease as specified under Article III thereof to the date of termination including early termination provided for therein.

"**Leased Equipment**" means any items of machinery, equipment, fixtures and related property required herein to be acquired and installed in the Project or elsewhere on the Site, and acquired, financed or refinanced with the proceeds from the sale of the Bonds or the proceeds of any payment by the Agency pursuant to Section 4.1 of the Lease.

"**Maturity**" means, when used with respect to any Bond, the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"**Moody's**" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, at the written direction of the Commission.

"**NDBA Fee**" means the administration fee payable to the Authority, as described in Section 8.27 of the Indenture.

"**NDCC**" means the North Dakota Century Code, as amended.

"**Net Proceeds**" when used with respect to any insurance or Condemnation award, means the proceeds from the insurance or Condemnation award remaining after payment of all expenses (including attorney's fees and any extraordinary expenses of the Trustee) incurred in the collection of such proceeds.

"**Opinion of Counsel**" means a written opinion of Counsel appointed by the Agency or Authority and acceptable to the Trustee or appointed by the Trustee. If, and to the extent required by the provisions of Section 1.02 of the Indenture, each Opinion of Counsel shall include the statements provided for in said Section 1.02.

"**Original Purchaser**" means the original purchaser or purchasers of the Bonds as set out in Exhibit C hereto.

"**Outstanding**" when used as of any particular time with reference to Bonds, means all Bonds theretofore authenticated and delivered by the Trustee under the Indenture except:

(i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(ii) Bonds for the payment or redemption of which cash or direct obligations of or obligations fully guaranteed by the United States of America (which do not permit the redemption thereof at the option of the issuer) in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the Stated Maturity or the Redemption Date of such Bonds), provided that if such Bonds are to be redeemed prior to the Stated Maturity thereof, notice of such redemption shall have been given pursuant to Article III of the Indenture, or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the terms of Section 2.07 of the Indenture pertaining to replacement of Bonds.

"**Owner**" or "**Bondholder**" or "**Holder**" whenever employed herein with respect to a Bond means the person or persons in whose name such Bond shall be registered.

"**Paying Agent**" means the Bank of North Dakota or any successor paying agent designated in accordance herewith as a place at which principal of or interest on any Bond is payable, and, in the absence of any such designation, the Trustee.

"**Permitted Encumbrances**" means, as of any particular time, (i) the Indenture, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and that the Agency certifies will not interfere with or impair the use of or operations being conducted in the Project or elsewhere on the Site, and (iii) such minor defects, irregularities, encumbrances, easements, and rights-of-way as normally exist with respect to properties similar in character to the Project and as do not in the Opinion of Counsel addressed to the Trustee, materially impair the property affected thereby for the purposes for which it was acquired or is held by the Authority.

"**Permitted Investments**" means,

(A) For all purposes, including defeasance investments in refunding escrow accounts:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below); or

(2) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(B) For all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

(a) Export-Import Bank

(b) Farm Credit System Financial Assistance Corporation

(c) Rural Economic Community Development Administration (formerly the Farmers Home Administration)

(d) General Services Administration

(e) U.S. Maritime Administration

(f) Small Business Administration

(g) Government National Mortgage Association (GNMA)

(h) U.S. Department of Housing & Urban Development (PHA's)

(i) Federal Housing Administration

(j) Federal Financing Bank; or

(2) Direct Obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(a) Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)

(b) Obligations of the Resolution Funding Corporation (REFCORP)

(c) Senior debt obligations of the Federal Home Loan Bank System

(d) Senior debt obligations of other Government Sponsored Agencies approved by the Authority; or

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.); or

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; or

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P; or

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(b) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and

(ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and any redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate. (Pre-refunded Municipal Obligations meeting the requirements of subsection (B) hereof may not be used as Permitted Investments for annual appropriation lease transactions without the prior written approval of S&P); or

(7) General obligations of States with a rating of at least "A2 and A+" or higher by both Moody's and S&P; or

(8) Investment agreements or other forms of investments approved in writing by the Authority (supported by appropriate opinions of counsel) with notice to S&P and Moody's; and

(9) Deposits of the Bank of North Dakota which, as provided by North Dakota Century Code Section 6-09-10, are guaranteed by the State.

(C) The value of the above investments shall be determined as follows: "Value", which shall be determined as of each Interest Payment Date, means that the value of any investments shall be calculated as follows:

(1) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(2) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(3) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(4) As to any investment not specified above: the value thereof established by prior agreement between the Authority and the Trustee.

"**Person**" means any individual, commission, partnership, joint venture, association, joint stock company, trust, incorporated organization or government or any agency or political subdivision thereof.

"**Principal Office**" means (i) when used with respect to the Trustee, the principal trust office of the Trustee, which office as of the date of execution of the Indenture is located at the address specified in Section 14.07 of the Indenture, and (ii) when used with respect to any other Person, the office designated in writing to the Trustee and the Authority.

"**Principal Payment Date**" means the Stated Maturity of principal of any Bond and the Redemption Date of any Bonds.

"**Project**" or "**Projects**" means the interests in real or personal property, or both, acquired, constructed, or improved with the Bond proceeds described in Exhibit A to the Lease between the Authority and the Agency.

"**Rebate Fund**" means the Rebate Fund created under Section 5.08 of the Indenture.

"**Record Date**" means the fifteenth day of the month preceding each regular Interest Payment Date.

"**Redemption Date**" when used with respect to any Bond to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture.

"**Redemption Price**" when used with respect to any Bond to be redeemed, means the price at which it is to be redeemed pursuant to Sections 3.01 or 3.02 of the Indenture.

"**Register**" means the Bond register maintained by the Registrar pursuant to Section 2.11 of the Indenture.

"**Registrar**" means the Bank of North Dakota or any successor bank or banking association having trust powers or trust company serving in such capacity under the terms of the Indenture and its successor or successors and any other bank or banking association having trust powers or trust company which may at any time be substituted in its place pursuant to the Indenture.

"**Renewal Term**" means any two-year renewal period of the Lease as set out in the Lease.

"**Repair and Replacement Fund**" means the Repair and Replacement Fund established by Section 5.09 of the Indenture.

"**Reserve Fund**" means the Reserve Fund established by Section 5.02 of the Indenture.

"**Reserve Fund Requirement**" means that amount set out in Section 2.03(b) of the Indenture which is not more than the maximum permitted by law and does not exceed the lesser of (i) the maximum annual Debt Service payments due on the Bonds; (ii) 125% of the average annual Debt Service on the Bonds; or (iii) 10% of the stated principal amount of the Bonds.

"**S & P**" means Standard and Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S & P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Trustee, at the written direction of the Authority.

"**Serial Bonds**" means any Bonds designated as such in Exhibit D hereto payable in annual principal maturities as provided in Section 2.01 of the Indenture.

"**Site**" or "**Sites**" means any real property or a part of the Project described in the Lease and Exhibit B attached hereto.

"**State**" means the State of North Dakota.

"**Stated Maturity**" when used with respect to any Bond, means the date specified in such Bond as the fixed date on which principal of such Bond is due and payable.

"**Tax Certificate**" means the certification of the Authority dated as of the date of delivery of the Bonds to the Original Purchaser regarding compliance with the requirements of the Internal Revenue Code.

"**Term Bonds**" means any Bonds designated as such in Exhibit E hereto and payable through sinking fund redemption in amounts set out in Section 2.01 of the Indenture and redeemed as provided in Section 3.02(a) of the Indenture.

"**Trust Estate**" means interests in the Project and any Additional Security assigned under the Granting Clauses of the Indenture.

"**Trust Funds**" means, in the aggregate, all of the Funds.

"**Trustee**" means the Bank of North Dakota, Bismarck, North Dakota, and its successor or successors and any other bank, trust company or corporation which may at any time be substituted in its place, acting in its capacity as Trustee or Registrar pursuant to the Indenture.

"**Yield**" means that discount rate which when computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of the obligation. With respect to the Bonds, the Yield shall be the discount rate at which the present value of payments on such Bonds is equal to the purchase price at par, less original issue discount, plus accrued interest, less any Bond insurance premium.

PART B
2001 SERIES A INDENTURE

Section 1. Funds.

Section 1.01. Bond Fund. The Authority covenants that it will establish and maintain or cause to be established and maintained, so long as any of the Bonds are Outstanding, with the Trustee a separate Fund to be designated the Bond Fund which shall be held by the Trustee in trust for application only in accordance with the provisions of the Indenture.

The Trustee shall deposit into the Bond Fund (i) the amount of Bond proceeds representing accrued interest paid on the Bonds on the date of purchase by the Original Purchaser, (ii) payments of Basic Rent received by the Trustee pursuant to the Lease, (iii) any Balance remaining in the Administration Fund relating to the Bonds as required by Section 5.06 of the Indenture, (iv) investment earnings as provided in Section 5.03 of the Indenture, (v) the money authorized to be transferred from the Reserve Fund hereunder, (vi) money transferred pursuant to Sections 3.01 and 3.02 of the Indenture for redemption of the Bonds, (vii) such amount as necessary to pay at the earliest redemption date after the Bond closing, the principal and any accrued interest on any interim borrowings, and (viii) any other moneys required by the terms of the Indenture to be deposited in the Bond Fund or paid to the Trustee under the Lease or the Indenture for credit to the Bond Fund.

Section 1.02. Reserve Fund. The Authority covenants that it will establish and maintain, so long as any of the Bonds are Outstanding, with the Trustee a Fund to be designated the Reserve Fund. The Trustee shall, upon delivery of the Bonds to the Original Purchaser thereof from Bond proceeds, credit to the Reserve Fund the amounts designated in Section 2.03 of the Indenture.

The Reserve Fund shall be used and applied solely for the payment of Debt Service on the Bonds, except as otherwise provided in Section 5.08(d) of the Indenture, upon transfer to the Bond Fund at any time when the Balance in the Bond Fund is insufficient to meet the requirements specified herein for payment of the principal of and interest on the Bonds; provided, however, that on the Stated Maturity or any Redemption Date of the Bonds, the moneys in the Reserve Fund may be applied to the payment of the maturing principal amount of such Bonds or to the Redemption Price (i) to the extent that such application will not reduce the Balance of the Reserve Fund below an amount equal to the Reserve Fund Requirement, or (ii) with respect to the retirement or redemption of Bonds within two years of the final Maturity of all Bonds, to the extent that such application will not reduce the Balance of the Reserve Fund below an amount at least equal to the remaining principal amount of all then Outstanding Bonds, whether or not other moneys are available for the payment of such maturing or redeemed Bonds; and provided, further, that at any time when the aggregate of the Balance in the Bond Fund and the Reserve Fund equal an amount sufficient to redeem or retire at maturity all of the then Outstanding Bonds at the next Redemption Date or Stated Maturity, as the case may be, applicable to such Bonds, said Balance may thereafter be applied to such redemption in advance of the Stated Maturity of such Bonds, or applied to such payment of Bonds at their Stated Maturity, as the case may be, and whether or not other moneys are available for such redemption or payment.

The Trustee, at the direction of the Authority, may make a pro rata reduction in the Reserve Fund Requirement on deposit in the Reserve Fund to conform with the ratio of the principal amount of Bonds outstanding to the original principal amount of the Bonds, provided that the Authority has confirmation that any rating on the Bonds will not be adversely affected thereby and the consent to such reduction from any insurer of the Bonds, and provided further that said amounts are not scheduled to pay debt service on any maturity of the Bonds.

Section 1.03. Administration Fund. The Authority covenants that it will establish and maintain, so long as any of the Bonds are Outstanding, with the Trustee a Fund to be designated the Administration Fund. The Trustee shall, upon delivery of the Bonds to the Original Purchaser thereof and from Bond proceeds, credit to the Administration Fund the amount specified in Section 2.03 of the Indenture. The Trustee shall also credit to the Administration Fund all amounts received pursuant to Section 3.5(a), (b) and (c) of the Lease.

Amounts in the Administration Fund shall, upon receipt by the Trustee of Authority Certificates directing the payment to designated payees in designated amounts for stated services, or in the case of reimbursement of the Authority for its expenses, to the Authority, and in each case certifying that such payment is authorized by the

Indenture, be used for and applied only to pay Costs of Issuance, Administrative Expenses and Bond Fees or to reimburse another Fund or other source of the Authority, for the previous payment of such Costs of Issuance, Administrative Expenses or Bond Fees incurred before, on or after the date of delivery of the Bonds. Payments from the Administration Fund for such purposes shall be made by check or draft, but only in accordance with such Authority Certificates.

Section 1.04. Rebate Fund. The Authority covenants that it will establish and maintain, so long as any Bonds are Outstanding, with the Trustee a separate Fund to be designated the Rebate Fund. The Trustee shall credit to the Rebate Fund any Excess Earnings.

(a) The Authority shall calculate or cause to be calculated by Counsel, by an Independent Accountant or by a rebate analyst acceptable to the Trustee at the times set forth below, the Excess Earnings and the Trustee shall within 30 days thereafter transfer to the Rebate Fund the amount equal to (i) the Excess Earnings, plus (ii) investment income attributable to the Excess Earnings, if any. In order to comply with Section 5.08 of the Indenture, the Trustee is authorized to obtain such opinions of Bond Counsel, reports of accountants and certificates of the Authority, and rely on the information contained in such reports or certificates which may be necessary for the purpose of this calculation. The expenses incurred by the Authority or the Trustee shall be borne or reimbursed by the Agency and paid as Additional Rent.

(b) No determination of Excess Earnings shall be made with respect to the Bond Fund as long as the Bond Fund is depleted annually except for an amount not to exceed the greater of one-twelfth of annual Debt Service or one year's earnings on the Bond Fund.

(c) The Trustee, acting on behalf of the Authority, shall make installment payments of the Excess Earnings at the times and in the amounts required by the Internal Revenue Code.

(d) In the event that (i) insufficient moneys are credited to the Rebate Fund to make any rebate or other payment required by subsection (c) hereof, and (ii) the Trustee shall not have received an Opinion of Bond Counsel, filed with the Trustee within five Business Days after the occurrence of the event described in clause (i) above, to the effect that failure to make such rebate or other payment will not cause the interest on the Bonds to be subject to income taxation under the Internal Revenue Code, the Trustee shall withdraw immediately the amount of any such deficiency from the following Funds in the following order of priority:

    (1) The Administration Fund
    (2) The Reserve Fund
    (3) The Bond Fund

In the event that the Trustee receives the opinion of Bond Counsel to the effect that all or a part of the Excess Earnings are not required to be rebated to the United States, the Trustee shall transfer any such amount held in the Rebate Fund to the Bond Fund, which amount shall be a credit against the next payment of Rent. Notwithstanding any provision of this Section, if the Authority shall provide to the Trustee an Opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of interest with respect to the Bonds, the Trustee and the Authority may conclusively rely on such Opinion in complying with the requirements of this Section, and the provisions herein shall be deemed to be modified to that extent.

Section 1.05. Repair and Replacement Fund. The Authority covenants that it will establish and maintain with the Trustee a Fund to be designated the Repair and Replacement Fund if and to the extent it receives Net Proceeds of insurance or Condemnation awards.

Moneys held in the Repair and Replacement Fund will be applied by the Trustee to the payment of the costs of repair, replacement or restoration upon such terms as the Trustee may reasonably require. Any earnings on or income from the investment of moneys in the Repair and Replacement Fund shall be retained therein and expended for costs of repair, replacement or restoration. Any balance remaining in the Repair and Replacement Fund after the payment of all costs of any repair, replacement or restoration shall be transferred to the Bond Fund and used to pay the principal of the Bonds including the redemption of Term Bonds.

Section 2. Certain Covenants of the Authority.

The Authority covenants and agrees, so long as any of the Bonds shall be Outstanding and subject to the limitations on its obligations herein set forth, that:

Section 2.01. Payment of Bonds. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and the Bond Resolution and in each and every Bond executed, authenticated and delivered hereunder; will pay or cause to be paid, solely from the Basic Rent, any pledged net revenues and income of the Project, the principal of, premium, if any, and interest on every Bond issued hereunder on the dates, at the places and in the manner prescribed in the Bonds in any coin or currency which, on the respective dates of payment is legal tender for the payment of public and private debts; and will cause any pledged net revenues and income to be deposited with the Trustee prior to the due date of each installment of principal and interest and prior to the Maturity of any Bond in amounts sufficient to pay such principal or interest due on the Bond; provided, however, that the principal of and interest on any Bond is not and shall not be deemed to represent a debt or pledge of the faith or credit or constitute an obligation of the State or grant to the Owner of any Bond any right to have the State or the Authority levy any taxes or appropriate any funds to the payment of principal of or interest on the Bonds, such payment to be made solely and only out of the revenues and income to be produced and received from the Basic Rent, any pledged net revenues and income of the Project, those moneys held by the Trustee hereunder and hereby appropriated to such payment, and/or any other funds available and authorized by law.

Section 2.02. Appropriation Request. It will, upon notification from the Trustee, request that the Legislative Assembly of the State include in the executive budget of the State sufficient moneys for the payment of Rent pursuant to the Lease, if the Agency has failed to comply with the requirements of Section 3.13 of the Lease and if the amounts available to the Trustee will not be sufficient to pay the principal of and interest on the Bonds when due.

Section 2.03. Powers of the Authority. It is duly authorized under the Constitution and laws of the State to acquire, install, renovate, construct and lease the Project, to issue and sell the Bonds, to execute the Indenture and assign and pledge to the Trustee the Trust Estate, including any pledged net revenues and income of the Project, and to make the covenants as herein provided. All necessary action and proceedings on its part to be taken for the creation and issuance of the Bonds, and the execution and delivery of the Indenture have been duly and effectively taken and the Bonds in the hands of the Owners thereof are and will be valid and enforceable limited obligations of the Authority in accordance with their terms.

Section 2.04. Title and Possession. It is lawfully possessed of the Project, subject only to the provisions of the Act. Title to the Project, including the Site and any Additional Security, is vested in the Authority. There is no pledge of or lien or charge upon any pledged revenues or income of the Project pursuant to the Lease other than the pledge and lien granted or assigned to the Trustee by the Indenture.

Section 2.05. Payment of Lawful Charges. It will, from time to time and before the same become delinquent, pay or cause the Agency to pay and discharge all taxes, assessments, governmental charges and claims for rent, royalties, labor, materials or supplies which if unpaid might by law become a lien or charge upon the Project, the Site, or any pledged revenues and income therefrom superior to, or which might interfere with, any pledge of and lien on the Trust Estate, including any pledged revenues and income of the Project, and covenants and security granted hereby; provided, however, that no such tax, assessment, charge or claims shall be required to be paid if the Authority shall not have funds legally available therefor or so long as the Authority or the Agency shall in good faith contest the validity thereof and provide security satisfactory to the Trustee against enforcement and for payment thereof.

Section 2.06. To Maintain the Project. It will not do or suffer to be done any act or thing whereby the Project might or could be encumbered or the usefulness thereof impaired, and will at all times cause the Project and the machinery, equipment, and the Site thereof to be maintained, preserved and kept in good condition, repair and working order and from time to time cause to be made, from funds legally available therefor, all necessary renewals, repairs, replacements and alterations.

Section 2.07. Concerning the Lease. It will not modify or amend or consent to modification or amendment of the provisions of the Lease without the consent and approval of the Trustee. The consent of the Trustee may be given, if in its judgment the Bondholders will not be prejudiced thereby. The Authority shall take such action or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Lease, including the exercise of any right of repossession of the Project or termination of the Agency's rights as tenant under the Lease if such action shall, in its discretion, be deemed to be in the best interest of the Authority or the Bondholders. The Authority shall do or cause to be done all things on its part as lessor under the Lease so that the obligations of the Agency thereunder shall not be impaired or excused. If the Lease shall terminate, the Authority shall use its best efforts to again lease the Project for the purposes and in accordance with the requirements of the Act subject to the rights of the Trustee.

Section 2.08. Not to Sell, Assign, Encumber or Pledge. Except as permitted by the terms of the Indenture, it will not sell, assign or encumber the Project, or permit the same to be sold, assigned or encumbered except for

Permitted Encumbrances; will not mortgage or encumber the Project or pledge or assign any pledged revenues and income of the Project or any part thereof, or permit an encumbrance of the Project or the assignment or pledge of any pledged revenues thereof, if the mortgage, encumbrance, pledge or assignment might be or become a charge or lien on the Project or any pledged revenues and income of the Project prior or equal to the pledge and lien herein provided for the security of the Bonds or if such mortgage, pledge or assignment might interfere with the pledge and lien herein provided; or if such pledge, mortgage or lien would cause the Bonds to be an obligation of the State pursuant to the North Dakota Constitution, Article X, Section 13.

Section 2.09. To Observe Lawful Regulations. It will well and truly keep, observe and perform all obligations and regulations lawfully imposed upon it by law, contract or otherwise as a condition of continued enjoyment of its rights, privileges and franchises, leasehold interest in or title to the Project.

Section 2.10. Fire and Extended Coverage Insurance on the Project. The Authority will cause the Agency to procure and maintain, so long as any Bonds are Outstanding hereunder, insurance pursuant to the requirements of Article IV of the Lease.

Section 2.11. Repairs and Reconstruction. Unless the Agency exercises their option to prepay Rent for the purpose of redeeming a portion of the Bonds pursuant to Section 4.4 of the Lease, in the event of any loss or damage to or destruction or Condemnation of the Project, the Authority will promptly cause to be repaired, reconstructed or restored the damaged or destroyed portion thereof or portion of the Project taken by Condemnation, and will apply the Net Proceeds of the insurance policies or Condemnation awards solely for that purpose as provided in Section 4.4 of the Lease, by deposit to the Repair and Replacement Fund to be disbursed pursuant to Section 5.09 of the Indenture.

In the event the Net Proceeds, together with all other moneys legally available or previously paid by the Agency for such purpose, are insufficient to complete the repair, reconstruction or restoration of the Project the Agency will nonetheless complete the same and will pay that portion of the cost thereof in excess of the amount of the Net Proceeds, but only from legally available money.

Any amounts held by the Trustee or by the Authority and remaining in the Repair and Replacement Fund at the completion of, and payment for, such repair, reconstruction or restoration, shall be deposited in the Bond Fund and applied to the reduction of the principal of the Bonds, including redemptions of Term Bonds, in accordance with the provisions of the Indenture.

In the event the Agency pursuant to their rights under the Lease, or the Authority, shall not elect to repair, reconstruct or restore the damaged, destroyed or condemned property as above provided, the Trustee shall deposit the Net Proceeds in the Bond Fund and retire a portion of the Outstanding Bonds. Upon the deposit of Net Proceeds under this Section to the Bond Fund the Bonds shall be subject to redemption, and redemption shall be effected pursuant to the provisions of, in the manner, and with the effect provided in Article III of the Indenture.

Section 2.12. Further Assurances. The Authority will execute or cause to be executed any and all further instruments that may reasonably be requested by the Trustee and be authorized by law to perfect the pledge of and lien on the revenues and income of the Project granted in the Indenture, or intended so to be, or to vest in the Trustee the right to receive and apply the same to the payment or protection and security of the Bonds.

Section 2.13. Proper Books and Records. So long as any of the Bonds issued hereunder shall remain Outstanding and unpaid, the Authority shall cause to be kept proper books of account and records, in which full, true and correct entries will be made of all dealings and transactions relating to the leasing of the Project. Such books and records shall be open to inspection by the Trustee, the Bondholders, the Original Purchaser of the Bonds, and their agents and representatives. The Authority shall cause:

(a) To be furnished to the Trustee, from time to time, such data regarding the income, expense and property relating to the Project and the Agency as the Trustee shall reasonably request.

(b) To be furnished on or before 120 days after the end of each Fiscal Year the Authority's books of account which are to be audited by an Independent Accountant or firm of Independent Accountants as shall be reasonably acceptable to the Trustee, with a copy of each audit report, annual balance sheet and income and expense statement showing in reasonable detail the financial condition of the Authority, at the close of such Fiscal Year, and summarizing in reasonable detail the income and expenses for such year, including the transactions relating to the Funds, to be filed promptly with the Trustee, and shall be available for inspection by any Bondholder.

Section 2.14. To Observe All Covenants and Terms -- Limitations on Authority's Obligations. It will not issue or permit to be issued any Bonds hereunder in any manner other than in accordance with the provisions of the

Indenture and the Act and the agreements in that behalf herein contained, and will not suffer or permit any Default to occur under the Indenture, but will faithfully observe and perform all the conditions, covenants and requirements hereof under the Act. The Authority may issue other bonds or evidences of indebtedness for refunding the Bonds under the terms of the Indenture or issue evidences of indebtedness as may be from time to time authorized by the Legislative Assembly of the State pursuant to NDCC §54-17.2-13. Under the Act, and it is expressly agreed that, the Authority has no obligation to levy taxes for, or make any advance or payment or incur any expense or liability from its general funds in performing or causing performance of, any of the conditions, covenants or requirements of the Bonds or the Indenture or from any funds other than revenues and income of the Project, moneys in the Funds provided for herein or any other funds authorized by law.

Section 2.15. Project Use. The Authority shall not use the Project and the Site nor cause or consent to the use of the Project and the Site by the Agency or any subsequent tenant or sublessee in a manner other than as stated in the Lease without first obtaining an Opinion of Bond Counsel stating that such action or consent when taken or given by the Authority will not result in actions or the use of the Project and the Site in a manner which would cause the interest payable on the Bonds to be includable in the gross income of the Owners for federal income tax purposes.

Section 3. Events of Default.

Each of the following events is hereby defined as, and is declared to be and to constitute an "Event of Default":

(a) If Default shall be made in the due and punctual payment of any interest on any Bond or in the due and punctual payment of the principal, or redemption premium, if any, of any Bond, whether at the Stated Maturity thereof, or at the date fixed for redemption thereof (including, but not limited to, redemption of Term Bonds), or upon the Maturity thereof by declaration; or

(b) If an "Event of Default" (as defined therein) occurs under Section 5.1(a) of the Lease; or

(c) If Default shall be made in the due and punctual payment of any other moneys required to be paid to the Trustee under the provisions hereof and such Default shall have continued for a period of thirty (30) days without written waiver by the Trustee after written notice thereof, specifying such Default, shall have been given by the Trustee to the Authority and the Agency, or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the then Outstanding Bonds to the Authority, the Agency and the Trustee; or

(d) If Default shall be made in the performance or observance of any other of the covenants, agreements or conditions on the part of the Authority in the Indenture, or in the Bonds contained, and such Default shall have continued for a period of thirty (30) days without written waiver by the Trustee after written notice thereof given in the manner provided in clause (c) above, provided that if the Default can be remedied but not within a period of 30 days after notice and if the Authority or the Agency has taken all action reasonably possible to remedy such Default within the 30 day period, the Default shall not become an Event of Default for so long as the Authority or the Agency shall diligently proceed to remedy the Default and in accordance with any directions or limitations of time made by the Trustee; or

(e) If an Event of Nonappropriation has occurred and continues without cure until the following August 1, unless the Agency has certified to the Authority and the Trustee that it will pay the Rent when due from sources other than an appropriation by the Legislative Assembly of the State, provided the Legislative Assembly of the State has not specifically terminated the Lease.

An Event of Default described in paragraph (a) or (e) of this Section is herein called a "Default in Payment".

Section 4. Remedies on Default.

Section 4.01. Acceleration of Maturity. Upon the occurrence of a Default in Payment, the Trustee may, by notice in writing delivered to the Authority and the Agency declare the principal of all then Outstanding Bonds immediately due and payable, and such principal shall thereupon become and be immediately due and payable. Upon the occurrence of any Event of Default other than a Default in Payment, the Trustee shall at the written request of the Owners of not less than twenty five percent (25%) in aggregate principal amount of Bonds then Outstanding, by similar notice declare the principal of all Bonds then Outstanding immediately due and payable, and such principal shall thereupon become and be immediately due and payable.

The Owners of a majority in aggregate principal amount of Bonds then Outstanding hereunder shall have the right, by written notice to the Authority and to the Trustee, to annul any such declaration and destroy its effect at any time if all Covenants with respect to which the Default shall have been made shall be fully performed or made good, and all arrears of principal of and interest on all Bonds then Outstanding hereunder and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other obligations secured hereby (except the principal of any Bonds which have not then attained their Stated Maturity and interest accrued on such Bonds since the last Interest Payment Date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto. Upon any such declaration of acceleration, the Trustee shall draw upon amounts as shall be necessary to pay the principal of and interest on the Bonds at the date fixed for the payment thereof, pursuant to Sections 7.05 and 7.12 of the Indenture, and moneys from other sources which have been deposited with the Trustee.

Section 4.02. Application of Moneys. In the event that at any time the moneys held by the Trustee shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Bonds, such moneys (other than moneys held for the payment or redemption of particular Bonds) and all revenues of the Authority and other of its moneys received or collected for the benefit or for the account of Owners of the Bonds by the Trustee shall be applied first to the payment of any rebate owed to the United States Treasury and thereafter as follows:

(a) Unless the principal of all of the Bonds shall have become due and payable, by declaration or otherwise, such moneys shall be applied first, to the payment to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) in order of the maturity of such installments, earliest maturities first, and, if the amounts available shall not be sufficient to pay in full any installments of interest maturing on the same date, then to the payment thereof ratably, according to the amount due thereon, to the persons entitled thereto, without any discrimination or preference; and, second, to the payment of the principal and premium of the Bonds then due and payable (if any) in the order of the Maturity thereof; such payments to be made ratably and proportionately to the persons entitled thereto without discrimination or preference and without regard to the series designation.

(b) In case the principal of all of the Bonds shall have become due and payable, by declaration or otherwise and remain unpaid, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it deems another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section, and all expenses and charges of the Trustee have been paid, then the Balances in the Funds shall be paid to the Agency, or to the Authority as their interests may appear.

While in possession of the Project, the Trustee shall render annually to the Authority, and the Bondholders, at their addresses as set forth on the list required by the Indenture, a summarized statement of income and expenditures in connection therewith.

Section 4.03. Rights of Trustee. The Trustee shall upon the occurrence of any Event of Default or acceleration of the Bonds pursuant to Sections 7.01 or 7.02 of the Indenture have the right to foreclose the mortgage granted by the Indenture in the manner permitted by law, enter and take possession of the Project or any part thereof, with or without termination of the Lease, and have continuous access to the Site for the use of the Project, and may lease the Project to the State or any of its boards and agencies including the Agency subject to the requirements of the Act and the Lease. The Trustee shall be permitted to sell its interest in the Project subject to the requirements of the Indenture and the Act.

Section 5. Payment, Defeasance and Release.

Section 5.01. Payment and Discharge of Indenture. If the Authority shall pay or provide for the payment of the entire indebtedness on all Bonds in any one or more of the following ways:

(a) pay or cause to be paid the principal of, premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and herein, or

(b) provide for the payment of principal and interest on the Bonds by depositing with the Trustee, at any time before Maturity, amounts sufficient, either in cash or in direct obligations of the United States of America (which do not permit the redemption thereof at the option of the issuer) and the principal and interest on which when due and payable and without consideration of any reinvestment thereof shall be sufficient, to pay the entire amount due or to become due thereon for principal and interest to Maturity of all the Bonds Outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee that notice of redemption of all of the Outstanding callable Bonds not surrendered or to be surrendered to it for cancellation has been given or waived as provided in Article III of the Indenture, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) an Authority Resolution under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) a waiver of such notice of redemption signed by the Owners of all such Outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such notice is to be given as provided in Article III, cash or direct obligations of the United States of America (which do not permit the redemption thereof at the option of issuer) in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of such Redemption Price on the date such Bonds are to be redeemed, and on such prior dates when principal of and interest on the Outstanding Bonds is due and payable, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided, and shall also pay all other sums due and payable hereunder by the Authority, then and in that case, all the Trust Estate shall revert to the Authority and the Agency as their interest may appear, and the entire estate, right, title and interest of the Trustee and of the Owners of the Bonds in respect thereof shall thereupon cease, determine and become void; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or securities shall have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a Certificate of the Authority and an Opinion of Bond Counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority and the Agency, as their interests appear, all cash and deposited securities, if any (other than cash or securities for the payment of the Bonds), which shall then be held hereunder as a part of the Trust Estate.

In case of any discharge of the lien of the Indenture pursuant to paragraph (b) or (c) above, there shall be submitted to the Trustee (i) an Opinion of Bond Counsel to the effect that the interest on the Bonds being discharged will not be includable in the gross income of the Owners for federal income tax purposes notwithstanding the discharge of the Indenture as a result of such discharge and (ii) an opinion of an Independent Accountant or firm of Independent Accountants acceptable to the Trustee stating in substance that the amounts held by the Trustee to discharge the Bonds will produce amounts necessary to provide for the timely payment of all Debt Service on the Bonds.

Section 5.02. Bonds Deemed Not Outstanding After Deposits. When there shall have been deposited at any time with the Trustee in trust cash or direct obligations of or obligations fully guaranteed by the United States of America the principal and interest on which shall be sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at Maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due dates for such interest or to the date fixed for redemption, for the use and benefit of the Owners thereof, then upon such deposit such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be Outstanding hereunder; and it shall be the duty of the Trustee to hold the cash and securities so deposited for the benefit of the Owners of such Bonds, as the case may be, and from and after such date, Redemption Date or Maturity, interest on such Bonds called for redemption shall cease to accrue.

Section 5.03. Unclaimed Money. Any moneys deposited with the Trustee or a Paying Agent pursuant to the terms of the Indenture, for the payment or redemption of Bonds and remaining unclaimed by the Owners of the Bonds at Maturity or on the date fixed for redemption as the case may be, and if any such moneys remain unclaimed for a period of three years after the due date, shall, without further authorization of the Authority, and if the Authority or any successor to the obligations of the Authority under the Indenture and the Bonds shall not at the time, to the knowledge of the Trustee, be in Default with respect to any of the terms and conditions contained in the Indenture or in the Bonds, be paid to the unclaimed property administrator of the State or applied in accordance with any applicable escheat or unclaimed property laws of the State. Provided, however, that within thirty (30) days prior to the expiration of the three year period mentioned above, the Trustee, before being required to make any such payment, may, at the expense of the Authority, send written notice by first class mail to the last known address of the Owners and cause to be published in a Financial Journal, a notice that after a date named therein the said moneys will be paid in accordance with Section 10.03 of the Indenture

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Section 5.04. Release of Property. If the Agency shall request the Authority or the Trustee to release property which is part of the Project or the Trust Estate for any reason, it shall deliver to the Authority and the Trustee (i) a copy of the instrument of grant or release, (ii) an Opinion of Bond Counsel to the effect that such release of property will not cause the interest on the Bonds to be includable in the gross income of the Owners for federal income tax purposes, and (iii) a written application signed by the Agency certifying that such grant or release is not detrimental to the proper use or operation of the Project and will not impair the character or significance of the Project as a "project" under the Act. Upon such filing, the Authority and the Trustee are authorized to and shall release such property relating to the Project from the lien of the Indenture only upon a determination by the Trustee, evidenced in writing, that the requested release under this Section will not be prejudicial to the rights of the Owners of the Bonds and will not significantly reduce the value of the Project or the security provided to the Owners of the Bonds by the Indenture.

Section 6. Supplemental Indentures.

Section 6.01. Purposes for which Supplemental Indentures may be Executed. The Authority, upon resolution, and the Trustee from time to time and at any time, subject to the conditions and restrictions in the Indenture, may enter into such indentures supplemental hereto as may or shall by them be deemed necessary or desirable without the consent of any Bondholder for any one or more of the following purposes:

(a) To correct the description of any property hereby pledged or intended so to be, or to assign, convey, pledge or transfer and set over unto the Trustee, subject to such liens or other encumbrances as shall be therein specifically described, additional property or properties of the Authority or the Agency for the equal and proportionate benefit and security of the Owners of all Bonds at any time issued and Outstanding under the Indenture;

(b) To add to the covenants and agreements of the Authority in the Indenture, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Authority or to or upon any successor;

(c) To evidence the succession or successive successions of any other department, Agency, body or corporation to the Authority and the assumption by such successor of the covenants, agreements and obligations of the Authority in the Bonds hereby secured and in the Indenture and in any and every supplemental indenture contained or the succession, removal or appointment of any Trustee or Paying Agent hereunder;

(d) To cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indentures which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;

(e) To modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to maintain the exempt status of the Indenture from the Trust Indenture Act of 1939, as then amended, or under any similar federal statute hereafter enacted; and

(f) To make such other modifications or amendments which are determined by the Trustee not to be prejudicial to the rights of the Trustee or the Owners of the Bonds.

Section 6.02. Modification of Indenture with Consent of Bondholders. Exclusive of supplemental indentures covered by Section 11.01 of the Indenture and subject to the terms and provisions contained in this Section, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such indenture or indentures supplemental hereto as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however that nothing herein contained shall permit or be construed as permitting, without the consent of the Owners of each such Bond which would be affected thereby, (a) an extension of the Maturity of any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required to consent to supplemental indentures or amendments to the Lease or (f) a reduction in the aggregate principal amount of the Bonds required to waive an Event of Default.

Whenever the Authority shall deliver to the Trustee an instrument or instruments purporting to be executed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which resolution or instrument or instruments shall refer to the proposed supplemental indenture and shall specifically consent to and approve the execution thereof, thereupon, the Authority and the Trustee may execute such supplemental indenture without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to the execution of such supplemental indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 6.03. Rights of Agency Unaffected. Anything herein to the contrary notwithstanding, a supplemental indenture under this Article XI which adversely affects the rights of the Agency under the Lease or the Indenture, so long as the Lease and Indenture are in effect and the Agency is not in Default under any terms or conditions of the Lease, shall not become effective unless and until the Agency shall consent to the execution and delivery of such supplemental indenture. The Authority shall cause notice of the proposed execution and delivery of any such supplemental indenture of which the Agency has not already consented, together with a copy of the proposed supplemental indenture, to be mailed to the Agency at least thirty (30) days prior to the proposed date of execution and delivery of any such supplemental indenture.

Section 7. Amendments to the Lease.

Section 7.01. Amendments to Lease Not Requiring Consent of Bondholders. The Authority, the Agency, and the Trustee may without the consent of or notice to the Bondholders consent to any amendment, change or modification of the Lease as may be deemed necessary or desirable (i) by the provisions of the Lease and the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Owners of the Bonds including an amendment necessitated by the application of a release of property under Section 10.04 of the Indenture.

Section 7.02. Amendments to Lease Requiring Consent of Bondholders. Except for the amendments, changes or modifications as provided in Section 12.01 of the Indenture, neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Lease, without the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, subject to the provisions of Section 12.03 of the Indenture. If the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding hereunder at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee, the Authority or the Agency from executing the same or from taking any action pursuant to the provisions thereof.

Section 7.03. No Amendment May Reduce Basic Rent. Under no circumstances shall any amendment to the Lease reduce the Basic Rent payable under the Lease to an amount which together with the credits against Basic Rent provided for in Section 3.10 of the Lease is less than the amount necessary to pay principal and interest on the Bonds without the consent of the Owners of all the Bonds then Outstanding.

Section 8. Purchase of Bonds.

The Authority may, at any time, authorize and direct the Trustee to purchase Bonds in the open market from available moneys in the Bond Fund, such purchases to be made at a price not in excess of the principal amount thereof plus accrued interest thereon to the purchase date. In addition, the Authority may, from time to time, direct the Trustee to request the submission of tenders requesting such submission prior to making the purchases authorized pursuant to Section 3.05 of the Indenture. The Authority may specify the maximum and minimum period of time which shall transpire between the date upon which such notice is to be given and the date upon which such tenders are to be accepted or may authorize the Trustee to determine the same in its discretion. No tenders shall be considered or accepted at any price exceeding the maximum price (which shall not exceed the price specified in the first sentence of this paragraph) specified by the Authority for the purchase of the Bonds. The Trustee shall accept bids with the lowest price and, in the event the moneys available for purchase pursuant to such tenders are not sufficient to permit acceptance of all tenders and if there shall be tenders at an equal price above the amounts of moneys available for purchase, then the Trustee shall determine in its discretion which of the Bonds tendered shall be purchased.

Section 9. Miscellaneous.

Section 9.01. Immunity of Officers. No recourse for the payment of any part of the principal of or interest on any Bond or for the satisfaction of any liability arising from, founded upon or existing by reason of the issue, purchase or ownership of the Bonds shall be had against any officer, member or agent of the Authority, the Commission, the State or the Agency, as such, all such liability being hereby expressly released and waived as a condition of and as a part of the consideration for the execution of the Indenture and the issuance of the Bonds.

PART C
THE LEASE

Section 1. Lease of the Projects.

Section 1.01. Term of the Lease. The term of the Lease shall commence on the date of its execution and shall continue for the original term ending June 30, 2001, with an automatic extension of the term of the Lease, unless specifically rejected by the Legislative Assembly of the State, as allowed under the Act, for a Renewal Term of two years from the expiration of the original term of the Lease and for two years from the expiration of each Renewal Term of the Lease, until the original term of the Lease has been extended through December 2, 2020 for Lease Agreement I and December 2, 2022 for Lease Agreement II.

Section 1.02. Basic Rent. During the term of the Lease, and subject to any credits referred to in Section 1.04 hereof, the Agency agrees to pay and shall pay as Basic Rent for the use of the Project on or before a date which is five Business Days prior to December 1, 2001 for Lease Agreement I and December 1, 2003 for Lease Agreement II, and semiannually thereafter on a date which is five Business Days prior to each June 1 and December 1, in immediately available funds (i) an amount equal to the amount payable as interest on the Bonds on such Interest Payment Date, plus (ii) an amount which is equal to the amount payable as principal of the Bonds due on such Principal Payment Date, and (iii) the amount which is equal to the principal, if any, which shall be payable by call for redemption or acceleration of maturity pursuant to the Indenture and premium, if any, due on the Bonds on such date.

Section 1.03. Additional Rent. During the term of the Lease, the Agency shall pay as Additional Rent:

(a) To the Trustee, for itself or for remittance to the Paying Agent, promptly after being billed, its proportionate share of the amount of (i) the annual fee of the Trustee as trustee, for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture during the preceding billing period, (ii) the annual NDBA Fee payable under the Indenture during the preceding billing period, (iii) the reasonable fees and charges of the Paying Agent and Registrar on the Bonds for acting as Paying Agent and Registrar as provided in the Indenture, as and when the same become due and (iv) the reasonable fees and charges of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due, other than the fees and charges which were required by reason of the negligence or willful misconduct of the Trustee under the Indenture; provided, that the Agency may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses; and

(b) To the Trustee, (i) upon demand, amounts advanced by the Trustee for the account of the Agency or the Authority in case the Authority or the Agency shall fail reasonably to pay or to cause to be paid any tax, assessments, or governmental or other charge upon any part of the Project, to the extent, if any, that the Authority or the Agency may be liable for the same, without prejudice, however, to any rights of the Trustee or the Bondholders hereunder arising in consequence of such failure; and any amount at any time so paid under this Section, with interest thereon from the date of payment at the rate of interest equal to the base rate of the Bank of North Dakota, shall be repaid by the Agency upon demand, and shall become so much Additional Rent, but the Trustee shall be under no obligation to make any such payment unless it shall have been requested to do so by the Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Bonds then Outstanding under the Indenture, and shall have been provided with adequate funds for the purpose of such payment; (ii) amounts for reasonable compensation, expenses, advances and Counsel fees incurred by the Trustee in and about the execution of the trusts created by the Indenture related to the Project and exercise and performance of the powers and duties of the Trustee under the Indenture related to the Project; and (iii) the cost and expense incurred by the Trustee in defending against any liability in the Project of any character whatsoever (unless such liability shall have resulted from the negligence or willful misconduct of the Trustee); and (iv) the cost and expense incurred by the Trustee in calculating the amount of any rebate required to be made to the United States and the amount of such rebate unless moneys are available from some other source to make such rebate payment. The Agency hereby covenants and agrees to pay or cause to be paid all advances, Counsel fees and other expenses reasonably made or incurred by the Trustee in and about the execution of the trusts created by the Indenture related to the Project; and

(c) To the Trustee upon demand, amounts advanced by the Trustee for the account of the Agency in the event the Agency shall fail to maintain or repair, rebuild or restore the Project, or shall fail to maintain any insurance as required by the provisions of the Lease, or to do any other thing or make any other payment required to be done or made by any other provision of the Lease; whereby the Trustee, in its own discretion, may upon indemnification of the Trustee satisfactory to it, do or cause to be done any such thing or make or cause to be made any such payment at the expense or as an advance for the account of the Agency, including all costs and expenses so incurred and advances so made, with interest at the rate equal to the base rate of the Bank of North Dakota; and

(d) To the Trustee on or before the next regularly scheduled Interest Payment Date, following written notice from the Trustee, in the event the Balance in the Reserve Fund is less than the Reserve Fund Requirement due to (i) the Agency's failure to pay Additional Rent as required by the Lease or to pay Basic Rent pursuant to the Lease or (ii) a reduction in the Value of Permitted Investments credited to the Reserve Fund, an amount sufficient to bring the amount on deposit in the Reserve Fund up to the Reserve Fund Requirement.

Section 1.04. Credit Against Basic Rent. Moneys on deposit to the credit of the Bond Fund shall be invested by the Trustee pursuant to the requirements of Section 5.03 of the Indenture. Any interest accruing on and any profit realized from such investment to be credited to the Bond Fund pursuant to the Indenture and any other funds deposited to the credit of the Bond Fund pursuant to the Indenture and moneys from non-general fund sources shall be credited against the amount of Basic Rent required to be deposited in the Bond Fund under Section 3.3 prior to the next Interest Payment Date. The Agency shall be liable for any loss resulting from any such investment and from failure to preserve rights against endorsers or other prior parties to instruments evidencing any such investment; provided, however, that any loss resulting from the failure by the Trustee to invest such moneys in accordance with Section 5.03 of the Indenture, shall be borne by the Trustee.

Section 1.05. Event of Nonappropriation. Failure, for whatever reason, of the Legislative Assembly of the State to make the required appropriation of monies for the payment of Rent as requested pursuant to Section 3.13 of the Lease in an amount sufficient to allow the Agency to pay the Rent as it shall come due during the next Renewal

Term of the Lease prior to the commencement of such Renewal Term shall constitute an Event of Nonappropriation. The Agency shall notify the Trustee and the Authority in writing of the Event of Nonappropriation.

Section 1.06. Tax Certificate. The Agency shall take no action authorized to be taken under the Lease which shall in any manner violate or otherwise contradict or cause to be violated the requirements of the Tax Certificate or otherwise cause the Trustee or Authority to violate or in any way fail to maintain compliance with the Tax Certificate. The Agency shall not (i) use the Project for any purpose, or (ii) otherwise sublease or assign any rights under the Lease for any private business use, which would cause the interest payable on the Bonds to be includable in the gross income of the Owners for federal income tax purposes.

Section 2. Insurance and Condemnation of Projects.

Section 2.01. Insurance. The Agency shall at its own expense keep the Project insured by the State Fire and Tornado Fund at all times during the term of the Lease. Such insurance shall be in an amount equal to the greater of (i) the Discharge Price established pursuant to Section 6.2 of the Lease, or (ii) one hundred percent (100%) of the full replacement costs of the Project as certified by the Agency on the effective date of the Lease and on or before the first day of July of each year thereafter.

Each policy shall include as named insured the Authority, the Agency and the Trustee, as their interests may appear. All Net Proceeds shall be payable to the Authority and used as provided in Section 4.4 in the Lease or Sections 6.11 and 6.12 of the Indenture. The Agency shall supply evidence to the Authority and the Trustee of the acquisition and maintenance of the insurance required by the Lease by filing copies of the insurance policies or certificates evidencing such insurance, as the Authority shall direct.

The Authority hereby waives any claim of liability against the Agency, its officers, agents or employees, for any loss or damage to the Project or any activities with respect thereto, whether or not such loss or damage may have been caused by or resulted from the negligence of the Agency, its officers, agents or employees, to the extent that the amount of such loss or damage is covered by such insurance and in fact recovered by the Authority. The Agency hereby waives any claim of liability against the Authority, its officers, agents or employees, for any loss or damage to property, fixtures and equipment owned, maintained, erected or installed by the Agency in and about the Project or any activities with respect thereto, whether or not such loss or damage may have been caused by or resulted from the negligence of the Authority, its officers, agents or employees, to the extent that the amount of such loss or damage is covered by insurance and in fact recovered. Any insurance policy carried by the Agency or Authority under the Lease or with respect to the Project or any part thereof shall contain a provision that any right of subrogation which the insurance company may have against either the Agency or the Authority, or their officers, agents or employees, is waived.

Section 2.02. Damage, Destruction, and Condemnation.

(a) In the event the Project or any part thereof are destroyed, damaged or taken by Condemnation, the Agency shall, within 90 days of such destruction, damage or taking, or such longer period as permitted by the Trustee, notify the Authority and the Trustee in writing of its intent to either repair or restore the Project or prepay Rent for the purposes of redeeming a portion of the Outstanding Bonds. If the Agency elects to rebuild and restore the Project, the provisions of subsection (b) of this Section shall apply. In the event the Agency elects to prepay Rent for the purpose of redeeming Bonds the provisions of subparagraph (c) of this Section shall apply.

(b) If the Agency elects to repair or restore the Project, all Net Proceeds of any insurance or Condemnation award shall be paid directly to the Trustee who will: (i) apply such Net Proceeds to the payment of the costs of repair, replacement, or restoration upon such terms as it may reasonably require; and (ii) apply any balance of the Net Proceeds remaining after payment of all costs of any repair, replacement, or restoration to the reduction of the principal balance of the Bonds (including sinking fund redemption of any Term Bonds). If the Net Proceeds are not sufficient to pay the costs of repair, replacement, or restoration in full, the Agency will nonetheless complete the same and will pay that portion of the cost thereof in excess of the amount of the Net Proceeds, but only from legally available funds which are or will be available to the Agency.

(c) In the event the Agency determines not to rebuild or repair the Project, or any part thereof, all Net Proceeds of any insurance claim or Condemnation award shall be paid to the Trustee to be applied by the Trustee to the reduction of the principal balance of the Bonds.

(d) The Agency shall not, by reason of any damage, destruction or Condemnation, or the payment of any costs of repair, replacement, or restoration, be entitled to any reimbursement from the Authority or the Trustee or any abatement or diminution of the Rents payable under Article III or the other sums payable by the Agency hereunder, except to the extent of any reduction as a result of prepayment of a portion of the Bonds.

(e) All equipment and other property acquired in the repair, replacement, or restoration of the Project shall be deemed a part of the Project and available for use by the Agency without the payment of any Rent other than those provided in Article III, to the same extent as if they had been specifically described and demised in the Lease; provided that no equipment shall be acquired subject to any lien or encumbrance not approved by the Trustee.

(f) If the Project is to be replaced by a new facility which is substantially dissimilar in construction or use from the original Project, then the Project shall not be replaced unless (i) the plans and specifications are approved by the Agency and the Authority pursuant to authorization by the Legislative Assembly of the State, (ii) the Trustee determines, evidenced in writing, that replacement with such new facility will not significantly reduce the security provided to Owners of the Bonds, and (iii) the Authority has obtained an Opinion of Bond Counsel stating that the interest payable on the Bonds following such replacement will not be included in the gross income of the Owners for federal tax purposes.

Section 3. Events of Default and Remedies.

Section 3.01. Events of Default. The term "Events of Default" shall mean, whenever used in the Lease, any one or more of the following events:

(a) Failure to pay the Basic Rent required to be paid under Section 3.3 of the Lease at the times specified therein.

(b) Failure to pay Additional Rent as required to be paid under Section 3.5 of the Lease.

(c) An Event of Default exists under Section 7.01 of the Indenture, including an Event of Default occurring with respect to any Bonds or with respect to the Lease.

(d) Failure by the Agency to observe and perform any covenant, condition or agreement or pay any amounts specified in the Lease, other than the failure specified in subsections (a) or (b) above, which continues after a period thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Agency, by the Authority, or the Trustee; provided, however, that if the Default shall be such that it cannot be corrected within such period, it shall not constitute an Event of Default if in the opinion of the Authority corrective action is instituted by the Agency within such period and diligently pursued until the Default is corrected.

Section 3.02. Remedies. Whenever any Event of Default referred to in Section 5.1 of the Lease shall have happened and be continuing, the Trustee, or the Authority with the written consent of the Trustee, may take one or any combination of the following remedial steps:

(a) By written notice to the Agency, declare Rent in an amount equal to all amounts due and payable on the Bonds and any other amounts then due and payable under the Lease, whether by acceleration of maturity (as provided in the Indenture) or otherwise, to be immediately due and payable as liquidated damages and not as a penalty whereupon the same shall become immediately due and payable;

(b) Re-enter and take possession of the Project, enforcing the Lease or terminating the Lease, and sell or lease or sublease the Project for the account of the Agency or foreclose the lien of the Indenture in the manner afforded by law for the foreclosure of mortgages (as provided in the Indenture);

(c) Have reasonable access to and inspect, examine and make copies of the books and records and any and all accounts and data of the Agency if reasonably necessary in the opinion of Trustee; or

(d) Take whatever action at law or in equity may appear necessary or desirable to collect the Rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Agency under the Lease.

Any amount collected pursuant to action taken under this Section shall be applied in accordance with the provisions of the Indenture.

Section 4. Options of the Agency to Acquire.

Section 4.01. Option to Acquire Project Prior to Payment of the Bonds. The Agency shall have, and is hereby granted the option to acquire the Project at any time. To exercise such option, the Agency shall give written notice to the Authority and to the Trustee and shall specify therein the date of closing such acquisition and shall deposit the Discharge Price with the Trustee at least sixty days prior to the closing date. In the event any Bonds are then Outstanding, the Authority shall effect the redemption of such Bonds or portion thereof in accordance with the Indenture and make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The Discharge Price payable by the Agency in the event of its exercise of the option granted in this Section, shall be the sum of the following:

(a) An amount which, when added to the moneys and investments held and credited to the Bond Fund and the Reserve Fund, will be sufficient pursuant to the provisions of Article X of the Indenture (i) to pay and discharge under the Indenture, the Outstanding Bonds including interest due thereon to the Redemption Date established by the Authority under the Indenture, and (ii) pay any additional fees, costs, or expenses of the Authority incurred because of the redemption of Bonds, plus

(b) An amount of money equal to the Additional Rent payable by the Agency due or to become due on or prior to the Redemption Date of the Bonds redeemed under (a)(i).

Any payment or prepayment by the Agency shall be deemed made if sufficient cash or obligations as described in paragraph A of the definition of Permitted Investments shall have been deposited with the Trustee as provided in Article X of the Indenture; provided that notice of the exercise of the Agency's right of prepayment shall have been duly given and notice of the redemption of Bonds shall have been duly given or satisfactory arrangements made for giving such notice in case of any redemption as provided in the Indenture. Such obligations as described in paragraph A of the definition of Permitted Investments shall be sufficient only if they are not redeemable at the option of the issuer thereof prior to maturity and if in the opinion of an Independent Accountant they mature and bear interest at such times and in such amounts as will assure sufficient cash to pay such payment or prepayment when due without rendering the portion of any payment or prepayment hereunder which is allocable to interest on the Bonds to be includable in gross income of the Owner for federal income tax purposes and otherwise comply with the requirements specified in Article X of the Indenture.

In the event of the exercise of the option granted in this Section any Net Proceeds of insurance shall be paid to the Agency, notwithstanding any provision of Section 4.4 of the Lease, and the Authority will deliver to the Agency the documents referred to in Section 6.3 of the Lease.

The mutual agreements contained in this Section are independent of, and constitute an agreement separate and distinct from, any and all provisions of the Lease and shall be unaffected by any fact or circumstance which might impair or be alleged to impair the validity of any other provisions.

Section 4.02. Conveyance on Exercise of Option to Acquire. On the exercise of any option to acquire granted herein, the Authority will, upon payment of the Discharge Price, deliver or cause to be delivered to the Agency documents terminating the Lease and granting and conveying to the Agency all of the right, title and interest of the Authority in and to the property being acquired, as such property then exists, subject to: (i) those liens and encumbrances resulting from the failure of the Agency to perform or observe any of the agreements on its part contained in the Lease; and (ii) Permitted Encumbrances other than the Indenture and the Lease.

Section 5. Miscellaneous.

Section 5.01. Amendment to Lease. Except as may otherwise be provided in the Lease, no amendment to the Lease shall be effective as to any party hereto, subsequent to the issuance of the Bonds and prior to the payment of the Bonds in full or prior to the provision for payment thereof having been made in accordance with the provisions of the Indenture, unless and until the same is reduced to writing and executed by the duly Authorized Officers of the Authority and the Agent and consented to in writing by the Trustee, and all requirements of the Indenture and the Act respectively have been complied with.

Section 5.02. Member, Officer, and Employee Liability. The promises, covenants, agreements and obligations made or assumed by the Authority or the Agency in the Lease shall be deemed to be those of the Authority or the Agency and not of any member, officer or employee of the Authority or the Agency in his or her individual capacity, and no recourse shall be had, for the payment of the Rent or any other moneys required to be paid under the Lease or for the performance of any other duty or obligation required of the Authority or the Agency under the Lease against any member, officer or employee of the Authority or the Agency or any person executing or attesting to the Lease or the Indenture.

APPENDIX C

Audited General Purpose Financial Statements of the State of North Dakota For the Fiscal Year Ended June 30, 2000

STATE OF NORTH DAKOTA

Combined Balance Sheet

All Fund Types, Account Groups And Discretely Presented Component Units
June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Cash Deposits At The Bank Of North Dakota	$ 75,331,355	$ 208,427,110	$ 3,536,564	$ 5,344,340
Cash And Cash Equivalents	876,757	2,899,929	2,871,455	17,584,333
Investments At The Bank Of North Dakota	-	34,479,044	8,187,500	-
Investments	-	40,607,889	1,692,000	-
Accounts Receivable - Net	653,485	12,203,949	34,485	-
Taxes Receivable - Net	94,021,990	379,443	-	-
Interest Receivable - Net	965,323	1,604,532	178,313	582
Loans And Notes Receivable - Net	83,145	51,870,366	-	-
Interfund Receivable	35,453,838	-	-	-
Due From Other Funds	25,146,532	32,257,495	-	-
Intergovernmental Receivable - Net	-	117,609,912	-	-
Advances To Component Units	-	-	-	-
Advances To Primary Government	-	-	-	-
Advances To Other Funds	-	38,518,772	-	-
Prepaid Items	-	642,584	-	-
Inventory	610,690	9,747,356	-	-
Unamortized Bond Issuance Costs	-	-	-	-
Fixed Assets (Net Of Depreciation)	-	-	-	-
Other Assets	-	-	-	-
Other Debits:				
Amount Available In Debt Service Fund	-	-	-	-
Amount To Be Provided For Long Term Debt	-	-	-	-
Total Assets and Other Debits	$ 233,143,115	$ 551,248,381	$ 16,500,317	$ 22,929,255
Liabilities, Equity and Other Credits				
Liabilities:				
Accounts Payable	$ 18,430,140	$ 75,192,023	$ 17,000	$ 2,402,785
Notes Payable	5,727,357	110,000	-	-
Interest Payable	462,566	273	110,448	-
Contracts Payable	10,691	5,303,563	-	-
Federal Funds Purchased	-	-	-	-
Securities Lending Collateral	-	2,203,390	-	-
Tax Refunds Payable	30,165,297	-	-	-
Intergovernmental Payable	103,796	3,860,007	-	-
Claims/Judgements Payable	-	6,735	-	-
Accrued Payroll	10,157,184	12,892,706	-	-
Compensated Absences Payable	-	-	-	-
Amounts Held In Custody For Others	-	-	-	-
Deposits Held For Other Funds	-	-	-	-
Other Deposits	-	-	-	-
Interfund Payable	-	20,453,838	-	-
Due To Other Funds	9,169,998	28,983,536	-	419,000
Advances From Other Funds	-	34,018,772	-	-
Advances From Component Units	-	-	-	-
Advances From Primary Government	-	-	-	-
Bonds Payable	-	-	-	-
Capital Leases Payable	-	-	-	-
Deferred Revenue	43,613,025	17,280,920	-	-
Other Liabilities	-	-	-	-
Total Liabilities	117,840,054	200,305,763	127,448	2,821,785
Equity and Other Credits				
Investment In Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings:				
Reserved	-	-	-	-
Unreserved	-	-	-	-
Fund Balance:				
Reserved For:				
Debt Service	-	-	16,372,869	-
Capital Projects	-	-	-	20,107,470
Other	693,835	106,278,624	-	-
Unreserved:				
Designated For:				
Other	-	4,036,620	-	-
Undesignated	114,609,226	240,627,374	-	-
Total Equity and Other Credits	115,303,061	350,942,618	16,372,869	20,107,470
Total Liabilities, Equity and Other Credits	$ 233,143,115	$ 551,248,381	$ 16,500,317	$ 22,929,255

The Accompanying Notes Are An Integral Part Of The Financial Statements

Proprietary Fund Types: Enterprise	Proprietary Fund Types: Internal Service	Fiduciary Fund Types: Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-term Debt	University System	Totals (Memorandum Only) Primary Government: June 30 2000	Component Units	Totals (Memorandum Only) Reporting Entity: June 30 2000
$ 90,872,228	$ 3,042,860	$ 71,920,584	$ -	$ -	$ 40,630,064	$ 499,105,105	$ 8,697,641	$ 507,802,746
642,283,207	100	22,663,085	-	-	5,276,975	694,455,841	255,291	694,711,132
127,543,152	-	37,995,844	-	-	59,699,785	267,905,325	7,877,000	275,782,325
1,356,384,026	5,919,454	3,509,035,320	-	-	40,928,424	4,954,567,113	205,360,850	5,159,927,963
47,180,543	28,487	28,743,242	-	-	9,441,413	98,285,604	40,510	98,326,114
321,684	-	36,598,292	-	-	-	131,321,409	-	131,321,409
36,598,069	48,050	17,549,720	-	-	847,908	57,792,497	2,869,629	60,662,126
1,705,324,804	-	51,601,239	-	-	43,359,914	1,852,239,468	10,212,194	1,862,451,662
-	-	-	-	-	4,044,518	39,498,356	-	39,498,356
1,191,432	4,296,497	1,306,788	-	-	9,092,724	73,291,468	-	73,291,468
2,181,569	80,659	162,339	-	-	24,287,615	144,322,094	-	144,322,094
9,143,000	-	-	-	-	-	9,143,000	-	9,143,000
-	-	-	-	-	-	-	9,143,000	9,143,000
-	-	8,275,170	-	-	-	46,793,942	-	46,793,942
3,951,370	77,582	-	-	-	576,017	5,247,553	-	5,247,553
9,817,698	124,551	-	-	-	6,133,553	26,433,848	-	26,433,848
9,495,110	-	-	-	-	-	9,495,110	1,360,000	10,855,110
49,431,812	44,399,697	1,122,778	506,838,414	-	919,185,161	1,520,977,862	31,513	1,521,009,375
6,332,035	-	98,051	-	-	3,250,756	9,680,842	-	9,680,842
-	-	-	-	16,372,869	-	16,372,869	-	16,372,869
-	-	-	-	141,397,524	-	141,397,524	-	141,397,524
$ 4,098,051,739	$ 58,017,937	$ 3,787,072,452	$ 506,838,414	$ 157,770,393	$ 1,166,754,827	$ 10,598,326,830	$ 245,847,628	$ 10,844,174,458
$ 17,784,234	$ 1,036,698	$ 3,654,189	$ -	$ -	$ 11,572,793	$ 130,089,862	$ 114,634	$ 130,204,496
363,648,232	350,218	-	-	477,154	3,007,504	373,320,465	-	373,320,465
28,737,436	-	-	-	-	1,540,135	30,850,858	1,621,000	32,471,858
677,372	-	-	-	-	1,687,910	7,679,536	-	7,679,536
199,635,000	-	-	-	-	-	199,635,000	-	199,635,000
271,859,988	1,155,666	263,316,212	-	-	-	538,535,256	-	538,535,256
-	-	848,470	-	-	-	31,013,767	-	31,013,767
23,271,227	732	65,873,237	-	91,455	-	93,200,454	1,103,000	94,303,454
751,758,088	3,937,586	2,840,000	-	1,040,525	-	759,582,934	1,025,000	760,607,934
194,414	891,153	51,967	-	-	5,517,736	29,705,160	-	29,705,160
1,239,118	944,311	35,371	-	23,347,817	13,990,672	39,557,289	-	39,557,289
5,734,309	-	17,599,977	-	-	11,377,798	34,712,084	-	34,712,084
634,103,000	-	-	-	-	-	634,103,000	-	634,103,000
267,406,000	-	-	-	-	2,427,912	269,833,912	-	269,833,912
14,457,000	-	-	-	-	4,044,518	38,955,356	-	38,955,356
980,358	173,841	32,072,459	-	-	1,627,953	73,427,145	-	73,427,145
4,281,947	4,500,000	1,575,168	-	-	7,090,549	51,466,436	-	51,466,436
9,143,000	-	-	-	-	-	9,143,000	-	9,143,000
-	-	-	-	-	-	-	9,143,000	9,143,000
941,923,165	-	-	-	126,725,400	55,628,385	1,124,276,950	133,735,000	1,258,011,950
86,166	56,803	8,019	-	6,088,042	24,288,794	30,527,824	-	30,527,824
49,484,324	11,603	628,194	-	-	6,918,869	117,936,935	260,633	118,197,568
4,196,992	-	-	-	-	674,455	4,871,447	-	4,871,447
3,590,601,370	13,058,611	388,503,263	-	157,770,393	151,395,983	4,622,424,670	147,002,267	4,769,426,937
-	-	-	506,838,414	-	840,524,844	1,347,363,258	-	1,347,363,258
21,960,254	21,361,982	-	-	-	-	43,322,236	1,284,820	44,607,056
169,605,772	-	-	-	-	-	169,605,772	82,289,490	251,895,262
315,884,343	23,597,344	-	-	-	-	339,481,687	15,271,051	354,752,738
-	-	-	-	-	-	16,372,869	-	16,372,869
-	-	-	-	-	-	20,107,470	-	20,107,470
-	-	3,385,183,454	-	-	80,536,442	3,572,692,355	-	3,572,692,355
-	-	7,469,402	-	-	4,648,233	16,154,255	-	16,154,255
-	-	5,916,333	-	-	89,649,325	450,802,258	-	450,802,258
507,450,369	44,959,326	3,398,569,189	506,838,414	-	1,015,358,844	5,975,902,160	98,845,361	6,074,747,521
$ 4,098,051,739	$ 58,017,937	$ 3,787,072,452	$ 506,838,414	$ 157,770,393	$ 1,166,754,827	$ 10,598,326,830	$ 245,847,628	$ 10,844,174,458

The Accompanying Notes Are An Integral Part Of The Financial Statements

Combined Statement Of Revenues, Expenditures And Changes In Fund Balances
All Governmental Fund Types And Expendable Trust Funds
For The Fiscal Year Ended June 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Expendable Trust**	**June 30 2000**
Revenues:						
Taxes	$ 734,974,065	$ 103,331,441	$ -	$ -	$ 39,845,128	$ 878,150,634
Licenses And Permits	11,317,453	41,055,525	-	-	-	52,372,978
Intergovernmental	164,095	913,863,670	811,412	-	1,046,554	915,885,731
Sales And Services	1,408,547	33,155,026	-	-	4,947,641	39,511,214
Royalties And Rents	4,451,445	2,172,198	-	-	79,662	6,703,305
Fines And Forfeits	1,664,005	5,245,205	-	-	608,002	7,517,212
Interest And Investment Income	7,511,546	9,071,632	748,669	575,395	2,140,844	20,048,086
Tobacco Settlement	-	16,475,035	-	-	-	16,475,035
Miscellaneous	1,664,074	3,900,591	-	-	452,592	6,017,257
Total Revenues	763,155,230	1,128,270,323	1,560,081	575,395	49,120,423	1,942,681,452
Expenditures:						
Current:						
General Government	51,857,281	28,378,338	-	-	4,542,784	84,778,403
Education	288,446,110	110,071,862	-	-	327,748	398,845,720
Health And Human Services	166,163,619	469,124,031	-	-	41,426,160	676,713,810
Regulatory	5,909,924	8,685,376	-	-	-	14,595,300
Public Safety	44,230,789	97,871,592	-	-	-	142,102,381
Agriculture And Economic Development	5,399,415	18,033,618	-	-	-	23,433,033
Natural Resources	12,507,337	21,130,541	-	-	-	33,637,878
Highways	263,872	312,851,223	-	-	-	313,115,095
Capital Outlay	-	-	-	13,263,726	-	13,263,726
Debt Service:			-			
Principal	-	-	4,731,000	-	-	4,731,000
Interest And Other Charges	-	-	5,420,401	-	-	5,420,401
Total Expenditures	574,778,347	1,066,146,581	10,151,401	13,263,726	46,296,692	1,710,636,747
Revenues Over (Under) Expenditures	188,376,883	62,123,742	(8,591,320)	(12,688,331)	2,823,731	232,044,705
Other Financing Sources (Uses):						
Operating Transfers In	33,460,525	90,600,355	8,644,195	-	300,635	133,005,710
Operating Transfers Out	(194,061,401)	(77,602,672)	(148,000)	(2,264,000)	(1,065,003)	(275,141,076)
Operating Transfers To Component Units	(375,000)	-	-	-	-	(375,000)
Proceeds From Bonds And Notes	-	-	4,936,149	31,583,561	-	36,519,710
Proceeds From Sale Of Fixed Assets	5,606	373,504	-	-	-	379,110
Total Other Financing Sources (Uses)	(160,970,270)	13,371,187	13,432,344	29,319,561	(764,368)	(105,611,546)
Revenues and Other Sources Over Expenditures and Other Uses	27,406,613	75,494,929	4,841,024 -	16,631,230	2,059,363	126,433,159
Fund Balances - Beginning of Year As Previously Reported	87,896,448	275,447,689	11,350,845	3,657,240	38,442,669	416,794,891
Residual Equity Transfers In	-	-	181,000	-	-	181,000
Residual Equity Transfers Out	-	-	-	(181,000)	-	(181,000)
Fund Balances - End of Year	$ 115,303,061	$ 350,942,618	$ 16,372,869	$ 20,107,470	$ 40,502,032	$ 543,228,050

Combined Statement Of Revenues, Expenses And Changes In Fund Equity
All Proprietary Fund Types, Similar Trust Funds And Discretely Presented Component Units
For The Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only) Primary Government		Totals (Memorandum Only) Reporting Entity
	Enterprise	Internal Service	Non-expendable Trust	June 30 2000	Component Units	June 30 2000
Operating Revenues:						
Sales And Services	$ 183,449,954	$ 44,088,232	$ -	$ 227,538,186	$ 6,528,485	$ 234,066,671
Royalties And Rents	7,770	-	13,558,698	13,566,468	-	13,566,468
Fines And Forfeits	2,526,859	-	-	2,526,859	-	2,526,859
Interest And Investment Income	174,726,330	-	55,894,779	230,621,109	11,798,443	242,419,552
Miscellaneous	241,248	62,469	-	303,717	-	303,717
Total Operating Revenues	360,952,161	44,150,701	69,453,477	474,556,339	18,326,928	492,883,267
Operating Expenses:						
Cost Of Sales And Services	58,097,423	772,308	-	58,869,731	-	58,869,731
Salaries And Benefits	10,132,533	11,307,826	-	21,440,359	144,000	21,584,359
Operating	34,565,335	21,524,996	2,063,243	58,153,574	3,674,064	61,827,638
Claims And Benefits	152,795,481	1,352,000	-	154,147,481	5,461,605	159,609,086
Interest	119,312,294	-	31,600	119,343,894	8,115,000	127,458,894
Depreciation	3,112,346	7,861,536	39,528	11,013,410	5,000	11,018,410
Miscellaneous	10,161	-	402	10,563	-	10,563
Total Operating Expenses	378,025,573	42,818,666	2,134,773	422,979,012	17,399,669	440,378,681
Operating Income (Loss)	(17,073,412)	1,332,035	67,318,704	51,577,327	927,259	52,504,586
Nonoperating Revenues (Expenses):						
Operating Grants	-	-	-	-	16,765,000	16,765,000
Interest And Investment Revenue	111,658,217	260,151	-	111,918,368	29,585	111,947,953
Interest Expense	(12,532,498)	(128,327)	-	(12,660,825)	-	(12,660,825)
Gain (Loss) On Sale Of Fixed Assets	(13,345)	(126,906)	-	(140,251)	-	(140,251)
Tax Revenue	4,283,700	-	2,236,683	6,520,383	-	6,520,383
Tobacco Settlement	-	-	13,479,131	13,479,131	-	13,479,131
Establishment Of FFEL Balance/Other	(4,031,963)	-	40,000	(3,991,963)	-	(3,991,963)
Total Nonoperating Revenues (Expenses)	99,364,111	4,918	15,755,814	115,124,843	16,794,585	131,919,428
Income Before Operating Transfers	82,290,699	1,336,953	83,074,518	166,702,170	17,721,844	184,424,014
Operating Transfers In	3,397,000	-	297,368	3,694,368	-	3,694,368
Operating Transfers Out	(30,774,879)	-	(26,401,000)	(57,175,879)	-	(57,175,879)
Operating Transfers From Primary Government	-	-	-	-	375,000	375,000
Net Income	54,912,820	1,336,953	56,970,886	113,220,659	18,096,844	131,317,503
Fund Equity - Beginning of Year As Previously Reported	452,537,549	43,603,833	513,255,230	1,009,396,612	80,748,517	1,090,145,129
Residual Equity Transfers Out	-	-	-	-	(1,284,820)	(1,284,820)
Contributed Capital	-	18,540	-	18,540	1,284,820	1,303,360
Fund Equity - End of Year	$ 507,450,369	$ 44,959,326	$ 570,226,116	$ 1,122,635,811	$ 98,845,361	$ 1,221,481,172

The Accompanying Notes Are An Integral Part Of The Financial Statements

Combined Statement Of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds
And Discretely Presented Component Units
For The Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-Expendable Trust
Cash Flows From Operating Activities:			
Operating Income (Loss)	$ (17,073,412)	$ 1,332,035	$ 67,318,704
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:			
Depreciation	3,112,346	7,861,536	39,528
Amortization\Accretion	3,283,165	306,936	-
Reclassification Of Interest Revenue\Expense	(58,926,410)	-	(55,845,770)
Gain On Sale Of Real Estate	-	-	(49,009)
Net Depreciation In Fair Value Of Investments	2,896,000	-	-
Interest Received On Program Loans	44,821,516	-	-
Disbursements For Loans And Loan Purchases	(104,741,673)	-	-
Receipt Of Loan Principal Repayments	68,956,283	-	-
Provision For Losses	2,761,555	-	-
Premiums Collected	85,815,135	-	-
Premiums Paid	(85,815,135)	-	-
Tobacco settlement	-	-	13,479,131
Other	11,347	-	-
Change In Assets And Liabilities:			
(Increase) Decrease In Accounts Receivable	(9,069,311)	28,207	-
(Increase) Decrease In Due From	85,808	(327,347)	(466,426)
(Increase) Decrease In Intergovernmental Receivable	632,239	(10,950)	-
(Increase) Decrease In Prepaid Items	(357,311)	4,752	-
Increase In Inventories	(219,965)	(3,729)	-
Increase In Other Assets	(1,864,000)	-	-
Increase In Accounts Payable	13,296,671	85,948	56,291
Increase (Decrease) In Claims\Judgements Payable	76,393,034	640,846	-
Increase In Intergovernmental Payable	2,245,635	732	-
(Increase) Decrease In Accrued Payroll	(409,869)	37,417	-
Increase In Compensated Absences Payable	101,394	99,796	-
Decrease In Amounts Held For Others	(2,459,799)	-	-
Increase (Decrease) In Due To	(268,726)	45,474	2,953
Increase In Deferred Revenue	7,101,953	9,323	-
Decrease In Other Liabilities	(2,994,200)	-	-
Net Cash Provided By (Used For) Operating Activities	27,314,270	10,110,976	24,535,402
Cash Flows From Noncapital Financing Activities:			
Proceeds From Bonds	210,000,000	-	-
Proceeds From Sale Of Notes And Other Borrowings	189,079,000	-	-
Principal Payments - Bonds	(1,496,326)	-	-
Principal Payments - Notes And Other Borrowings	(206,121,000)	-	-
Interest Payments - Bonds	(43,896,589)	-	-
Interest Payments - Notes And Other Borrowings	(15,446,198)	-	-
Payment Of Bond Issue Costs	(1,368,000)	-	-
Operating Grant Received	-	-	-
Tax Collections	3,962,016	-	2,236,683
Operating Transfers In	3,397,000	-	297,368
Operating Transfers Out	(16,317,879)	-	(26,401,000)
Residual Equity Transfer Out	-	-	-
Net Increase In Non-Interest Bearing Deposits	(49,509,000)	-	-
Net Decrease In Interest Bearing Deposits	19,007,000	-	-
Payments Of Interest On Deposits	(36,373,000)	-	-
Proceeds From Advances	33,108	2,000,000	302,632
Principal Payments On Advances	(2,717,276)	-	-
Interest Paid On Federal Funds And Reverse Repurchase Agreements	(11,391,000)	-	-
Net Increase In Federal Funds And Reverse Repurchase Agreements	(58,511,000)	-	-
Advances Made	-	-	(1,340,853)
Collection Of Advances Made	11,273,000	-	164,588
Interest Received On Advances To Other Funds	-	-	571,544
Net Cash Provided By (Used For) Noncapital Financing Activities	(6,396,144)	2,000,000	(24,169,038)

(Continued On The Next Page)

Total (Memorandum Only) Primary Government June 30 2000	Component Units	Total (Memorandum Only) Reporting Entity June 30 2000
$ 51,577,327	$ 927,259	$ 52,504,586
11,013,410	5,000	11,018,410
3,590,101	119,000	3,709,101
(114,772,180)	(3,724,443)	(118,496,623)
(49,009)	-	(49,009)
2,896,000	-	2,896,000
44,821,516	-	44,821,516
(104,741,673)	-	(104,741,673)
68,956,283	-	68,956,283
2,761,555	1,824,445	4,586,000
85,815,135	-	85,815,135
(85,815,135)	-	(85,815,135)
13,479,131	-	13,479,131
11,347	142,757	154,104
(9,041,104)	(33,557)	(9,074,661)
(707,965)	-	(707,965)
621,289	26,054	647,343
(352,559)	-	(352,559)
(223,694)	-	(223,694)
(1,864,000)	-	(1,864,000)
13,438,910	11,474	13,450,384
77,033,880	(635,701)	76,398,179
2,246,367	477,000	2,723,367
(372,452)	-	(372,452)
201,190	-	201,190
(2,459,799)	-	(2,459,799)
(220,299)	-	(220,299)
7,111,276	25,891	7,137,167
(2,994,200)	-	(2,994,200)
61,960,648	(834,821)	61,125,827
210,000,000	14,815,000	224,815,000
189,079,000	-	189,079,000
(1,496,326)	(18,446,000)	(19,942,326)
(206,121,000)	-	(206,121,000)
(43,896,589)	(8,146,000)	(52,042,589)
(15,446,198)	-	(15,446,198)
(1,368,000)	(171,000)	(1,539,000)
-	16,765,000	16,765,000
6,198,699	-	6,198,699
3,694,368	375,000	4,069,368
(42,718,879)	-	(42,718,879)
-	(145,174)	(145,174)
(49,509,000)	-	(49,509,000)
19,007,000	-	19,007,000
(36,373,000)	-	(36,373,000)
2,335,740	2,383,000	4,718,740
(2,717,276)	-	(2,717,276)
(11,391,000)	-	(11,391,000)
(58,511,000)	-	(58,511,000)
(1,340,853)	(2,383,000)	(3,723,853)
11,437,588	-	11,437,588
571,544	-	571,544
(28,565,182)	5,046,826	(23,518,356)

Combined Statement Of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds
And Discretely Presented Component Units (Continued)
For The Fiscal Year Ended June 30, 2000

	Proprietary Fund Types		Fiduciary Fund Types
	Enterprise	Internal Service	Non-Expendable Trust
Cash Flows From Capital And Related Financing Activities:			
Acquisition And Construction Of Capital Assets	(23,047,177)	(12,968,873)	-
Proceeds From Sale Of Fixed Assets	3,837	1,565,845	-
Proceeds From Sale Of Notes And Other Borrowings	572,232	-	-
Principal Payments - Bonds	(195,000)	-	-
Principal Payments - Notes And Other Borrowings	-	(1,604,984)	-
Interest Payments - Bonds	(151,372)	(43,875)	-
Interest Payments - Notes And Other Borrowings	(125,363)	(15,151)	-
Capital Contributions	-	-	-
Payment On Capital Leases	(25,414)	-	-
Net Cash Provided By (Used For) Capital And Related Financing Activities	(22,968,257)	(13,067,038)	-
Cash Flows From Investing Activities:			
Proceeds From Sale And Maturities Of Investment Securities	1,107,220,770	98,028	82,211,988
Purchase Of Investment Securities	(909,506,437)	-	(108,110,406)
Interest And Dividends On Investments	55,010,988	272,154	20,671,800
Proceeds From Sale Of Other Real Estate	-	-	162,379
Net Increase In Loans	(229,883,000)	-	-
Disbursements For Loans And Loan Purchases	(650,000)	-	(4,609,803)
Receipt Of Loan Principal Repayments	2,479,100	-	4,740,754
Loan Income Received	71,722,827	-	4,573,535
Net Cash Provided By (Used For) Investing Activities	96,394,248	370,182	(359,753)
Net Change In Cash:			
Net Increase (Decrease) In Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota	94,344,117	(585,880)	6,611
Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30,1999	638,811,318	3,628,840	2,265,563
Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota At June 30,2000	$ 733,155,435	$ 3,042,960	$ 2,272,174
Reconciliation:			
Cash Deposits At The Bank Of North Dakota	90,872,228	$ 3,042,860	$ 71,920,584
Cash And Cash Equivalents	642,283,207	100	22,663,085
Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota, Expendable Trust, Pension And Agency Funds	-	-	(92,311,495)
Cash And Cash Equivalents And Cash Deposits At The Bank Of North Dakota	$ 733,155,435	$ 3,042,960	$ 2,272,174
Noncash Transactions:			
Reduction In Appropriation	$ (17,000)	$ -	$ -
Appropriations Transfer From Undivided Profits To Various State Agencies	29,509,000	-	-
Securities Lending Collateral	47,096,888	(78,987)	-
Net Appreciation (Depreciation) In Fair Value Of Investments	8,142,530	(99,332)	29,717,914
Construction pay requests payable recorded as construction work in progress	677,372	-	-
Restricted sales tax receivable	321,684	-	-
Contribution of Property And Equipment	-	16,500	-
Loans Written Off	-	-	-
Investments Written Off	-	-	-
Capital Contribution	-	-	-
Residual Equity Transfer Out	-	-	-
Transfer Of Property And Equipment	-	2,040	-
Interest On Investments	49,548,542	-	-
Total Noncash Transactions	$ 135,279,016	$ (159,779)	$ 29,717,914

The Accompanying Notes Are An Integral Part Of The Financial Statements

Total (Memorandum Only) Primary Government June 30 2000	Component Units	Total (Memorandum Only) Reporting Entity June 30 2000
(36,016,050)	(5,000)	(36,021,050)
1,569,682	-	1,569,682
572,232	-	572,232
(195,000)	-	(195,000)
(1,604,984)	-	(1,604,984)
(195,247)	-	(195,247)
(140,514)	-	(140,514)
-	145,174	145,174
(25,414)	-	(25,414)
(36,035,295)	140,174	(35,895,121)
1,189,530,786	54,620,400	1,244,151,186
(1,017,616,843)	(66,777,000)	(1,084,393,843)
75,954,942	11,491,596	87,446,538
162,379	-	162,379
(229,883,000)	-	(229,883,000)
(5,259,803)	(5,210,461)	(10,470,264)
7,219,854	3,199,617	10,419,471
76,296,362	-	76,296,362
96,404,677	(2,675,848)	93,728,829
93,764,848	1,676,331	95,441,179
644,705,721	7,276,601	651,982,322
$ 738,470,569	$ 8,952,932	$ 747,423,501
$ 165,835,672	$ 8,697,641	$ 174,533,313
664,946,392	255,291	665,201,683
(92,311,495)	-	(92,311,495)
$ 738,470,569	$ 8,952,932	$ 747,423,501
$ (17,000)	$ -	$ (17,000)
29,509,000	-	29,509,000
47,017,901	-	47,017,901
37,761,112	-	37,761,112
677,372	-	677,372
321,684	-	321,684
16,500	-	16,500
-	543,175	543,175
-	554,750	554,750
-	1,139,646	1,139,646
-	(1,139,646)	(1,139,646)
2,040	-	2,040
49,548,542	-	49,548,542
$ 164,837,151	$ 1,097,925	$ 165,935,076

The Accompanying Notes Are An Integral Part Of The Financial Statements

Statement Of Changes In Plan Net Assets
Pension And Investment Trust Funds
For The Fiscal Year Ended June 30, 2000

	Pension			
	Defined Contribution Retirement	**Highway Patrolmen's Retirement**	**Job Service Retirement**	**Prefunded Retiree Health Program**
Additions:				
Contributions:				
Employer	$ 198,077	$ 741,089	$ -	$ 3,992,189
Employee	192,307	457,079	344,773	3,246
Transfers from other plans	8,779,857	-	-	-
Total Contributions	9,170,241	1,198,168	344,773	3,995,435
Investment Income:				
Net Appreciation (Depreciation) In Fair Value Of Investments	(236,486)	2,375,276	223,796	1,291,045
Interest And Dividends	181,546	1,345,421	5,063,014	860,741
	(54,940)	3,720,697	5,286,810	2,151,786
Less Investment Expense	12	128,902	177,519	51,548
Net Investment Income	(54,952)	3,591,795	5,109,291	2,100,238
Securities Lending Activity:				
Securities Lending Income	-	199,672	295,631	-
Less Securities Lending Expense	-	187,951	278,379	-
Net Securities Lending Income	-	11,721	17,252	-
Repurchase Service Credit	-	-	-	73,929
Miscellaneous Income	-	65	-	-
Total Additions	9,115,289	4,801,749	5,471,316	6,169,602
Deductions:				
Benefits Paid To Participants	194,361	1,629,020	1,519,300	-
Refunds	-	6,576	-	1,712
Prefunded Credit Applied	-	-	-	3,423,158
Transfers To Other Plans	-	-	-	-
Administrative Expenses	246,042	13,821	35,418	85,061
Total Deductions	440,403	1,649,417	1,554,718	3,509,931
Purchase Of Units At Net Asset Value of $1.00 Per Unit	-	-	-	-
Redemption of Units at Net Asset Value of $1.00 Per Unit	-	-	-	-
Net Increase	8,674,886	3,152,332	3,916,598	2,659,671
Net Assets Held In Trust For Pension Benefits And External Investment Pool Participants Beginning Of Year	-	38,573,773	69,885,003	23,549,742
End Of Year	$ 8,674,886	$ 41,726,105	$ 73,801,601	$ 26,209,413

	Pension		Investment		Total
	Public Employees' Retirement	Teachers' Retirement	City Of Bismarck	ND Association Of Counties	June 30 2000
	$ 16,521,248	$ 25,527,734	$ -	$ -	$ 46,980,337
	15,693,237	25,528,245	-	-	42,218,887
	-	-	-	-	8,779,857
	32,214,485	51,055,979	-	-	97,979,081
	68,101,931	111,269,923	1,751,732	56,684	184,833,901
	38,478,430	39,834,547	1,171,875	62,941	86,998,515
	106,580,361	151,104,470	2,923,607	119,625	271,832,416
	3,684,724	4,947,423	123,532	4,458	9,118,118
	102,895,637	146,157,047	2,800,075	115,167	262,714,298
	5,706,923	5,199,726	172,739	7,477	11,582,168
	5,371,876	4,879,347	162,756	7,056	10,887,365
	335,047	320,379	9,983	421	694,803
	925,534	2,509,576	-	-	3,509,039
	10,530	6,222	-	-	16,817
	136,381,233	200,049,203	2,810,058	115,588	364,914,038
	34,026,828	53,583,271	-	-	90,952,780
	3,852,102	2,788,019	-	-	6,648,409
	-	-	-	-	3,423,158
	8,693,091	-	-	-	8,693,091
	800,529	1,015,549	-	-	2,196,420
	47,372,550	57,386,839	-	-	111,913,858
	-	-	875,000	1,550,000	2,425,000
	-	-	-	(325,877)	(325,877)
	89,008,683	142,662,364	3,685,058	1,339,711	255,099,303
	1,105,445,266	1,262,584,076	32,101,405	602,473	2,532,741,738
	$ 1,194,453,949	$ 1,405,246,440	$ 35,786,463	$ 1,942,184	$ 2,787,841,041

Combined Statement Of Current Funds Revenues, Expenditures And Other Changes
University System
For The Fiscal Year Ended June 30, 2000

	Total Unrestricted	Total Restricted	Total Current Funds
Revenues And State Transfers:			
Tuition And Fees	$ 105,245,403	$ 250,724	$ 105,496,127
Federal Appropriations	5,747,837	-	5,747,837
Local Appropriations And Taxes	2,153,950	-	2,153,950
Federal Grants And Contracts	6,932,349	63,387,646	70,319,995
State Grants And Contracts	929,503	741,135	1,670,638
Private Gifts, Grants And Contracts	9,649,847	16,085,536	25,735,383
Investment And Endowment Income	3,710,967	463,323	4,174,290
Sales And Services Of Educational Departments	45,144,948	47,000	45,191,948
Sales And Services Of Auxilliary Enterprises	62,748,255	-	62,748,255
Total Revenues	242,263,059	80,975,364	323,238,423
Operating Transfers In	166,990,699	11,707,918	178,698,617
Total Revenues And State Transfers	409,253,758	92,683,282	501,937,040
Expenditures And Mandatory Transfers:			
Educational And General			
Instruction	159,416,337	9,981,060	169,397,397
Research	25,404,649	35,245,164	60,649,813
Public Service	15,568,789	14,825,179	30,393,968
Academic Support	37,774,429	942,519	38,716,948
Student Services	18,467,977	1,586,774	20,054,751
Institutional Support	30,428,265	711,045	31,139,310
Operation And Maintenance Of Plant	32,445,617	1,321,316	33,766,933
Scholarships And Fellowships	8,003,409	27,229,637	35,233,046
Total Educational And General Expenditures	327,509,472	91,842,694	419,352,166
Mandatory Transfer For Principal And Interest	1,262,618	-	1,262,618
Mandatory Transfer For Loan Fund Matching	132,328	169	132,497
Total Educational And General Expenditures And Mandatory Transfers	328,904,418	91,842,863	420,747,281
Auxiliary Enterprises:			
Expenditures	67,881,680	840,588	68,722,268
Mandatory Transfers For Principal And Interest	4,688,320	-	4,688,320
Total Auxiliary Enterprises	72,570,000	840,588	73,410,588
Total Expenditures And Mandatory Transfers	401,474,418	92,683,451	494,157,869
Other Transfers And Deductions:			
Excess Of Restricted Receipts Over Transfers To Revenues	-	527,654	527,654
Indirect Costs Recovered	(1,368,063)	-	(1,368,063)
Refunded To Grantors	(8,259)	(39,798)	(48,057)
Nonmandatory Interfund Transfers	(3,218,228)	341,986	(2,876,242)
Other Additions(Deductions)	274,257	(479,704)	(205,447)
Total Other Transfers And Deductions	(4,320,293)	350,138	(3,970,155)
Net Increase In Fund Balances	$ 3,459,047	$ 349,969	$ 3,809,016

STATE OF NORTH DAKOTA

Combined Statement Of Changes In Fund Balance
University System
For The Fiscal Year Ended June 30, 2000

	Current Funds				Plant Funds			Total (Memorandum Only)
	Unrestricted	**Restricted**	**Loan**	**Endowment And Similar**	**Unexpended**	**Retirement Of Indebtedness**	**Investment In Plant**	**June 30 2000**
Revenues And Other Additions:								
Unrestricted Current Fund Revenue	$ 242,263,059	$ -	$ -	$ -	$ -	$ -	$ -	$ 242,263,059
Student Fees - Restricted	-	333,133	-	-	-	335,598	-	668,731
Federal Grants And Contracts - Restricted	-	70,392,152	440,701	-	1,606,102	295,781	-	72,734,736
State Grants And Contracts - Restricted	-	1,040,022	-	-	336,833	-	-	1,376,855
Private Gifts, Grants And Contracts - Restricted	-	16,921,317	297,435	5,207	1,283,524	-	-	18,507,483
Endowment And Investment Income - Restricted	-	584,184	51,609	242,058	900,687	861,898	-	2,640,436
Interest And Late Fees On Loans Receivable	-	-	983,288	18	38,742	-	-	1,022,048
Sales & Services Of Educational Depts.-Restricted	-	47,000	1,468	-	38,227	-	-	86,695
Retirement Of Indebtedness	-	-	-	-	-	-	10,495,142	10,495,142
Expended For Plant Facilities-Plant Funds	-	-	-	-	-	-	57,825,892	57,825,892
Debt Issuance	-	-	-	-	5,454,077		-	5,454,077
Other Additions	1,505,641	1,100	434,735	525	113,935	2,749,426	69,250	4,874,612
Total Revenues And Other Additions	243,768,700	89,318,908	2,209,236	247,808	9,772,127	4,242,703	68,390,284	417,949,766
Expenditures And Other Deductions:								
Education And General Expenditures	327,509,472	91,842,694	-	-	-	659	-	419,352,825
Auxiliary Enterprises Expenditures	67,881,680	840,588	-	-	-	-	-	68,722,268
Indirect Costs Recovered	1,368,063	7,814,790	35,997	-	-	-	-	9,218,850
Refunds To Grantors	8,259	39,798	4,875	-	-	-	-	52,932
Loan Cancellations And Write-Offs	-	-	736,866	-	-	-	-	736,866
Administrative And Collection Costs	-	-	129,954	-	-	1,472	-	131,426
Expended For Plant Facilities	-	-	-	-	33,086,355	-	-	33,086,355
Retirement Of Indebtedness	-	-	-	-	45,833	4,485,999	176,667	4,708,499
Interest On Indebtedness	-	-	-	-	-	3,725,039	1,139	3,726,178
Trustee Fees	-	-	-	-	-	33,364	-	33,364
Disposal Of Plant Facilities	-	-	-	-	-	-	21,258,018	21,258,018
Debt Issuance	-	-	-	-	14,832	-	11,804,344	11,819,176
Other Deductions	1,231,384	480,804	24,885	1,221,380	-	-	2,345,110	5,303,563
Total Expenditures And Other Deductions	397,998,858	101,018,674	932,577	1,221,380	33,147,020	8,246,533	35,585,278	578,150,320
Transfers Among Funds And Other Additions (Deductions):								
Mandatory:								
Loan Matching Fund	(132,328)	(169)	132,497	-	-	-	-	-
Principal And Interest - Unrestricted	(1,262,618)	-	-	-	(28,642)	1,291,260	-	-
Principal And Interest - Auxiliary	(4,688,320)	-	-	-	-	4,688,320	-	-
Nonmandatory Interfund Transfers	(3,218,228)	341,986	(36,867)	(1,757,842)	4,466,115	204,836	-	-
Operating Transfers In	166,990,699	11,707,918	-	-	18,210,426	-	-	196,909,043
Total Transfers And Other Additions (Deductions)	157,689,205	12,049,735	95,630	(1,757,842)	22,647,899	6,184,416	-	196,909,043
Net Increase (Decrease) In Fund Balance	3,459,047	349,969	1,372,289	(2,731,414)	(726,994)	2,180,586	32,805,006	36,708,489
Fund Balances - Beginning Of Year As Previously Reported	57,773,495	7,898,532	42,633,732	26,008,248	23,499,968	13,116,542	807,719,838	978,650,355
Fund Balance - End Of Year	$ 61,232,542	$ 8,248,501	$ 44,006,021	$ 23,276,834	$ 22,772,974	$ 15,297,128	$ 840,524,844	$ 1,015,358,844

The Accompanying Notes Are An Integral Part Of The Financial Statements

STATE OF NORTH DAKOTA

Interim 1999-2001 Biennium Combined Statement Of Revenues, Expenditures And Other Financing Sources (Uses)
Budget And Actual (Budgetary Basis) - General Fund And Other Budgeted Income
For The Fiscal Year Ended June 30, 2000

	Approved Budget 1999-2001 Biennium	Appropriation Adjustments 1999-2001 Biennium	Adjusted Budget 1999-2001 Biennium	Actual Biennium To Date Thru 6-30-00	Difference Uncollected/ Unspent Thru 6-30-00
Revenues					
General Fund					
Sales And Use Tax	$ 742,391,900	$ -	$ 742,391,900	$ 355,433,005	$ (386,958,895)
Income Tax	490,435,520	-	490,435,520	244,629,340	(245,806,180)
Business Privilege Tax	5,162,000	-	5,162,000	2,382,197	(2,779,803)
Oil And Gas Production Tax	22,817,000	-	22,817,000	21,062,999	(1,754,001)
Oil Extraction Tax	13,885,000	-	13,885,000	12,713,571	(1,171,429)
Insurance Premium Tax	35,830,000	-	35,830,000	19,293,920	(16,536,080)
Cigarette, Cigar And Tobacco Tax	42,544,000	-	42,544,000	21,341,734	(21,202,266)
Wholesale Liquor Tax	10,388,473	-	10,388,473	5,430,523	(4,957,950)
Coal Severance Tax	22,346,000	-	22,346,000	11,206,459	(11,139,541)
Coal Conversion Tax	24,555,000	-	24,555,000	12,490,737	(12,064,263)
Gaming Tax	22,685,000	-	22,685,000	13,176,646	(9,508,354)
Department Fees And Collections	39,102,394	-	39,102,394	21,248,342	(17,854,052)
Mineral Leasing Fees	4,915,680	-	4,915,680	3,566,924	(1,348,756)
Gas Tax Administration	1,380,608	-	1,380,608	690,304	(690,304)
Interest On Public Funds	15,300,200	-	15,300,200	9,293,946	(6,006,254)
Total General Fund Revenues	1,493,738,775	-	1,493,738,775	753,960,647	(739,778,128)
Other Budgeted Income	3,265,832,301	140,116,513	3,405,948,814	1,567,314,026	(1,838,634,788)
Total All Revenues	4,759,571,076	140,116,513	4,899,687,589	2,321,274,673	(2,578,412,916)
Expenditures By Line Item					
Salaries And Wages	713,516,368	15,268,169	728,784,537	337,769,786	391,014,751
Operating Expenses	302,216,778	12,632,017	314,848,795	137,304,730	177,544,065
Equipment	21,922,801	2,914,336	24,837,137	10,089,150	14,747,987
Capital Improvements	72,690,158	24,557,914	97,248,072	27,637,497	69,610,575
Grants	1,892,465,431	79,989,160	1,972,454,591	998,817,400	973,637,191
Special Line Items	1,797,209,303	9,271,699	1,806,481,002	825,300,352	981,180,650
Total Expenditures By Line Item	4,800,020,839	144,633,295	4,944,654,134	2,336,918,915	2,607,735,219
Expenditures By Source					
General Fund	1,584,721,538	8,771,782	1,593,493,320	781,776,540	811,716,780
Other Budgeted Income	3,215,299,301	135,861,513	3,351,160,814	1,555,142,375	1,796,018,439
Total Expenditures By Source	4,800,020,839	144,633,295	4,944,654,134	2,336,918,915	2,607,735,219
Revenues Over (Under) Expenditures					
General Fund	(90,982,763)	(8,771,782)	(99,754,545)	(27,815,893)	71,938,652
Other Budgeted Income	50,533,000	4,255,000	54,788,000	12,171,651	(42,616,349)
Other Financing Sources (Uses)					
General Fund - Transfers In	59,850,000	-	59,850,000	16,858,651	(42,991,349)
General Fund - Transfers Out	(9,317,000)	4,255,000	(5,062,000)	(4,687,000)	375,000
Other Budgeted Income - Transfers In	9,317,000	(4,255,000)	5,062,000	4,687,000	(375,000)
Other Budgeted Income - Transfers Out	(59,850,000)	-	(59,850,000)	(16,858,651)	42,991,349
Revenues And Other Sources Over (Under) Expenditures And Other Uses					
General Fund	(40,449,763)	(4,516,782)	(44,966,545)	(15,644,242)	29,322,303
Other Budgeted Income	-	-	-	-	-
Beginning Budgetary General Fund Balance, as adjusted	51,768,619	8,968,846	60,737,465	69,917,415	9,179,950
Ending Budgetary General Fund Balance	$ 11,318,856	$ 4,452,064	$ 15,770,920	$ 54,273,173	$ 38,502,253

The Accompanying Notes Are An Integral Part Of The Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The primary authority for the State's accounting and reporting requirements is the Office of Management and Budget. The Office of Management and Budget has adopted the pronouncements of the Governmental Accounting Standards Board (GASB) which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the University System Funds have been prepared in conformity with generally accepted accounting principles for Colleges and Universities as prescribed by the National Association of College and University Business Officers and the American Institute of Certified Public Accountants. The more significant of the State's accounting policies are as follows:

A. REPORTING ENTITY

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

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

BLENDED COMPONENT UNIT

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

- Building Authority (Debt Service Fund, Capital Projects Fund and Account Groups) - The Building Authority was created by the Legislature as a separate instrumentality of the State. Its purpose is to promote the general welfare of the citizens of the State by providing financing for use by the State in altering, repairing, maintaining or constructing buildings and making any improvements connected to State buildings. The Industrial Commission, which consists of the governor, the attorney general, and the commissioner of agriculture, is the governing board of the Building Authority. The funds and account groups of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2000, and their report dated September 20, 2000, has been previously issued under a separate cover.

- North Dakota State University Research Foundation and University of North Dakota Aerospace Foundation - Each of these component units is a legally separate entity. The component units provide services, including providing financing, entirely or almost entirely to the University System. The financial information of the North Dakota State University Research Foundation is on the Higher Education computer network and as such is subject to audit by the North Dakota State Auditor's Office. Other independent auditors audit the University of North Dakota Aerospace Foundation.

DISCRETELY PRESENTED COMPONENT UNITS

These component units are entities that are legally separate from the State, but are financially accountable to the State. The component units columns of the combined financial statements include the financial data of these entities.

- Comprehensive Health Association (Proprietary Fund Type) - The Association was established by the Legislature with participating membership consisting of those insurance companies, licensed or authorized to do business in the State. It provides low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. The Association is governed by a board of eight members of which five are representatives of the State. The Association was audited by other independent auditors for the calendar year ended December 31, 1999, and their report dated February 4, 2000, has been previously issued under a separate cover.

- North Dakota Development Fund, Inc. (Proprietary Fund Type) - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. The corporation is managed by a board of directors consisting of eight members, all of whom are appointed by the governor. The Fund was audited by other independent auditors for the fiscal year ended June 30, 2000, and their report dated September 8, 2000, has been previously issued under a separate cover.

- Municipal Bond Bank (Proprietary Fund Type) - The Bond Bank was created by the Legislature as a separate agency of the State. The purpose of the Bond Bank is to make funds available for borrowing by North Dakota political subdivisions through the issuance of its bonds and the purchase of municipal securities of the political subdivisions. The Bond Bank has been granted all powers required in order to accomplish this purpose and is under the control and management of the Industrial Commission. The Fund was audited by other independent auditors for the calendar year ended December 31, 1999, and their report dated March 3, 2000, has been previously issued under a separate cover.

- Technology Transfer, Inc. (Proprietary Fund Type) - Technology Transfer was organized as a nonprofit corporation for the purpose of providing a program and budgetary interface between the Department of Economic Development and Finance and the North Dakota University System. The primary objective of the interface was to focus the intellectual and technical resources of the University System on the discovery, development and application of scientific and technological principles and concepts on North Dakota's primary sector business. On July 1, 1999, Technology Transfer ceased operations, and its remaining assets were transferred to the North Dakota Development Fund, Inc.

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

Building Authority
600 E. Boulevard, 10th Floor
Bismarck, ND 58505-0310

North Dakota State University Research Foundation
1200 N. University Drive
P.O. Box 5790
University Station
Fargo, ND 58105

University of North Dakota Aerospace Foundation
4201 University Avenue
Grand Forks, ND 58202

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

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

Municipal Bond Bank
418 E. Broadway Ave., Suite 246
Bismarck, ND 58501

B. FUND ACCOUNTING STRUCTURE

The State uses funds and account groups to report on the financial position and the results of its operations. Fund accounting is designed to demonstrate legal 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets (General Fixed Assets Account Group) and liabilities (General Long-Term Debt Account Group). These long-term assets and liabilities are not recorded in the governmental funds because they do not directly affect expendable available financial resources. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. Each category, in turn, is divided into separate "fund types." These fund categories and types are presented below:

GOVERNMENTAL FUNDS

Governmental funds include:

General Fund is the principal operating fund of the State. It is used to account for all financial resources that are not accounted for in other funds.

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes.

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

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

PROPRIETARY FUNDS

Proprietary funds include:

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

Internal Service Funds account for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds include:

Pension Trust Funds account for the transactions, assets, liabilities, and fund equity of the State Retirement systems. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

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

Nonexpendable Trust Funds account for those trusts where only the earnings, but not the principal, may be expended. Nonexpendable Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Expendable Trust Funds represent those trust funds whose resources, including both principal and earnings, may be expended. Expendable Trust Funds are accounted for in essentially the same manner as Governmental Funds.

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

ACCOUNT GROUPS

Account Groups consists of the following:

The General Fixed Asset Account Group is used to account for land, buildings, equipment, and construction in progress of the governmental fund and similar trust fund types. Fixed assets of proprietary, similar trust and University System funds are accounted for separately in their respective funds.

The General Long-Term Debt Account Group is used to account for the State's unmatured long-term obligations related to revenue bonds, notes payable, claims/ judgments, and compensated absences of the governmental fund types. Long-term obligations of the proprietary, nonexpendable trust and University System funds are accounted for in their respective funds.

C. DISCRETE PRESENTATION - UNIVERSITY SYSTEM FUNDS

Financial activities of the State's University System Institutions are reported in the University System Funds. These funds use generally accepted accounting principles that apply to colleges and universities as contained in Audits of Colleges and Universities, published by the American Institute of Certified Public Accountants, and those standards established by the National Association of College and University Business Officers (NACUBO).

The University System Funds are presented in a separate column on the Combined Balance Sheet as a discrete presentation.

The University System Funds account for transactions related to resources received and used for the operation of the State's University System Institutions and the related medical teaching hospital. The University System Funds are an aggregation of the following funds:

Current Funds (including auxiliary enterprises) account for resources the University System institutions may use for any purpose in carrying out their primary objectives. Restricted Current Funds include resources that donors or other outside agencies have restricted for specific current operating purposes. All other current funds are accounted for as Unrestricted Current Funds.

Loan Funds account for resources available principally for loans to students of the University System.

Endowment and Similar Funds account for endowment, term endowment and quasi-endowment transactions. Endowment and term endowment funds are similar to trust funds. The State must comply with the terms of any applicable agreements. While quasi-endowment funds have been established by the institutions for the same purposes as endowment funds, any portion of the quasi-endowment funds may be expended at the institution's discretion.

Plant Funds account for transactions involving physical properties of the University System institutions. The Unexpended Plant subgroup accounts for monies that institutions will use to acquire physical properties in future accounting periods. The Retirement of Indebtedness subgroup includes monies to pay debt service and to retire indebtedness on institutional properties. The Investment In Plant subgroup accounts for funds that institutions have expended for (and thus have invested in) their properties and any related outstanding debt.

Agency Funds within the University System Funds account for amounts that University System institutions hold as custodians or fiscal agents for others.

The Combined Statement of Current Funds Revenues, Expenditures and Other Changes - University System is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

D. BASIS OF ACCOUNTING

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements for these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets.

Proprietary, nonexpendable trust, pension trust, and investment trust funds are accounted for on a flow of economic resources measurement focus. This measurement focus includes all assets and liabilities associated with the operations of these funds on the balance sheet. Fund equity (e.g., net total assets) is segregated into contributed capital, unrealized gain or loss on investments and retained earnings components. Proprietary and similar trust fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by governmental funds and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). "Measurable" means the amount of the transaction can be determined. "Available" means due and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Major revenues that are determined to be susceptible to accrual include interest, federal grants-in-aid, and taxpayer-assessed taxes such as income, sales, corporate, excise, motor fuel taxes and unemployment compensation contributions. Most revenues are determined to be available if collected within 30 days after fiscal year end. Revenues from fines, licenses, permits, fees and other miscellaneous taxes are recorded as revenue when received because they are generally not measurable until actually received. Deferred revenue is recorded for receivables that are measurable but not available at year end.

Expenditures generally are recorded when goods or services are received. An exception is that principal and interest on obligations reflected in the General Long-Term Debt Account Group are recorded as expenditures when due. Additional exceptions are that expenditures for compensated absences and claims and judgments reflected in the General Long-Term Debt Account Group are recorded when paid.

Agency funds are also accounted for on a modified accrual basis, but do not recognize revenues and expenditures. Agency funds account for assets received and disbursed by a government in its capacity as an agent for individuals, businesses, or other governments.

Proprietary funds, nonexpendable trust funds, and pension trust funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the related liability is incurred.

The measurement focus in University System Funds is upon determination of resources received and used. The University System Funds are recorded on the accrual basis except for depreciation on fixed assets, which is not recorded, and tuition, which is accrued in the period when the session predominantly occurs.

E. GENERAL BUDGETARY POLICIES AND PROCEDURES

The State operates through a biennial appropriation which represents departmental appropriations recommended by the governor and 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. The governor has line item veto powers over all appropriations subject to legislative override.

Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate an intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items. Session laws that were passed by the Legislature in 1999 authorize directors of various state agencies to transfer appropriation authority among the various divisions of their specific agency, subject to the Budget Section of the North Dakota Legislative Council's approval. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC) section 54-44.1-11. The University System's unexpended general fund appropriation authority for the previous biennium did not lapse. The institutions under the University System must use their unexpended general fund appropriation authority for capital repairs and improvements, equipment, and other one-time expenditures as directed by the Board of Higher Education (1999 Session Laws, Chapter 3, Section 7). The unexpended general fund authority for the experiment stations under the University System must be deposited in their special revenue funds (NDCC 15-10-12).

The State of North Dakota does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line item level, with administrative controls established at lower levels of detail in certain instances. The State does not formally budget revenues, and it does not budget by fund. The State appropriation is defined through the use of specific expenditure line items. Capital appropriations are generally made at the agency and project level.

North Dakota's Appropriation Act does not present budgets by GAAP fund. Instead, it presents budgets for:

- The General Fund: This fund is the general operating fund. The resources in this fund are primarily taxes. The State expends General Funds to provide traditional State government services. The General Fund line in the Appropriation Act differs somewhat from the GAAP General Fund.

- Other Budgeted Income. The Other Budgeted Income line in the Appropriation Act includes all other budgeted resources. Amounts in this line include non-general fund cash carryovers from the previous biennium as well as Federal and department-generated resources.

  Other Budgeted Income includes some governmental, proprietary, and University System activities. It also includes the administrative functions of the Pension Trust activities and some Agency fund activities. It excludes expendable and nonexpendable trust activities.

Cash transfers from the General Fund to the University System institutions appear as expenditures on the Interim 1999-2001 Biennium Combined Statement of Revenues, Expenditures and Other Financing Sources (Uses) -- Budget and Actual (Budgetary Basis) -- General Fund and Other Budgeted Income. On all other combined operating statements, however, such transfers appear as Operating Transfers from the General Fund to the University System Funds.

The accompanying financial statements include the Interim 1999-2001 Combined Statement of Revenues, Expenditures, and Other Financing Sources (Uses) - Budget and Actual (Budgetary Basis) - General Fund and Other Budgeted Income. The Other Budgeted Income category on this statement corresponds to the Other Budgeted Income line in the Appropriation Act. The General Fund category on the statement represents the difference between the Total Appropriation line and the Other Budgeted Income line in the Appropriation Act.

The State's budget is prepared principally on a modified accrual basis.

Actual amounts in the budgetary comparison statements are presented on a budgetary basis. Because these amounts differ from generally accepted accounting principles (GAAP) amounts, a reconciliation between the budgetary and GAAP amounts is presented in Note 2.

During 2000, the first year of the 1999-2001 biennium, there were supplemental appropriations of $144,633,295.

For the period ended, during the biennium, June 30, 2000, Williston State College (included in University Systems) had expenditures which exceeded appropriations at the local funds line item level (the legal level of budgetary control) by $966,504. The Board of Higher Education approved a $2,500,000 spending of excess local funds for the college, but that approval did not occur until after the end of fiscal year 2000. The Higher Ed Board approved it at their November board meeting.

The level of legal control for all agencies is reported in a publication titled "State of North Dakota Interim 1999-2001 Biennium Budget and Actual Detail - (Budgetary Basis) for the Fiscal Year Ended June 30, 2000." This budget information is available through the Office of Management and Budget, 600 East Boulevard Avenue Dept. 110, Bismarck, ND 58505.

F. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Also cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law. Cash and cash equivalents are presented as "Cash Deposits At The Bank Of North Dakota" and "Cash And Cash Equivalents" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Cash Deposits At The Bank Of North Dakota. State agency cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota, an enterprise fund. These cash balances, in addition to other agency cash deposited at the Bank of North Dakota, are included on the Combined Balance Sheet as "Cash Deposits At The Bank Of North Dakota".

Cash And Cash Equivalents. All cash and cash equivalents, (other than cash deposits at the Bank of North Dakota), as permitted by the North Dakota Century Code, are included on the Combined Balance Sheet as "Cash And Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 2000.

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

G. INVESTMENTS

All funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, *"Accounting and Financial Reporting for Certain Investments."* Investments are recorded at fair value determined by reference to published market data for publicly-traded securities and through the use of independent valuation services and appraisals for other investments. The net appreciation in fair value of investments consists of the realized gains or losses and the unrealized appreciation or depreciation in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Unrealized appreciation or depreciation is computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. Equity investments of the North Dakota Development Fund, Inc. (component unit of the State) are stated at estimated value in absence of a readily ascertainable market value. These values are estimated by the Fund's Board of Directors. Among the factors considered by the Fund's Directors in determining the fair value of investments are the cost of the investment, developments since the acquisition of the investment, the financial condition and operating results of the issuer, the long-term potential of the business of the issuer, and other factors generally pertinent to the valuation of investments. The Fund's Directors, in making their evaluation, have relied on financial data of the investee and, in many instances, on estimates of the investee as to the potential effect of future developments. Total equity investments in the North Dakota Development Fund, Inc. are valued at $2,476,850 at June 30, 2000. All investments are maintained separately by fund.

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

Investments are presented as "Investments At The Bank Of North Dakota" and "Investments" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

Investments At The Bank Of North Dakota. State agency investments, primarily certificates of deposits of the Bank of North Dakota, are included on the Combined Balance Sheet as "Investments At The Bank Of North Dakota."

Investments. State agency investments invested at financial institutions other than the Bank of North Dakota are included on the Combined Balance Sheet as "Investments."

Differences on the Combined Balance Sheet between the assets, "Cash At The Bank Of North Dakota" and "Investments At The Bank Of North Dakota," and the liability, "Deposits Held For Other Funds," is attributable to timing differences resulting from the Bank of North Dakota having a different fiscal year end than many of the other state agencies.

H. SECURITIES LENDING

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

Securities are loaned versus collateral that may include cash, U.S. government securities, and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102 percent of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105 percent of the market 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 borrower. The average term of overall loans is thirty-nine days; however, the average term of loans for the Land Department is seventeen days.

Cash open collateral is invested in a short term investment pool, the Core Collateral Section, which had an average weighted maturity of thirty-three days as of this statement date. Cash collateral may also be invested separately in *"term loans,"* in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no significant violations of legal or contractual provisions, and 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 (custodian of investments) 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. Northern Trust indemnifies the State if the borrower fails to return the securities (and if the collateral is inadequate to replace the securities lent) or fails to pay income distributions on them.

For securities loaned at year end, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State.

I. RECEIVABLES

Receivables in the State's Governmental Funds consist primarily of tax and federal revenues. Receivables in all other funds have arisen in the ordinary course of business. Receivables are recorded when either the asset or revenue recognition criteria have been met. Intergovernmental Receivables consist primarily of receivables due from other governments.

J. LOANS AND NOTES RECEIVABLE

Loans and notes receivable are primarily loans for mortgage, agricultural development, economic development, railroad construction, construction of infrastructure and education.

K. INTERFUND TRANSACTIONS

DUE TO/DUE FROM

During the course of operations, numerous transactions occur between individual funds and component units for goods provided or services rendered. These receivables and payables are classified as "Due From" or "Due To" on the balance sheet in the period in which transactions are executed (see Note 3F).

INTERFUND RECEIVABLE/PAYABLE

Interfund Receivables/Payables represent short-term loans made by one fund to another.

ADVANCES

Advances are accounts used to report noncurrent portions of loans from one fund/component unit to another within the same reporting entity (see Note 3F).

RESIDUAL EQUITY TRANSFERS

Residual equity transfers represent nonrecurring or non-routine transfers of equity between funds (see Note 3F).

Interfund transactions have not been eliminated in the accompanying financial statements.

L. INVENTORIES

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

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

Generally, inventories of University System Funds are valued at the lower of cost or fair market value. Cost is generally determined on the first in/first out, or moving weighted average method. Generally, the cost of University System Funds inventories is recorded as an expenditure when consumed rather than when purchased.

The Department of Public Instruction has food commodities inventories at June 30, 2000, valued at approximately $2,276,782 by the USDA. All commodities received are distributed to various schools for the school lunch programs or to certain charitable institutions and non-profit organizations. This inventory is not included in the accompanying financial statements.

The Department of Corrections has federal commodities inventories as of June 30, 2000, valued at approximately $851. This inventory is not included in the accompanying financial statements.

The Department of Human Services has approximately $4.4 million in food stamp inventory which is included in the Special Revenue Federal Fund Inventory.

M. UNAMORTIZED BOND ISSUANCE COSTS

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

N. FIXED ASSETS

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

Equipment with a cost of $750 or more (excluding computer software which must have a cost of $1,500 or more) and all other fixed assets with a cost of $1,500 or more per unit are capitalized and reported in the accompanying general purpose financial statements. Fixed asset costs include the purchase price or construction cost, plus those costs necessary to place the asset in its intended location and condition for use. In Governmental Funds, interest costs on self-constructed assets are not capitalized. In Proprietary and similar trust funds, interest costs (if material) on self-constructed assets are included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Infrastructure consists of major state-wide public systems and items attached thereto such as freeways, freeway lighting systems, freeway drainage systems, freeway signs, bridges, bridge lighting systems, and sewer systems. Infrastructure is not capitalized in the financial statements.

Fixed assets in Governmental Funds are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in Governmental Funds, and related assets are reported in the General Fixed Assets Account Group. Depreciation on general fixed assets is not recorded.

Fixed assets used in Proprietary and Nonexpendable Trust Funds are accounted for in the fund in which they are utilized. Depreciation of fixed assets used in Proprietary Funds is recorded as an operating expense, and accumulated depreciation is reported on the balance sheet. Depreciation is computed using the straight-line method with estimated useful lives for buildings extending to fifty years. Furnishings and equipment, other improvements, and miscellaneous fixed assets are depreciated using estimated useful lives of three to forty years.

University System Funds record expenditures when they acquire fixed assets and capitalize those assets within their plant funds. These funds capitalize interest expenditures during construction but do not record depreciation. Current funds used to finance plant assets are accounted for as (1) expenditures for normal replacement of movable equipment and library books, (2) mandatory transfers for required provisions for debt amortization/interest and equipment rental and replacement and (3) transfers of a nonmandatory nature for all other cases.

O. LEASE COMMITMENTS

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

P. FEDERAL FUNDS PURCHASED

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

Q. CLAIMS/JUDGMENTS PAYABLE

Claims/Judgments Payable are primarily Workers Compensation Claims Incurred But Not Yet Reported (IBNR) by the claimants as well as claims related to various litigation matters. Claims and judgments for Governmental Funds are reflected entirely in the General Long-Term Debt Account Group and not in individual funds, as the liability is not expected to be liquidated with expendable available financial resources.

R. COMPENSATED ABSENCES

ANNUAL LEAVE

State employees accrue vested annual leave at a variable rate based on years of service. Teachers employed by the State do not receive annual leave. In general, accrued annual leave cannot exceed 30 days at each year end, as set by the agency. The amount of annual leave earned ranges between one and two days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

Governmental and Expendable Trust Funds recognize annual leave when the liability is incurred and payable from available expendable resources. Annual leave liability incurred but not payable from available expendable resources is accounted for in the General Long-Term Debt Account Group. These unpaid amounts will be paid from expendable resources provided for in the budget of future years. Proprietary Funds and similar trust funds recognize the expense and accrued liability when the annual leave is earned.

SICK LEAVE

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at ten years of creditable service, at which time the State is liable for ten percent of the employee's accumulated unused sick leave. A liability for accumulated sick leave has been recorded in the accompanying general purpose financial statements.

Compensated absences for Governmental Funds are reflected entirely in the General Long-Term Debt Account Group and not in individual funds as the liability is not expected to be liquidated with expendable available financial resources.

S. DEPOSITS

The following two liability line items are presented in the Combined Balance Sheet:

Deposits Held For Other Funds. "Deposits Held For Other Funds" are those deposits held by the Bank of North Dakota for other funds included in the reporting entity.

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

Differences on the Combined Balance Sheet between the liability "Deposits Held For Other Funds" and the assets "Cash Deposits And Investments At The Bank Of North Dakota" are attributable to timing differences resulting from the Bank of North Dakota having a different accounting year end than many other state agencies.

T. DEFERRED REVENUE

Deferred revenues arise when a potential revenue does not meet the "available" criteria for revenue recognition in the current period. Deferred revenues also arise when resources are received by the State before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the State has a legal claim to the resources, the deferred revenue is recognized as revenue.

U. MISCELLANEOUS REVENUE

Miscellaneous revenue is comprised primarily of grants from private foundations, sale of confiscated property and other nonrecurring revenues.

V. FUND EQUITY

Fund balance represents the difference between fund assets and fund liabilities for Governmental and Trust Funds.

Retained earnings represents the accumulated earnings of Enterprise and Internal Service Funds.

Generally, reserves for Governmental Funds are established to indicate a claim against assets or for other reasons certain assets are not available for discretionary appropriation. Designated Funds represent tentative plans for future use of financial resources.

Contributed capital is recorded in Proprietary Funds that have received contributions from the public or nonoperating transfers from other funds.

W. TOTALS (MEMORANDUM ONLY) COLUMN

Total columns (memorandum only) have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The Primary Government includes all funds, organizations, account groups, agencies, boards, commissions, and authorities that are not legally separate from the State. The reporting entity includes the Primary Government and all of its component units.

NOTE 2 - BUDGET TO GAAP RECONCILIATION

BUDGETARY BASIS VS. GAAP

The accompanying Interim 1999-2001 Statement of Revenues, Expenditures and Other Financing Sources (Uses)--Budget and Actual--General Fund and Other Budgeted Income presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since the budgetary and GAAP presentations of actual data differ, a reconciliation of the two is presented below for the fiscal year ended June 30, 2000 (expressed in thousands):

	Actual (*) Biennium To Date Thru 6/30/00 (Budgetary Basis)	Non-Appropriated Expenditures	Non-Appropriated Accruals	Difference In Basis (**)	GAAP (***) Fiscal Year 2000 Expenditures
General	$ 786,464	$ 5,929	$ (10,216)	$ (12,963)	$ 769,214
Special Revenue	1,133,194	32,041	(21,486)	-	1,143,749
Debt Service	-	10,299	-	-	10,299
Capital Projects	177	15,532	-	-	15,709
Enterprise	61,153	357,978	-	2,202	421,333
Internal Service	46,604	2,881	-	(6,538)	42,947
Expendable Trust	-	47,362	-	-	47,362
Nonexpendable Trust	-	28,536	-	-	28,536
Pension Trust	3,313	108,601	-	-	111,914
Agency	3,074	-	-	(3,074)	-
University System	324,278	95,074	-	-	419,352
Total-Primary Government	2,358,257	704,233	(31,702)	(20,373)	3,010,415
Component Units	208	18,333	-	143	18,684
Total-Reporting Entity	$ 2,358,465	$ 722,566	$ (31,702)	$ (20,230)	$ 3,029,099

(*) Actual for 1999-2001 Biennium Expenditures Includes:

Appropriated Expenditures	$ 2,336,919
General Fund - Transfers Out	4,687
Other Budgeted Income - Transfers Out	16,859
Total	$ 2,358,465

(**) Difference in Basis Includes:	General Fund	Enterprise	Internal Service	Agency	Component Units
Appropriated Expenditures	$ (12,963)	$ -	$ -	$ (3,074)	$ -
Capital Acquisitions	-	(910)	(14,400)	-	(5)
Depreciation	-	3,112	7,862	-	148
Total	$ (12,963)	$ 2,202	$ (6,538)	$ (3,074)	$ 143

(***) GAAP Expenditures Reconciliation:

	Total Expenditures/ Operating Expenses	Operating Transfers Out	Operating Transfers To Component Unit	Nonoperating Interest Expense	Residual Equity Transfer Out	GAAP Fiscal Year 2000 Expenditures
General	$ 574,778	$ 194,061	$ 375	$ -	$ -	$ 769,214
Special Revenue	1,066,146	77,603	-	-	-	1,143,749
Debt Service	10,151	148	-	-	-	10,299
Capital Projects	13,264	2,264	-	-	181	15,709
Enterprise	378,025	30,775	-	12,533	-	421,333
Internal Service	42,819	-	-	128	-	42,947
Expendable Trust	46,297	1,065	-	-	-	47,362
Nonexpendable	2,135	26,401	-	-	-	28,536
Pension Trust	111,914	-	-	-		111,914
Agency	-	-	-	-	-	-
University System	419,352	-	-	-	-	419,352
Total - Primary Government	2,664,881	332,317	375	12,661	181	3,010,415
Component Units	17,399	-	-	-	1,285	18,684
Total - Reporting Entity	$ 2,682,280	$ 332,317	$ 375	$ 12,661	$ 1,466	$ 3,029,099

NOTE: University expenditures equal "Total Expenditures And Other Deductions" for all funds on the Combined Statement of Changes

NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES

A. DEPOSITS

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

The following summary presents the amount of the State's deposits which are fully insured or collateralized with securities held by the State or by its agent in the State's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name (Category 2) and those deposits which are not collateralized or are collateralized by the pledging financial institution trust or agent, but not in the State's name (Category 3) at June 30, 2000. Funds deposited at the Bank of North Dakota are not credit risked since the Bank is part of the State's reporting entity. The amounts are expressed in thousands:

Primary Government:

	Category				
	1	2	3	Total Bank Balance	Carrying Amount
Cash Deposits	$ 20,292	$ 15	$ 420,558	$ 440,865	$ 536,152
Certificates Of Deposit					
Recorded As Investments	2,349	-	1,692	4,041	4,041
Total	$ 22,641	$ 15	$ 422,250	$ 444,906	$ 540,193

University System:

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash Deposits	$ 10,427	$ -	$ -	$ 10,427	$ 4,952
Certificates Of Deposit Recorded As Investments	1,826	-	-	1,826	1,826
Total	$ 12,253	$ -	$ -	$ 12,253	$ 6,778

Component Units:

	Category 1	Category 2	Category 3	Total Bank Balance	Carrying Amount
Cash Deposits	$ 255	$ -	$ -	$ 255	$ 255
Certificates Of Deposit Recorded As Investments	-	-	10,824	10,824	10,824
Total	$ 255	$ -	$ 10,824	$ 11,079	$ 11,079

B. INVESTMENTS

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

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

1. State Investment Board (SIB) – NDCC 21-10 designates the SIB with investment responsibilities for the Public Employees' Retirement System, Bonding Fund, Teachers' Fund for Retirement, Fire and Tornado Fund, Workers Compensation Fund, and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing funds under its supervision.

   The State Investment Board's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use treasury futures and options, S&P 500 index future options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. SIB's policy with respect to these derivatives is that their use may not increase the credit, market, or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

2. North Dakota Board of University and Schools Lands – The Century Code states that the Board of University and School Lands shall apply the prudent investor rule in investing its funds. Also, NDCC 15-03-04 allows the Board to invest in first mortgages on farmlands and improvements thereon in this state to the extent such mortgages are guaranteed or insured by the United States or any instrumentality thereof, or if not so guaranteed or insured, not exceeding in amount 80 percent of the actual value of the property on which the same may be loaned, such value to be determined by competent appraisal.

3. The Bank of North Dakota – NDCC 6-09 authorizes the Bank of North Dakota. The Bank is owned and operated by the State of North Dakota under the supervision of the North Dakota Industrial Commission. The Bank may have investments in anything that any bank lawfully may do, except what is restricted by NDCC 6-09.

4. The North Dakota State Treasurer's Office – The North Dakota Constitution and various sections of the Century Code authorize the

State Treasurer to invest all State funds deposited with the State Treasury. However, the State Treasurer must invest the public funds with the Bank of North Dakota unless there is statutory authority to do otherwise. Generally, the State Treasurer pools deposits and invests in money market accounts and Bank of North Dakota certificates of deposit.

5. University System – NDCC 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Investments governed by a gift instrument are covered under NDCC 15-67-04. Subject to any limitations in the gift instrument, such funds may be invested in any real or personal property deemed advisable by the governing board.

The State's investments are categorized below per GASB Statement Three according to the level of credit risk assumed by the State. Category 1 includes investments which are insured, or registered, or securities which are held by the State or the State's agent in the State's name. Category 2 includes uninsured and unregistered investments, with securities which are held by the counterparty, or their trust department or agent, but not in the State's name. Category 3 includes uninsured and unregistered investments, with securities which are held by the counterparty, or their trust department or agent but not in the State's name. The amounts are expressed in thousands:

Primary Government:	Category			
	1	2	3	Fair Value
Equity Securities				
Not On Securities Loan	$ 775,568	$ -	$ -	$ 775,568
On Securities Loan	2,189	-	-	2,189
Bonds And Notes				
Not On Securities Loan	870,924	-	-	870,924
On Securities Loan	2,520	-	-	2,520
U.S. Government & Agency Issues				
Not On Securities Loan	716,953	-	-	716,953
On Securities Loan	66,769	-	-	66,769
	$ 2,434,923	$ -	$ -	2,434,923
Investments In Real Estate Pool				212,140
Investments In Unemployment Compensation Pool				22,155
Guaranteed Investment Contract				140,375
Annuities				262
Mutual Funds				1,215,698
Private Equity				70,026
Non-Security Investments				2,000
Investments Held By Broker-Dealer Under Securities Loans With Cash Collateral:				
Equity Securities				110,447
Bonds And Notes				89,393
U.S. Government & Agency Issues				276,114
Securities Lending Short-Term Collateral Investment Pool				487,185
Totals				$ 5,060,718

University System:

	Category 1	Category 2	Category 3	Fair Value
Equity Securities	$ 10,879	$ -	$ 6,327	$ 17,206
Bonds And Notes	-	-	3,002	3,002
U.S. Government & Agency Issues	639	-	8,380	9,019
	$ 11,518	$ -	$ 17,709	29,227
Held By Brokers/Dealers				9,875
Totals				$ 39,102

Component Units:

	Category 1	Category 2	Category 3	Fair Value
U.S. Government & Agency Issues	$ 742	$ -	$ -	$ 742
Obligations Of State And Political Subdivisions	436	-	-	436
	$ 1,178	$ -	$ -	1,178
Guaranteed Investment Contract				63,720
Non-Security Investments				129,639
Totals				$ 194,537

There were no violations of statutory authority or contractual provisions for investments during the year ended June 30, 2000.

C. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. These agreements may have a fixed maturity or be open-ended, callable at any time. Generally, the securities purchased have the same maturities as the agreements. These agreements are secured by Fed book-entry securities held in the State’s name. At June 30, 2000, the State had reverse repurchase agreements of $51,350,000 included in securities lending collateral on the balance sheet. The highest month end balance for the previous year was $51,350,000 with an average daily balance of $10,505,000. The weighted average interest rate as of year end was 4.85 percent. The weighted average interest rate paid during the year was 4.94 percent. The fair value of these securities at June 30, 2000, was $51,350,000.

D. RECEIVABLES

Receivables at June 30, 2000, consist of the following (expressed in thousands):

	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	University System	Component Units	Total
Receivables:										
Accounts	$ 653	$ 13,621	$ 34	$ -	$ 52,164	$ 28	$ 28,743	$ 10,056	$ 41	$ 105,340
Less Allowance	-	(1,417)	-	-	(4,983)	-	-	(615)	-	(7,015)
Taxes	99,891	379	-	-	322	-	37,105	-	-	137,697
Less Allowance	(5,869)	-	-	-	-	-	(507)	-	-	(6,376)
Interest	965	1,766	178	1	36,598	48	17,550	848	2,870	60,824
Less Allowance	-	(161)	-	-	-	-	-	-	-	(161)
Loans and Notes	90	56,009	-	-	1,727,701	-	51,601	45,235	14,688	1,895,324
Less Allowance	(7)	(4,139)	-	-	(22,376)	-	-	(1,875)	(4,476)	(32,873)
Net Receivables	$ 95,723	$ 66,058	$ 212	$ 1	$ 1,789,426	$ 76	$ 134,492	$ 53,649	$ 13,123	$ 2,152,760

E. RESTRICTED ASSETS

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted, primarily because their use is limited by applicable bond covenants or pledged for securities sold under agreements to repurchase and for other required purposes. Enterprise Funds with restricted assets at June 30, 2000, are as follows (expressed in thousands):

Primary Government:	Cash	Investments	Loans Receivables	Other Assets
Bank Of North Dakota	$ -	$ 81,843	$ -	$ -
Guaranteed Student Loan Program	12,341	1,045	-	-
Housing Finance	251,545	17,815	551,331	14,073
State Fair Association	322	-	-	322
	$ 264,208	$ 100,703	$ 551,331	$ 14,395
Component Unit:				
Municipal Bond Bank	$ 1,185	$ 81,272	$ -	$ 11,637

F. INTERFUND TRANSACTIONS

The following balances at June 30, 2000, represent interfund transactions among all funds and State agencies (expressed in thousands):

DUE FROM AND TO OTHER FUNDS

Fund Type/Fund	Due From	Due To
General Fund	$ 25,147	$ 9,170
Special Revenue:		
Administration	78	212
Aeronautics & Other Transportation	-	1
Agriculture	250	6
Commodity Promotion	29	33
Cultural And Historical	29	3
Education	1,522	18

Fund Type/Fund	Due From	Due To
Federal	11,493	14,431
Health And Human Services	2,611	5,815
Highway	12,675	6,554
Insurance	11	91
Intergovernmental Assistance	8	13
Job Service	304	216
Judicial and Legal	73	16
Land Dept.-Coal Severance	553	387
Land Dept.-Energy Dev. Impact	517	-
Land Dept.-Land and Mineral	271	-
Land Dept.-Land Maintenance	1	470
Motor Vehicle	60	-
National Guard	2	53
Natural Resources	486	33

Fund Type/Fund	Due From	Due To
Oil Tax Resources	946	-
Other Special	69	1
PACE Fund	-	250
Public Safety And Penal Institutions	3	86
Recreation	169	117
Regulatory	96	177
Veterans	1	1
Capital Projects:		
Building Authority	-	419
Enterprise:		
Bank of North Dakota	1,023	177
Beginning Farmer Revolving Loan	-	14
Community Water Facility Loan	-	20
Dev. Disabled Facility Loan	-	9
Fire and Tornado	-	5
Guaranteed Student Loan	-	208
Housing Finance	28	4
PERS Uniform Group Insurance	25	4
Roughrider Industries	115	2
Student Loan	-	495
Workers Compensation	-	42
Internal Service:		
Central Services	128	28
Fleet Services	1,735	97
Information Technology	2,392	14
Retirement And Investment Office	41	19
Risk Management	-	16
Expendable Trust:		
Deferred Compensation	-	7
Job Service Expendable	-	167
Land Dept.-Abandoned Property	5	-
PERS Flexcomp	44	1
Nonexpendable Trust:		
Land Department Permanent	820	97
Pension Trust:		
Highway Patrolmen's Retirement	-	19
Job Service Retirement	-	1
Prefunded Retiree Health Program	-	80
Public Employees Retirement	64	24
Teacher's Retirement	-	36
Agency:		
Payroll	-	970
Child Support Student And Other	373	2,628
Tax Collection	1	28,042
University System	9,093	1,628
Total	$ 73,291	$ 73,427

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

	Amount
Due From's	$ 73,291
Federal/Bank Of North Dakota	227
Land Dept.-Land And Mineral/Bank of ND	(60)
Bank of ND/Land Department Permanent	(104)
Bank of ND/Job Service Expendable Trust	167
Bank of ND/Student Loan Trust	(45)
Bank of ND/Public Employees Ret. System	(49)
Due To's	$ 73,427

The above represents timing differences between agencies as a result of different fiscal year ends.

INTERFUND RECEIVABLES/PAYABLES

Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	$ 35,454	$ -
Special Revenue:		
Federal	-	19,673
Job Service	-	781
Enterprise:		
Bank of North Dakota	-	14,457
University System	4,045	4,045
TOTAL	$ 39,499	$ 38,956

A reconciliation of Interfund Receivables/Payables is presented below (expressed in thousands):

	Amount
Interfund Receivables	$ 39,499
General Fund/Bank Of ND	(543)
Interfund Payables	$ 38,956

The above represents timing differences between agencies as a result of different fiscal year ends.

OPERATING TRANSFERS (expressed in thousands)

Fund Type/Fund	In	Out
General Fund	$ 33,461	$ 194,061
Special Revenue:		
Administrative	-	227

Fund Type/Fund	In	Out
Agriculture	609	19
Commodity Promotion	-	416
Cultural And Historical	356	-
Education	24,147	198
Federal	3,156	61,823
Health And Human Services	42,360	1,752
Highway	67	1,302
Insurance	-	1,118
Intergovernmental Assistance	1,231	83
Job Service - Special Revenue	1,949	434
Judicial And Legal	32	9
Land Department - Coal Severance	-	4,304
Land Department - Land & Mineral	789	698
Motor Vehicle	-	58
National Guard	109	17
Natural Resources	5,443	1,248
Oil Tax Resources	-	2,879
Other Special	505	213
PACE Fund	3,245	250
Public Safety And Penal Institutions	6,098	-
Recreation	12	173
Regulatory	322	204
Veterans	170	177
Debt Service:		
Building Authority	7,639	148
Lignite Research	1,005	-
Capital Projects:		
Building Authority	-	2,264
Enterprise:		
Bank Of North Dakota	17	29,509
Beginning Farmer Revolving Loan	1,000	-
Developmentally Disabled Facility Loan	-	1,184
Fire And Tornado	-	32
Guaranteed Student Loan	2,000	-
Housing Finance	-	23
Mill And Elevator	-	27
Roughrider Industries	-	1
State Fair	380	-
Expendable Trust		
Deferred Compensation	301	-
Land Dept. - Abandoned Property	-	297
Land Dept. - Capitol Building	-	467
PERS Flexcomp	-	301
Nonexpendable Trust:		
Land Department-Permanent Fund	297	26,401
University System	196,909	-
TOTAL	$ 333,609	$ 332,317

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

Operating Transfers In	$ 333,609
General Fund/Bank Of ND	(578)
Industrial Commission/Bank ND	52
Human Services/Developmentally Disabled Facility Loan	1,184
Guaranteed Student Loan/Student Loan Trust	(2,000)
Bank of North Dakota/General Fund	67
Bank of North Dakota/Industrial	(17)
Operating Transfers Out	$ 332,317

The above differences represent timing differences between agencies as a result of different fiscal year ends.

OPERATING TRANSFERS IN/OUT OF COMPONENT UNITS

Fund Type/Fund	In	Out
General	$ -	$ 375
Total	$ -	$ 375

OPERATING TRANSFERS IN/OUT OF PRIMARY GOVERNMENT

Fund Type/Fund	In	Out
Component Units: (Enterprise)		
ND Development Fund	$ 375	$ -
Total	$ 375	$ -

ADVANCES TO AND FROM OTHER FUNDS

Fund Type/Fund	Advance To	Advance From
Special Revenue:		
Federal	$ -	$ 34,019
Aeronautics And Other Transportation	1,640	-
Highway	34,525	-
Recreation	2,340	-
Natural Resources	13	-
Insurance	1	-
Enterprise:		
Dev. Disabled Facility Loan	-	4,282
Internal Service:		
Fleet Services	-	4,500
Expendable Trust:		

Land Dept. – Abandoned And Unclaimed Property	1,575	-
Nonexpendable Trust:		
Land Dept – Permanent Fund	6,700	1,575
University System	-	7,091
Total	$ 46,794	$ 51,467

A reconciliation of Advances To Other Funds and Advances From Other Funds is presented below (expressed in thousands):

	Amount
Advances To Other Funds	$ 46,794
Land Dept. - Permanent Fund/Dev. Disabled	(2,418)
Bank Of North Dakota/University System	7,091
Advances From Other Funds	$ 51,467

The above represents timing differences between agencies as a result of different fiscal year ends.

ADVANCES TO/FROM COMPONENT UNITS

Fund Type/Fund	Advances To	Advances From
Enterprise:		
Bank Of North Dakota	$ 9,143	$ 9,143

ADVANCES TO/FROM PRIMARY GOVERNMENT

Fund Type/Fund	Advances To	Advances From
Component Unit:		
(Enterprise)		
Municipal Bond Bank	$ 9,143	$ 9,143

RESIDUAL EQUITY TRANSFER

The Building Authority Capital Projects Fund made a residual equity transfer of $181,000 to the Building Authority Debt Service Fund.

Technology Transfer ceased operations on July 1, 1999, and a residual equity transfer of $1,284,820 was made to transfer its remaining assets to the North Dakota Development Fund, Inc. The Development Fund recorded this as a contribution to capital.

G. FIXED ASSETS

The following is a summary of fixed assets at June 30, 2000 (expressed in thousands):

Description	Enterprise	Internal Service	Fiduciary Funds	General Fixed Assets	University System	Component Units
Land	$ 686	$ -	$ -	$ 18,945	$ 15,198	$ -
Buildings	26,996	-	1,186	304,322	524,187	-
Improvements Other Than Buildings	4,779	-	-	54,688	81,399	-
Equipment	38,122	86,241	126	122,200	290,126	111
Construction In Progress	23,154	-	-	6,683	8,275	-
Total Fixed Assets (Gross)	93,737	86,241	1,312	506,838	919,185	111
Less: Accumulated Depreciation	(44,305)	(41,841)	(189)	-	-	(79)
Total Fixed Assets (Net)	$ 49,432	$ 44,400	$ 1,123	$ 506,838	$ 919,185	$ 32

The following is a summary of changes in the General Fixed Asset Account Group during the fiscal year (expressed in thousands):

Description	Balance July 1, 1999	Additions	Retirements	Transfers Between Asset Class and Funds	Balance June 30, 2000
Land	$ 18,677	$ 268	$ -	$ -	$ 18,945
Buildings	294,623	6,068	(467)	4,098	304,322
Improvements Other Than Buildings	52,362	2,152	(43)	217	54,688
Equipment	122,043	8,961	(8,804)	-	122,200
Construction In Progress	4,685	6,313	-	(4,315)	6,683
Total General Fixed Assets	$ 492,390	$ 23,762	$ (9,314)	$ -	$ 506,838

Construction In Progress is composed of the following (expressed in thousands):

Project Description:

Enterprise Funds	Amount Authorized	Amount Expended Through June 30, 2000	Balance Authorized
Mill And Elevator:			
Sifter Drive Upgrade A-B Mill	$ 10	$ 10	$ -
Water Softener Project	15	9	6
Switch Gear For Powerhouse	40	-	40
Time Clocks	12	11	1
Electrical Ctrl. System Whole Wheat Mill	50	25	25
Paving On Track #5	35	27	8
Mill Upgrade/Expansion	19,500	16,123	3,377
State Fair:			
All Seasons Arena Renovation	7,150	6,949	201
Total	$ 26,812	$ 23,154	$ 3,658

Project Description:

General Fixed Asset Account Group	Amount Authorized	Amount Expended Through June 30, 2000	Balance Authorized
Boiler – Capitol	$ 158	$ 62	$ 96
Life Safety Project	55	4	51
Security Command Center	100	11	89
Gazebo	200	187	13
Boiler Replacement	1,050	280	770
Sprinkler System	112	85	27
Pump House Construction	212	105	107
AASF Readiness Center	6,794	5,053	1,741
GF Lot Improvements	269	257	12
Adolescent Sprinkler	61	9	52
9W Building Demolition	61	-	61
Pine Cottage Renovation	1,975	292	1,683
JRCC 5th & 6th Floors	2,353	58	2,295
JRCC Lobby & Front Entrance	325	41	284
Riverdale Office Building	699	219	480
Valley City Heating System Upgrade	60	20	40
Total General Fixed Asset Account Group	$ 14,484	$ 6,683	$ 7,801

Project Description:

University System	Amount Authorized		Amount Expended Through June 30, 2000		Balance Authorized	
Music Addition	$	768	$	58	$	710
House Project		125		125		-
Student Center Renovation		511		155		356
West Dining Center Renovation		150		110		40
Animal Care Facility		4,178		382		3,796
Minard Hall		62		38		24
Student Health & Wellness Center		3,688		669		3,019
Animal Research Facility		4,630		3,849		781
Barnes & Noble Bookstore		2,783		2,600		183
North Dome Lobby		380		27		353
11th Avenue		438		135		303
North Parking		110		6		104
Tunnel Projects		110		17		93
Ceramics Lab		60		32		28
Swain Hall		30		3		27
Chemical Storage		7		7		-
Life Safety Project		437		60		377
Foss Hall Air Quality		38		2		36
Total	$	18,505	$	8,275	$	10,230

H. OPERATING LEASES

PAYMENTS ON OPERATING LEASES

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected in the State's account groups or Proprietary Fund assets and liabilities. Lease expenditures for the year ended June 30, 2000, amounted to $15,460,923.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2000, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Amounts	
2001	$	9,714
2002		4,139
2003		2,541
2004		1,869
2005		1,399
Thereafter		1,973
Total Minimum Lease Payments	$	21,635

RENTAL RECEIPTS ON OPERATING LEASES

The following is a schedule by years of future minimum rental receipts on noncancelable operating leases as of June 30, 2000 (expressed in thousands):

Year Ending June 30	Amounts	
2001	$	449
2002		414
2003		414
2004		414
2005		48
Thereafter		117
Future Income on Noncancelable Operating Leases	$	1,856

I. CAPITAL LEASES

The State is obligated under certain leases accounted for as capital leases. Capital lease obligations and the related assets for the governmental fund types and University System are reported under the General Fixed Asset Account Group and University System (discrete presentation) respectively.

The schedule below lists the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2000 (expressed in thousands):

Year Ending June 30	Governmental Fund Types	Proprietary Fund Types	Fiduciary Fund Types	University System
2001	$ 3,038	$ 91	$ 6	$ 5,956
2002	2,258	31	2	5,342
2003	811	23	-	5,162
2004	555	9	-	3,608
2005	-	-	-	2,676
Thereafter	-	-	-	6,529
Total Minimum Lease Payments	6,662	154	8	29,273
Less: Amount Representing Interest	(574)	(11)	-	(4,984)
Present Value of Future Minimum Lease Payments	$ 6,088	$ 143	$ 8	$ 24,289

Changes in Capital Lease Obligations for the year ended June 30, 2000, are as follows (expressed in thousands):

	Governmental Fund Types	Proprietary Fund Types	Fiduciary Fund Types	University System
Balance at July 1, 1999	$ 9,744	$ 342	$ 14	$ 26,663
Leases Added	-	-	-	6,044
Payments	(3,656)	(199)	(6)	(8,418)
Balance at June 30, 2000	$ 6,088	$ 143	$ 8	$ 24,289

J. LONG-TERM DEBT

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

BONDS AND NOTES PAYABLE

Bonds payable at June 30, 2000, consisted of bonds issued by the State that are accounted for in the General Long-Term Debt Account Group and certain state agency bonds accounted for in Proprietary Funds.

1. REVENUE BONDS

Current state statutes empower certain state agencies to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on such bonds shall be payable only from the applicable agency's program income.

Primary Government

Building Authority

The 1992 Series A Bonds and the 1993 Series B Bonds have interest payable semiannually on February 15 and August 15 of each year. The 1991 Series A Bonds, the 1993 Series A Bonds, the 1995 Series A Bonds, the 1998 Series A, B, and C Bonds, and the 2000 Series A Bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease.

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

Lignite Research

The Industrial Commission is authorized by NDCC 54-17.5 (the "Act") to provide funds and financial assistance to qualified persons for projects related to the clean use of lignite in order to insure economic growth, maintain and enhance development of North Dakota lignite and general welfare in North Dakota. The Industrial Commission is authorized and has established a program to issue and sell North Dakota Lignite Research Bonds to provide funds for the purpose stated in the Act. As of June 30, 2000, there were $16 million of authorized and $8,825,000 issued through the Lignite Research Fund. The Commission's intention is not to issue any bonds in the future.

The 1995 Series A Bonds have interest payable on May 15 and November 15 of each year. The bonds maturing on November 15, 2005, are subject to mandatory redemption equal to 100% of par plus accrued interest at various amounts in 2004 and 2005. The bonds are also subject to extraordinary redemption upon the occurrence of certain events. Proceeds of the bonds are being used to provide a grant for funding of construction of an anhydrous ammonia plant.

Water Commission

The Water Commission is authorized by Senate Bill No. 2188 to issue bonds to finance various flood control and pipeline projects throughout the state of North Dakota. Authorized and unissued bonds totaled $60,166,600 at June 30, 2000. Water development projects that will benefit from the financing are as follows:

Water Development Trust Fund	$57,300,000
Southwest Pipeline Project	2,866,600

Interest is payable semiannually on January 1 and July 1 of each year for the 1997 Series A Bonds. The bonds are subject to an optional redemption clause and a sinking fund redemption clause. The optional redemption clause states that the bonds are subject to redemption at the option of the Water Commission, as a whole on any date or in part on any interest payment date on or after July 1, 2007, from any amounts available to the Water Commission for that purpose at a redemption price of par, plus accrued interest.

Interest is payable semiannually on March 1 and September 1 of each year for the 1998 Series A Bonds. The bonds are subject to an optional redemption clause and a sinking fund redemption clause. The optional redemption clause states that the bonds are subject to redemption at the option of the Water Commission, as a whole on any date or in part on any interest payment date on or after September 1, 2008, from any amounts available to the Water Commission for that purpose at a redemption price of par, plus accrued interest.

Interest is payable semiannually on February 1 and August 1 of each year for the 2000 Series A Bonds. The bonds are subject to an optional redemption clause. The optional redemption clause states that the bonds are subject to redemption at the option of the Water Commission, as a whole on any date or in part on any interest payment date on or after August 1, 2010, from any amounts available to the Water Commission for that purpose at a redemption price of par, plus accrued interest.

State Fair

On March 15, 1994, the North Dakota State Fair issued $3,320,000 Refunding Revenue Bonds Series 1994 for the purpose of refinancing the 1991 bond issue. These bonds have interest payable semiannually with principal payments due each September 1 in each of the years 1998 through 2011.

Student Loan Trust

The 1988 Series B Bonds are zero coupon bonds with interest accruing monthly and the face value payable at maturity. These bonds were issued to retire the 1985 Series A Bonds.

The 1989 Series A Bonds have interest payable semiannually on January 1 and July 1 of each year. The Series C Bonds are zero coupon bonds with interest accruing monthly and the face value payable at maturity. The Series A Bonds may be redeemed at any time on or after July 1, 1998, as a whole or in part at the option of the Industrial Commission of North Dakota at the following redemption prices: FY99 - 103%, FY00 - 102%, FY01 - 101%, and any later dates at 100%.

The proceeds of the 1996 Series A and B Bonds were used to refund the July 1, 1996, principal maturity of the 1988 Series A and B, 1989 Series B, and 1992 Series A Bonds. Interest is payable semiannually on January 1 and July 1 of each year. The 1996 Series A and B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the First Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for early redemption of the 1996 Series A and B Bonds at 100% of the principal amount plus accrued interest to date of redemption. The 1996

Series A Bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of $6,850,000 plus accrued interest on July 1, 2000.

The proceeds of the 1996 Series C Bonds were used to provide funds for the refunding of the January 1, 1997, principal of the 1988 Series A Bonds. At the option of the Commission, these bonds are not subject to redemption prior to maturity, except under extraordinary redemption at the times and on the terms and conditions set forth in Schedule B-2 of the First Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. The proceeds of the 1996 Series D Bonds were used to finance the acquisition of supplemental loans. These bonds are subject to redemption prior to maturity at the option of the Industrial Commission on July 1, 2006, at 100% of the principal amount plus accrued interest to date of redemption.

Interest is payable semiannually on January 1 and July 1 of each year for the 1997 Series A and B Bonds.

The proceeds of the Series 1997 Bonds were used to refund the current maturities of the 1988 Series A and B, 1989 Series B and 1992 Series A Bonds on July 1, 1997, and to current refund and redeem the remainder of the 1988 Series A Bonds at a redemption price of 103% on August 1, 1997. The difference between the reacquisition price and the net carrying amount of the old debt of $1,757,030 has been deferred and is being amortized to interest expense over the life of the old debt. The Trust refunded the 1988 Series A Bonds to benefit from declines in interest rates. The Series 1997 Bonds were issued at a variable rate, currently at a range of 3.55% to 3.60%, to refund the Series 1988 A Bonds with an average interest rate of 7.64%. As a result, the cash flow required for debt service of the Series 1997 Bonds can be estimated at a range of $780,000 less than to $4,520,000 more than the cash flow required for debt service of the Series 1988 A Bonds, based on an estimated future average interest rate range of 4.00% to 6.25%. The difference in the present value of the old and new debt service payments after paying the costs of issuing the bonds and the call premium will result in an estimated economic gain range of $3.3 million to zero. Due to interest fluctuation risks involved with the variable rate offerings, there is a risk that the cash flow savings and economic gain previously disclosed would be different than estimated. It is also important to note that the cash flow savings and economic gain amounts do not reflect any amounts that might be owed for arbitrage rebate.

The 1997 Series A and B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Industrial Commission may call for an early redemption of the 1997 Series A and B Bonds at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption. The 1997 Series A Bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of $5,350,000 at July 1, 2001, plus accrued interest. The 1997 Series B Bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of $11,600,000, plus accrued interest, on January 1, 2006.

Interest on the 1998 Series A and B Bonds is payable semiannually on June 1 and December 1 of each year. The proceeds of the Series 1998 Bonds were used to refund the current maturities of the 1988 Series B Bonds and the 1989 Series B Bonds on July 1, 1998, and to call $32,670,000 of the 1989 Series A and B Bonds at a redemption price of 103% on August 1, 1998. The 1998 Series A and B Bonds are variable rate bonds initially issued as auction rate certificates. The rate of interest will be determined each 35-day period. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the auction rate bonds are outlined in Schedule A of the Second Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds Second General Bond Resolution. Under certain conditions, the Commission may call for early redemption of the 1998 Series A and B Bonds at a redemption price equal to 100% of the principal amount of $46,550,000 plus accrued interest to date of redemption. The 1998 Series A Bonds are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount of $15,650,000 at December 31, 2001, plus accrued interest.

Housing Finance

Housing Finance Bonds were issued to provide financing to purchase mortgage loans to finance multifamily housing projects. The bonds are the direct obligation of the Housing Finance Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution. The term bonds of all bond series have mandatory sinking fund requirements starting in 1998.

The Agency has $3,500,000 outstanding letters of credit related to the Single Family Bonds at June 30, 2000. The letters of credit are issued by the Bank of North Dakota and are held by the bond trustees. The letter of credit agreements allow the trustees to draw sufficient funds to meet debt service on the bonds when due in the event there is insufficient funds in the trustees' accounts for this purpose. As of June 30, 2000, the Agency has not drawn on letters of credit.

Component Units

Municipal Bond Bank

The bonds of the Municipal Bond Bank were issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the Municipal Bond Bank and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Revenue Bonds outstanding (expressed in thousands):

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
Primary Government			
General Long-Term Debt Account Group:			
Building Authority			
Series A:			
1991	2001-2005	6.30-6.60	$ 730
1992	2001-2008	5.80-6.40	190
1993	2001-2010	5.25-6.00	21,322
1995	2001-2017	5.00-6.10	15,372
1998	2001-2019	4.40-5.125	7,850
2000	2002-2020	5.125-5.60	4,430
Series B:			
1993	2001-2015	4.50-5.50	12,658
1998	2002-2011	4.50-5.00	11,340
Series C:			
1998	2001-2010	3.45-4.35	3,140
Subtotal			77,032
Lignite Research			
Series A:			
1995	2001-2006	4.60-5.75	6,160
Water Commission			
Series 1997 A:			
Serial Bonds	2001-2012	4.35-5.50	1,725
Term Bonds	2018	5.70	1,370
Term Bonds	2028	5.75	3,590
Series 1997 B:			
Serial Bonds	2001-2038	5.00	3,400
Series 1998 A:			
Serial Bonds	2001-2018	4.25-5.75	765
Term Bonds	2024	5.875	455
Term Bonds	2002-2039	4.75	100
Series 1999 A:			
Term Bonds	2003-2040	4.375	17
Series 2000 A:			
Serial Bonds	2002-2021	5.00-6.00	32,095
Series 2000 B:			
Term Bonds	2004-2041	5.125	16
Subtotal			43,533
Enterprise Funds:			
State Fair			
Series A:			
1994	2001-2012	3.50-6.00	2,474
Student Loan Trust			
Series A:			
1989	2002-2006	6.90-7.00	3,628
1996	2003	4.50	6,850
1997	2002-2003	4.40	52,748
1998	2002	4.50	16,124
Series B:			
1988	2001-2003	7.70-7.90	5,504
1996	2006	4.45	10,550
1997	2006-2028	4.449	15,269
1998	2006	4.55	29,782
Series C:			
1989	2003-2006	7.20-7.25	5,482
1996	2003	5.45	4,160
Series D:			
1996	2007-2015	5.80-6.40	3,000
Subtotal			153,097
Housing Finance			
Multi-Family Bonds			
Series 1990 D:			
Term Bonds	2001-2016	7.75	295
Series 1990 E:			
Term Bonds	2001-2016	7.75	280
Series 1993 A:			
Term Bonds	2001-2005	5.125	70
Term Bonds	2004-2024	5.75	1,794
Series 1995 A:			
Serial Bonds	2001-2008	4.45-5.50	1,670
Term Bonds	2016	6.125	3,590
Term Bonds	2018	6.15	1,300
Term Bonds	2021	6.20	2,325
Series 1995 B:			
Serial Bonds	2001-2005	6.30-6.85	260
Single Family Bonds			
Series 1986 A:			
Serial Bonds	2001-2002	6.90-7.05	260
Term Bonds	2008	7.25	1,287
Term Bonds	2018	7.375	3,890
Series 1989 A:			
Serial Bonds	2001-2005	7.70-8.00	1,230

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
Cap. Apprec. Bonds	2005-2009	8.00-8.10	7,228
Term Bonds	2012	8.30	1,247
Term Bonds	2022	8.375	6,001
Series 1989 B:			
Term Bonds	2014	8.00	755
Series 1990 A:			
Serial Bonds	2001-2006	7.00-7.50	550
Term Bonds	2011	7.90	765
Term Bonds	2024	8.05	4,245
Series 1990 B:			
Serial Bonds	2001-2006	6.60-7.20	785
Term Bonds	2011	7.625	1,065
Term Bonds	2025	7.75	6,025
Series 1990 C:			
Serial Bonds	2001-2006	6.35-7.00	1,015
Term Bonds	2011	7.25	1,325
Term Bonds	2025	7.30	7,820
Series 1991 A:			
Serial Bonds	2001-2007	6.05-6.75	1,050
Term Bonds	2013	6.95	1,300
Term Bonds	2024	7.00	4,500
Series 1992 A;			
Serial Bonds	2001-2007	5.90-6.50	1,760
Term Bonds	2013	6.75	2,295
Term Bonds	2024	6.80	7,195
Series 1992 B:			
Serial Bonds	2001-2007	5.40-6.25	3,210
Term Bonds	2014	6.70	3,450
Term Bonds	2019	6.00	4,440
Term Bonds	2026	6.80	5,200
Series 1993 A:			
Serial Bonds	2001-2009	4.15-5.10	1,555
Term Bonds	2025	5.55	5,580
Series 1994 A:			
Serial Bonds	2003-2010	5.10-5.50	2,215
Term Bonds	2026	5.95	4,405
Series 1994 B:			
Serial Bonds	2001-2003	4.40-4.80	630
Term Bonds	2026	5.80	4,995
Series 1994 C:			
Serial Bonds	2001-2010	5.20-6.40	2,160
Term Bonds	2017	6.25	10
Term Bonds	2026	6.95	8,475
Series 1994 D:			
Serial Bonds	2001-2010	5.15-6.25	6,285
Term Bonds	2020	6.25	2,420
Term Bonds	2025	6.75	8,710
Series 1994 E:			

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
Term Bonds	2015	6.30	5,110
Series 1995 A:			
Serial Bonds	2001-2010	6.00-7.15	1,515
Term Bonds	2016	7.40	1,615
Term Bonds	2021	7.10	1,540
Term Bonds	2027	7.50	1,460
Series 1995 B:			
Serial Bonds	2001-2011	4.90-6.00	4,460
Term Bonds	2016	6.25	3,305
Term Bonds	2019	5.875	830
Term Bonds	2027	6.32	8,895
Series 1995 D:			
Serial Bonds	2001-2012	4.70-6.15	1,440
Term Bonds	2017	6.30	1,015
Term Bonds	2021	5.80	775
Term Bonds	2028	6.325	2,380
Series 1995 F:			
Serial Bonds	2001-2011	4.55-5.85	3,580
Term Bonds	2016	6.00	2,625
Term Bonds	2020	5.50	1,035
Term Bonds	2026	6.15	920
Term Bonds	2027	6.15	5,910
Series 1996 A:			
Serial Bonds	2001-2012	4.70-6.15	4,440
Term Bonds	2017	6.30	3,090
Term Bonds	2021	5.80	1,940
Term Bonds	2028	6.325	7,900
Series 1996 B:			
Serial Bonds	2001-2012	4.70-6.05	4,570
Term Bonds	2017	6.25	3,075
Term Bonds	2021	5.70	1,605
Term Bonds	2028	6.40	4,020
Term Bonds	2028	6.45	4,365
Series 1996 C:			
Serial Bonds	2001-2013	4.25-5.75	7,965
Term Bonds	2018	5.95	4,630
Term Bonds	2021	5.15	3,210
Term Bonds	2029	6.10	13,240
Series 1996 D:			
Serial Bonds	2001-2013	4.20-5.60	5,605
Term Bonds	2018	5.80	3,435
Term Bonds	2022	5.10	2,610
Term Bonds	2029	5.90	8,805
Series 1997 A:			
Serial Bonds	2001-2012	4.40-5.90	3,460
Term Bonds	2018	6.00	2,235
Term Bonds	2021	5.30	1,255
Term Bonds	2028	6.15	2,110

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
Term Bonds	2028	6.15	3,360
Series 1997 B:			
Serial Bonds	2001-2013	4.30-5.50	2,450
Term Bonds	2018	5.75	1,560
Term Bonds	2021	5.00	965
Term Bonds	2029	5.85	3,645
Series 1997 C:			
Serial Bonds	2001-2014	3.90-5.35	8,690
Term Bonds	2019	5.50	5,080
Term Bonds	2022	4.70	3.980
Term Bonds	2030	5.55	5,290
Term Bonds	2030	5.55	6,785
Series 1997 D:			
Serial Bonds	2001-2014	3.80-5.00	11,135
Term Bonds	2019	5.15	6,155
Term Bonds	2023	4.50	5,055
Term Bonds	2030	5.25	1,000
Term Bonds	2030	5.25	13,955
Series 1997 F:			
Serial Bonds	2001-2014	4.20-5.60	4,000
Term Bonds	2019	5.80	2,385
Term Bonds	2023	5.20	2,430
Term Bonds	2029	5.90	5,035
Series 1997 G:			
Serial Bonds	2001-2014	4.20-5.45	7,855
Term Bonds	2018	4.80	2,945
Term Bonds	2021	5.05	3,165
Term Bonds	2029	5.75	4,715
Term Bonds	2030	5.75	8,660
Series 1998 A:			
Serial Bonds	2001-2014	4.00-5.15	9,425
Term Bonds	2019	5.25	5,420
Term Bonds	2023	4.60	5,220
Term Bonds	2028	5.35	2,920
Term Bonds	2029	5.35	7,215
Series 1998 B:			
Serial Bonds	2001-2014	4.10-5.30	16,790
Term Bonds	2019	5.45	9,760
Term Bonds	2023	4.75	10,840
Term Bonds	2029	5.50	3,975
Term Bonds	2030	5.50	16,475
Series 1998 E:			
Serial Bonds	2001-2014	3.50-5.00	4,305
Term Bonds	2019	5.15	1,975
Term Bonds	2030	4.60	6,300
Term Bonds	2030	5.25	6,915
Series 1998 F:			
Term Bonds	2019	5.28	9,363

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
Series 1999 A:			
Serial Bonds	2001-2015	3.20-5.15	14,375
Term Bonds	2020	5.20	5,085
Term Bonds	2030	4.85	18,910
Term Bonds	2030	5.25	16,630
Series 1999 B:			
Term Bonds	2019	6.10	3,268
Series 1999 D:			
Serial Bonds	2002-2015	4.45-5.80	9,020
Term Bonds	2020	5.95	4,225
Term Bonds	2030	5.40	9,375
Term Bonds	2030	6.00	17,380
Series 1999 E:			
Term Bonds	2001	3.80	50,000
Series 2000 A:			
Serial Bonds	2003-2016	4.85-6.25	13,640
Term Bonds	2021	6.40	7,360
Term Bonds	2031	5.70	13,170
Term Bonds	2031	6.50	8,280
Term Bonds	2031	6.50	17,550
Series 2000 B:			
Term Bonds	2001	4.25	60,000
Subtotal			786,353
University System:			
VCSU - Valley City			
Dormitory Bonds Of 1961	2002	4.25	20
Dormitory Bonds Of 1971	2011	7.20-7.25	455
Technology Fee-1996	2006	4.20-4.75	200
Williston State College			
Williston Center	2019	3.00	306
Technology Fee-1996	2006	4.20-4.75	50
Lake Region State College			
Dorm Revenue			
Bonds of 1965	2004	4.20	75
Building Revenue			
Bonds of 1972	2013	5.90	735
UND-Grand Forks			
EERC Revenue			
Bonds 92	2003	6.15-6.40	1,025
Housing & Auxiliary			
Facilities 93A	2013	4.40-5.25	4,060
Building Authority	2010	-	141
Technology Fee-1996	2006	4.20-4.75	964
Building Authority	2002	-	436
1998 A Housing and			
Refunding	2014	4.05-4.80	22,520

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
NDSU-Fargo			
1988 Memorial Union			
Addition	2007	7.10-7.70	435
1992 Refunding	2011	5.90-6.50	7,310
IACC Building Match	2009	-	277
Technology Fee-1996	2006	4.20-4.75	669
1996 B Refunding	2008	4.45-5.25	1,110
1999 Student Health & Wellness Center	2029	5.00-5.60	3,455
NDSCS-Wahpeton			
Babcock Hall	2003	4.25	25
McMahon & Forkner Halls	2006	4.00	170
Robertson Hall	2008	4.50	375
Married Student Housing	2012	7.00-7.50	277
Schulz & Forkner Addition	2012	7.00-7.25	525
Nordgaard Hall	2014	6.25-6.30	935
Building Authority	2010	-	156
Technology Fee-1996	2006	4.20-4.75	171
Building Authority	2010	-	250
MISU-Minot			
1992 Refunding	2006	6.40-6.75	1,395
Student Center 1994	2014	4.20-5.50	1,625
Building Authority	2013	-	42
Building Authority	2010	-	989
Technology	2006	4.20-4.75	206
MISU-Bottineau			
1971 Milligan Hall	2011	6.90	241
Technology Fee-1996	2006	4.20-4.75	20
MSU-Mayville			
Agassiz Hall	2007	3.00	225
1998 Refunding	2006	4.20-4.80	590
Technology Fee-1996	2006	4.20-4.75	112
DSU-Dickinson			
1999 Student Union Improvement	2019	4.40-5.90	985
Technology Fee-1996	2006	4.20-4.75	235
Building Authority	2002	-	137
BSC-Bismarck			
Werner Hall 1964	2005	4.00	126
Swenson Hall 1971	2005	7.20-7.40	105
Student Union	2008	6.00-6.10	370
Revenue	2003	4.20-4.40	225
Technology Fee-1996	2006	4.20-4.75	113
Building Authority	2002	-	530
Facilities Improv.-2000	2009	5.25-5.75	230
Subtotal			55,628

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
Total Revenue Bonds Payable-Primary Government			$ 1,124,277

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
Component Units			
Municipal Bond Bank			
Series A:			
1979	2000	6.25	$ 605
Series A Thru O:			
1990	2001-2010	6.65-7.55	365
Series A Thru I:			
1991	2001-2012	5.75-8.75	915
Series A Thru K:			
1992	2001-2012	4.90-6.50	1,570
Series A Thru F:			
1993	2001-2013	3.90-5.75	4,985
Series A:			
1993	2001-2015	4.90-6.25	17,275
Series A:			
1994	2001-2014	4.00-6.50	3,165
Series A Thru C:			
1995	2001-2015	4.40-6.00	1,740
Series A:			
1995	2001-2016	5.50-6.40	5,943
Series A Thru D:			
1996	2001-2016	4.40-6.60	1,175
Series A:			
1996	2001-2018	4.10-6.00	28,265
Series A:			
1997	2001-2016	4.10-7.15	9,750
Series A Thru E:			
1998	2001-2023	3.75-5.25	8,281
Series A:			
1998	2001-2018	3.25-5.00	35,381
Series A and B:			
1999	2001-2014	10.00	9,790
Series A Thru F:			
1999	2001-2023	3.80-8.25	4,530
Total Revenue Bonds Payable-Component Units			$ 133,735

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

Primary Government

Fiscal Year	Principal	Interest
2001	$ 130,877	$ 60,314
2002	45,174	53,257
2003	88,308	50,297
2004	25,856	47,659
2005	27,664	46,825
Thereafter	809,703	574,738
Less Bond Discount	(73)	73
Deferred Amount On Refund	(1,228)	1,228
Accrued Interest At Maturity On Zero Coupon Bonds	(2,004)	2,004
Total	$ 1,124,277	$ 836,395

Component Units

Fiscal Year	Principal	Interest
2001	$ 8,925	$ 7,297
2002	6,435	6,845
2003	6,610	6,506
2004	6,620	6,168
2005	6,735	5,810
Thereafter	98,410	37,806
Total	$ 133,735	$ 70,432

2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2000 (expressed in thousands):

Description	Maturity Date	Interest Rate (%)	Balance 6/30/00
General Fund	2001	8.75	$ 5,727
Special Revenue:			
Administrative	2001	8.75	110
General Long-Term Debt Account Group:			
Job Service	2001-2006	7.90-9.00	477
Enterprise Funds:			
Bank of North Dakota	2001-2019	3.00-7.35	363,076
State Fair Association	2000	5.85	572
Internal Service Funds:			
Information Technology	2002	4.75	350
University System	2001-2011	4.79-5.52	3,008
Total Primary Government			$ 373,320

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

Fiscal Year	Principal	Interest
2001	$ 122,998	$ 15,437
2002	5,938	14,574
2003	25,930	14,048
2004	14,219	12,750
2005	14,901	12,236
Thereafter	189,334	95,080
Total	$ 373,320	$ 164,125

Changes in General Long-Term Debt Account Group

Changes in General Long-Term Debt Account Group for the year ended June 30, 2000, were (expressed in thousands):

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Notes Payable	$ 623	$ -	$ (146)	$ 477
Intergovern-mental Payable	78	13	-	91
Bonds Payable	94,898	36,558	(4,731)	126,725
Claims/Judg-ments Payable	1,554	311	(824)	1,041
Capital Leases	9,744	-	(3,656)	6,088
Total	$ 106,897	$ 36,882	$ (9,357)	$ 134,422

Compensated Absences at June 30, 2000, were approximately $23,350,000, a net increase of $1,220,000 from the June 30, 1999, balance of approximately $22,130,000.

3. DEFEASED DEBT

Primary Government

Building Authority Bonds

The Authority issued $11,340,000 in 1998 Series B Bonds with an average interest rate of 4.7% to advance refund $9,495,000 of outstanding 1991 Series A Bonds and $1,755,000 of outstanding 1992 Series A Bonds with an average interest rate of 6.4%. The net proceeds of approximately $11,196,000 were used to purchase investment securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Series A and 1992 Series A Bonds. As a result, a portion of the 1991 Series A and 1992 Series A Bonds are considered to be defeased, and the liability for those bonds is not reflected on the State's financial statements. At June 30, 2000, $11,250,000 of bonds outstanding are considered defeased.

Student Loan Trust

On June 12, 1997, the Trust deposited $9,103,789 with an escrow agent to provide for all future debt service payments on the 1992 Series A Bonds. As a result, $8,790,000 of the 1992 Series A Bonds were considered to be defeased and the liability for those bonds is not reflected in the State's financial statements. At June 30, 2000, $1,910,000 of bonds outstanding are considered defeased.

Housing Finance

Previous to July 1, 1999, Housing Finance defeased certain general obligation bonds by placing bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements. At June 30, 2000, $13,090,000 of bonds outstanding are considered defeased.

University System

Mayville State University

On July 1, 1998, Mayville State University issued $695,000 of Student Center Refunding Revenue Bonds (Series 1998) with an average interest rate of 4.40%. These bonds were used to advance refund $640,000 of outstanding 1989 Student Center Revenue Bonds (with an average interest rate of 7.40%). The net proceeds of $666,673 (after payment of $28,327 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government Securities. Those securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1989 Student Center Revenue Bonds. As a result, the 1989 bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The University advance refunded the bonds to reduce its total debt service payments over the next ten years by approximately $77,000 and to obtain an economic gain (difference of the present values of the debt service payments on the old and new debt) of $59,500. The principal amount outstanding as of June 30, 2000, of the original bonds refunded by the advance refunding of 1998 totaled $555,000.

Minot State University

On June 2, 1992, Minot State University placed the proceeds of the $2,620,000 Student Housing Revenue Refunding Bonds of 1992 in an irrevocable trust with an escrow agent to provide for future debt service payments of the existing revenue bonds. The purpose of the 1992 Bonds was to refund in advance of maturity the 1966 Student Union Construction and Refunding Bonds and the 1985 Student Housing Revenue Bonds. As a result, the trust account assets and the liabilities for the defeased bonds are not included in the State's financial statements.

The principal amount outstanding as of June 30, 2000, of the original bonds refunded (considered defeased) by the advance refunding total $290,000.

University of North Dakota

On January 1, 1998, the University of North Dakota issued $22.6 million of Housing and Auxiliary Facilities Improvement and Refunding Revenue Bonds (Series 1998 A) with an average interest rate of 4.70%. These bonds were used to advance refund $20.4 million of outstanding 1988 Series A and B Housing and Auxiliary Facilities Refunding Revenue Bonds (with an average interest rate of 7.50%) and to provide $450,000 for parking lot construction at the Rural Technology Center. The net proceeds of $21.6 million (after payment of $387,000 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government Securities. These securities are deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1988 Series A and B Bonds. As a result, the 1988 Series A and B Bonds are considered to be defeased and the liability for those bonds has been removed from the balance sheet. The principal amount outstanding as of June 30, 2000, of the original bonds refunded by the advanced refunding of 1998 totaled $18,625,000.

Housing and Auxiliary Facilities Refunding Series 1985 A Bonds were originally issued, in addition to financing construction costs, to refund in advance of maturity the outstanding advanced refunding bonds, namely: (a) $14,520,000 of Housing and Auxiliary Facilities Revenue Bonds Series 1984 A, and (b) $3,750,000 of Housing and Auxiliary Facilities Revenue Bonds Series 1984 B. The principal amount outstanding as of June 30, 2000, of the original bonds refunded by the advance refunding of 1985 totaled $14,320,000.

Housing and Auxiliary Revenue Refunding Bonds Series 1984 A, which were included in the advance refunding of 1985, as described above, were originally issued in 1984 for the purpose of advance refunding certain outstanding bonds (Series I through Series N). The principal amount outstanding as of June 30, 2000, of the original bonds refunded by the advance refunding of 1984 totaled $2,660,000.

Housing and Auxiliary Revenue Bonds Series I and Series J, which were included in the advance refunding of 1984 as described above, were originally issued in 1975 for the purpose of advance refunding certain outstanding bonds of the university. The principal amount outstanding as of June 30, 2000, of the original bonds refunded by the advance refunding of 1975 totaled $1,505,000.

All of the refunded bonds are considered “defeased” and have debt service needs covered by U.S. Government securities which are held in a special trust administered by the Bank of North Dakota. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying balance sheet.

Certificates of Participation totaling $20,450,000 were originally issued by UND in 1990 to: (1) reimburse the University for certain expenses incurred for capital improvements; (2) refinance the costs of certain equipment; and (3) finance the acquisition of certain equipment and real property, to fund a reserve, and to pay the costs of issuance. Subsequent to this issuance, the Legislative Assembly, in House Bill 1003, directed the University to retire those certificates originally issued for the acquisition of certain equipment and real property and to fund a reserve. Therefore, in December 1991, $6,025,000 in certificates were defeased. The principal amount outstanding as of June 30, 2000, of the defeased certificates totals $3,560,000.

North Dakota State University

The North Dakota State University, pursuant to resolutions adopted by the Board of Higher Education on November 7, 1985, issued $4,833,813 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1985) on December 30, 1985. The purpose of issuing Series 1985 bonds was to refund in advance of maturity the outstanding advanced refunded bonds, which consisted of all bonds outstanding as of December 30, 1985, totaling $7,675,000. The Series 1985 Bonds do not pay the holder interest but were sold at a discount so that principal payments will yield a return to maturity from 8.20% to 9.70%. All of the refunded bonds are considered "defeased" in accordance with Financial Accounting Standards Board Statement No. 76. As such, neither the assets of the trust nor the related bonds payable are included in the accompanying balance sheet. The principal amount outstanding as of June 30, 2000, of the original bonds refunded by the advance refunding total $1,955,000.

The University, pursuant to resolutions adopted by the Board of Higher Education on June 4, 1992, issued $8,810,000 of Housing and Auxiliary Facilities Revenue Refunding Bonds (Series 1992) on June 23, 1992. The purpose of issuing the Series 1992 Bonds was to refund in advance of maturity the outstanding advanced refunding bonds, Series 1985. The proceeds of the Series 1992 bond issue were irrevocably deposited in an escrow account to provide for all debt service payments after the "crossover date". This crossover refunding issue retired the outstanding Series 1985 bond issue ($8,071,500) on the "crossover date" of April 1, 1996. Therefore, only the 1992 issue is included in the financial statements at June 30, 2000.

The University, pursuant to resolutions adopted by the Board of Higher Education on February 15, 1996, issued $1,175,000 of Housing and Auxiliary Facilities Revenue Bonds (Series 1996 A) on March 13, 1996. The purpose of issuing the Series 1996 A Bonds was to advance refund a portion ($980,000) of the Series 1988 Housing and Auxiliary Facilities Revenue Bonds. The portion of the Series 1988 Bonds advance refunded represents the bonds maturing April 1, 2004 through 2008. The proceeds of the Series 1996 A issue were irrevocably deposited in an escrow account to provide for all debt service payments after the April 1, 2003, crossover date. The Series 1988 Bonds are callable at the option of the Board on or after April 1, 2006. The portion of the Series 1988 Bonds that are advance refunded are considered "defeased" in accordance with Financial Accounting Standards Board Statement No. 76. As such, neither the assets of the escrow account nor the related bonds payable (i.e., the advance refunded portion of the Series 1988 Bonds) are included in the accompanying balance sheet. As of June 30, 2000, the principal amount outstanding of the advance refunded portion of the Series 1988 Bonds is $980,000. As of June 30, 2000, the portion of the Series 1988 Bonds that were not advance refunded by the Series 1996 A Bonds is reported in the State's balance sheet in the amount of $435,000.

Component Units

Municipal Bond Bank Bonds

On February 17, 1993, the Bond Bank issued $20,220,000 (Series 1993 A Bonds) with an average interest rate of 6.04%. A portion of these bonds ($6,250,000) was used to advance refund $5,470,000 of outstanding 1990 Series A Bonds with an average interest rate of 7.80%. The bonds mature October 1, 2014, and are callable on October 1, 2000. The net proceeds of $5,972,470 (after payment of $73,835 in underwriting fees and other issuance costs allocated using a pro rata basis of the total bonds issued), plus approximately $165,000 in 1990 monies were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 Series A Bonds. The advance refunding met the requirements of an in-substance debt defeasance and the liability for those bonds is not reflected in the State's financial statements.

On July 9, 1998, the Bond Bank issued $6,685,000 (Series 1998 B Bonds) with an average interest rate of 4.79%. The bonds were used to advance refund all or portions of $6,314,000 of callable outstanding 1991 Series E and I Bonds and 1992 Series C, E, and F with an average interest rate of 8.56%. The last bonds mature June 1, 2012, and the last bonds are callable on June 1, 2001. The net proceeds of $6,525,000 (after payment of $160,000 in underwriting fees and other issuance costs allocated) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The advance refunding met the requirements of an in-substance debt defeasance and the liability for those bonds is not reflected on the State's financial statements.

At December 31, 1999, $6,924,000 of bonds outstanding are considered defeased.

In April 1999, the Bond Bank issued $10,285,000 (Series A and B Bonds) with an average interest rate of 8.54%. The bonds were used to advance refund all or portions of $8,710,000 of callable outstanding 1989 Series A and B Bonds with an average interest rate of 10.48%. The refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of approximately $48,000. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations over the next fifteen years using the bonds outstanding method. The Bond Bank refunded the bonds to decrease its total scheduled debt payments by approximately $1,360,000 and to achieve an economic gain (difference between the present values of the scheduled debt service payments on the old and new debt) of approximately $830,000 over the next fifteen years.

K. ARBITRAGE REBATE PAYABLE

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

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

The State has an arbitrage rebate payable to the federal government of approximately $9,636,977 at June 30, 2000. These amounts are reported in the General Long-Term Debt Account Group and Enterprise Funds as an intergovernmental payable.

NOTE 4 - CONTRIBUTED CAPITAL RECONCILIATION

Changes in contributed capital for the year ended June 30, 2000, were (expressed in thousands):

	Enterprise	Internal Service	Com-ponent Units	Total
Contributed Capital, June 30, 1999	$ 23,775	$ 21,343	$ -	$ 45,118
Additions	-	19	1,285	1,304
Deletions	(1,815)	-	-	(1,815)
Contributed Capital, June 30, 2000	$ 21,960	$ 21,362	$ 1,285	$ 44,607

Contributed Capital decreased in the Guaranteed Student Loan Program by $1,815,050 as a result of new legislation (Higher Education Act) passed by the U.S. Congress. Nearly all assets of the Program were transferred to a Federal Student Loan Reserve Fund, which is the sole property of the federal government.

Contributed Capital increased in the Information Technology Department by $2,040 as a result of an equipment transfer.

Contributed Capital increased in Fleet Services by $16,500 as a result of an equipment transfer.

Contributed Capital increased in the Development Fund (component unit of the State) by $1,284,820 as a result of assuming all the assets and liabilities of the Technology Transfer Fund (component unit of the State).

NOTE 5 - RETAINED EARNINGS/FUND EQUITY - SPECIFIC RESERVES

Certain fund equity reserves presented in the accompanying financial statements as of June 30, 2000, as Reserved for Other Specific Purposes are further detailed as follows (expressed in thousands):

1. RETAINED EARNINGS: RESERVED FOR

Primary Government:	Enterprise
Capital Growth (Bank Of North Dakota)	$ 42,000
Debt Service And Arena Expansion (State Fair)	892
Debt Service On Mortgage Loans (Housing Finance)	32,193
Health Insurance Premiums Buydown (PERS Uniform Group Insurance)	3,331
Political Subdivision Water Facilities (Community Water Facilities)	6,385
Loans to Beginning Farmers (Beginning Farmer)	9,859
Loans for Developmentally Disabled Facilities (Developmentally Disabled Facility)	1,231
Other (Student Loan) (1)	73,714
Total	$ 169,605

(1) For: -Acquisition of new and existing student loans
-Repayment of bond interest and principal
-Meet estimated operating expenses of the trust for the next three years
-Surplus account

Component Units:	Enterprise
Equity Investments, Loans, Grants And Guaranty Of Collections (North Dakota Development Fund, Inc.)	$ 4,364
Contingencies (Comprehensive Health Association)	(1,062)
Debt Service or Purchase Of Municipal Securities (Municipal Bond Bank)	78,988
Total	$ 82,290

2. RETAINED EARNINGS: DESIGNATED FOR

Primary Government:	Internal Service
Future Catastrophic Losses (Risk Management Fund)	$ 1,352

3. FUND BALANCES: RESERVED FOR OTHER

	General Fund	Special Revenue	Trust And Agency	University System
Inventory	$ 611	$ 5,304	$ -	$ -
Long-Term Receivables	83	90,389	-	-
Legal Requirements	-	9,851	597,342	-
Pension Benefits	-	-	2,723,903	-
Post-Employment Healthcare Benefits	-	-	26,209	-
External Pool Participants	-	-	37,729	-
Prepaid Expenditures	-	643	-	-
Arbitrage Rebate	-	91	-	-
Federal Loan Funds	-	-	-	34,375
Institutional Restricted	-	-	-	5,962
Agri. Experiment Station	-	-	-	1,401
Coop. Extension Service	-	-	-	235
Restricted Gift Pool	-	-	-	650
Institutional Loan	-	-	-	9,562
Endowment Restricted	-	-	-	11,395
Quasi Endowment Restricted	-	-	-	63
Term Endowment Restricted	-	-	-	5
Institutional Unexpended Plant	-	-	-	8,519
Retirement of Debt/Repair & Replacement	-	-	-	8,369
Total	$ 694	$ 106,278	$ 3,385,183	$ 80,536

4. FUND BALANCE: UNRESERVED - DESIGNATED FOR OTHER

	Special Revenue	Trust And Agency
Trust Purposes	$ -	$ 7,469
Fund Activities	8	-
Patients Welfare	542	-
PACE Fund Activity	3,487	-
Total	$ 4,037	$ 7,469

NOTE 6 - DEFICIT FUND EQUITY

COMPONENT UNITS

COMPREHENSIVE HEALTH ASSOCIATION OF NORTH DAKOTA (CHAND)

At December 31, 1999, CHAND had a deficit of $1,062,113. Additional member assessments are expected to cover the deficit.

NOTE 7 - RETIREMENT SYSTEMS

A. DESCRIPTION OF PLANS

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

NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

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

At June 30, 2000, the number of participating local political subdivisions in PERS was:

Cities and Park Districts	58
Counties	41
School Districts	76
Other	48
Total Participating Local Political Subdivisions	223

Death and disability benefits are set by statute. If an active employee dies with less than five years (three years of service for the Main System and National Guard, effective August 1, 1999) of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than five years of credited service (three years of service for the Main System and National Guard, effective August 1, 1999), the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Effective March 25, 1999, for judges only, the death benefit is changed to the greater of (i) lump sum payment of accumulated contributions, and (ii) 100% of the member's accrued benefit (not reduced on account of age), payable for the spouse's lifetime.

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

Effective March 25, 1999, for Judges only, the disability benefit formula is changed to 70% of final average salary minus social security and workers compensation benefits.

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. (Effective August 1, 1999, there is an addition of ad hoc post-retirement increases for retirees, disableds, and beneficiaries equal to 8% for the Main System and National Guard, and effective March 25, 1999, two ad hoc post-retirement increases for retirees and beneficiaries for judges equal to 2% beginning January 1, 2000, and January 1, 2001.) Employees are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 or at normal retirement age (65), equal to 1.77% (1.89% effective August 1, 1999) of their final average salary for each year of service. The plan permits early retirement at ages 55-64, with five or more years of service (three years of service for the Main System and National Guard effective August 1, 1999). The monthly pension benefit for Supreme and district court judges at normal retirement age (65) is equal to 3.5% of final average salary multiplied by the first 10 years of service, plus 2.80% of final average salary times the second 10 years of service, plus 1.25% of final average salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 1.77% multiplier (1.89% effective August 1, 1999). The monthly pension benefit for security officers or firefighters at normal retirement age (55) is equal to 1.77% (1.89% effective August 1, 1999) of the final average salary for each year of service with five years served (three years of service effective August 1, 1999) as a security officer or firefighter.

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

The System is funded by employee contributions (set by statute) of 4% of regular compensation, with the exception of Supreme and district court judges’ contributions, which are established at 5% of total compensation. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required employee contributions are made by the employer. The State is paying the full employee contribution with the exception of the Supreme and district court judges, in which the State is paying 4 of the 5% contribution. Some of the political subdivisions are paying all or part of the employee contributions. Employer contributions of 4.12% of covered compensation are set by statute. The employer contribution rate for the Supreme and district court judges is also set by statute at 14.52%, and the contribution rate for the National Guard security officers and firefighters is set by the Board at 8.33%. The required contributions are determined using an entry age normal actuarial funding method.

Effective January 1, 2000, except for Supreme and district court judges, the employees' account balance includes the vested employer contributions equal to the employee's contributions to an eligible deferred compensation plan.

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

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

NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

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

Death and disability benefits are set by statute. If an active employee dies with less than 10 years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than 10 years of credited service, the surviving spouse, if any, will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit, or 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 55 the day before death occurred. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

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

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 120 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.25% (3.40% effective August 1, 1999) and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

The System is funded by employee contributions of 10.30% (of which the State is paying 4%) of total compensation and an employer contribution of 16.70%. The required contributions are determined using an entry age normal cost method. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

REFUNDS OF MEMBER CONTRIBUTIONS

Upon termination, if an employee is not vested (is not 65 or does not have five years of service [three years of service for the Main System and National Guard, effective August 1, 1999] credited for PERS, or is not 60 or does not have ten years of service credited for NDHPRS), they will receive the accumulated employee contributions plus interest. If an employee has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If an employee of the PERS terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

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

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan. Previous to September 30, 1993, this plan was funded with the Travelers Insurance Company under Group Annuity Contract GR-600. Effective October 1, 1993, the deposit administration fund was terminated and Group Guaranteed Benefit Contract GR-16312 was in effect. Job Service North Dakota issues a publicly available financial report that may be obtained by writing to Job Service North Dakota, 1000 East Divide Avenue, Bismarck, North Dakota 58501.

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

The plan provides retirement, disability and death benefits. If the death of a participant occurs prior to his/her annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before he/she died and elected the Contingent Annuitant Option with 55% of his/her retirement benefit continued to his/her spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefit will cease.

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

Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect an optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

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

The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The required employer contributions are determined using an entry age actuarial funding method. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code.

TEACHERS' FUND FOR RETIREMENT (TFFR)

The North Dakota Teachers' Fund for Retirement is a cost-sharing multiple-employer defined benefit pension plan covering employees for all public and certain college, State and non-public teachers of the State who meet certain requirements of age, period of productive service and employment. TFFR provides for pension, survivor and disability benefits. Teachers' Fund for Retirement issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503.

At June 30, 2000, the number of participating employer units in TFFR was:

Type	Number
Special Education Units	19
Vocational Education Units	4
Public School Districts	230
County Superintendents	17
Other	17
Total	287

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

Pension benefits paid by TFFR are determined by NDCC 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 1.88% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, five- or ten-year term certain annuity, or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas and may be eligible for legislative increases in monthly benefits.

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

An active member is eligible to receive disability benefits when: (a) a total disability lasting twelve months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence.

The amount of the disability benefit is computed by the retirement formula in NDCC 15-39.1-10 without consideration of age and assuming the member has a minimum of 20 years of credited service. There is no actuarial reduction for reason of disability retirement.

Assessments and contributions paid to TFFR are set by NDCC 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 7.75% of salary as defined by NDCC 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 7.75% of the teacher's salary. Based on an annual actuarial valuation, TFFR is effectively providing for the normal cost of TFFR's participants plus amortizing the unfunded liability over approximately a 20-year period.

A vested member who terminates covered employment may elect a refund of assessments paid or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of assessments paid unless that member submits a valid waiver of this refund to the Board of Trustees of TFFR. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

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

	PERS	NDHPRS	JSND	TFFR
Retirees and Beneficiaries Currently Receiving Benefits:	4,709	80	199	4,827
Special Prior Service Retirees:	170	-	-	-
Terminated Employees:				
Vested	180	1	6	1,130
Nonvested	2,699	-	-	209
Total Terminated Employees	2,879	1	6	1,339
Active Employees:				
Vested	11,914	66	93	8,587
Nonvested	4,461	56	-	1,438
Total Active Employees	16,375	122	93	10,025
Date of Annual Valuation	July 1, 2000	July 1, 2000	July 1, 2000	July 1, 2000

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

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

BASIS OF ACCOUNTING

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

METHOD USED TO DETERMINE EMPLOYER CONTRIBUTIONS

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

METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net appreciation in fair value of investments consists of the realized gains or losses and the unrealized appreciation or depreciation in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized appreciation or depreciation is computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

During the current year, there were no investments in the stock or bonds of any commercial or industrial organization whose fair value represented five percent or more of the net assets available for benefits. JSND pension plan assets include Guaranteed Investment Contract, which comprises approximately 24.1 percent of the total assets. Additionally, there were no securities of the employers or related parties included in the assets of the pension trust funds.

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

The Retirement Plan for Employees of Job Service North Dakota Pension Trust Fund was funded under a deposit administration contract with Travelers Insurance Company (Travelers) until September 30, 1993, and was valued at contract value.

Effective October 1, 1993, the deposit administration fund was terminated and Group Guaranteed Benefit Contract GR-16312 was in effect. Funds transferred from the deposit administration fund to the new contract were $33,712,261 on October 1, 1993. Contract value represents the balance of the fund not yet transferred to the Agency, plus interest of 6.45 percent, less funds used to purchase cost-of-living annuities for retirees prior to October 1, 1993, and pay administration expenses charged by the Travelers. Contract value was $12,862,012 at June 30, 2000.

On March 14, 1994, the Plan Administrator/Trustee for the Retirement Plan for Employees of Job Service North Dakota entered into an investment management agreement with the North Dakota State Investment Board. This agreement provided for investment management services for pension fund assets not held by the Travelers. Fair value of investments with SIB at June 30, 2000, were $60,823,684, which represents 17.43% of net plan assets.

C. FUNDING STATUS AND PROGRESS

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

	PERS NDHPRS	JSND	TFFR
Valuation date	July 1, 2000	July 1, 2000	July 1, 2000
Actuarial Cost Method	Entry Age Normal	Frozen Entry Age ***	Entry Age Normal
Amortization method	Level Percent Open	Level Dollar Closed	Level Payment Open
Remaining amortization period	20 years	15 years	20 years **
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increase	4.5%*	5%	4.00%-13.00%
Includes inflation at	4.5%	5%	3.00%
Post retirement cost-of-living adjustment	None	5%	None

* Inflation together with wage increases attributable to seniority, merit and “standard of living” increases.
** Statutory 7.75% employer contribution rate produces zero-years funding period.
*** As of July 1, 2000, the actuarial value of assets exceeds the present value of projected benefits; therefore, the unfunded actuarial accrued liability is currently zero.

Schedule of Funding Progress
(Dollars in Millions)

Actuarial Valuation Date	Actuarial Value Of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL) (Funded Excess)	Funded Ratio	Annual Covered Payroll	UAAL (Funded Excess) As A Percentage Of Annual Covered Payroll
PERS						
July 1, 1995	$ 554.6	$ 539.8	$ (14.8)	102.7%	$ 303.4	(4.9%)
July 1, 1996	621.7	597.9	(23.8)	104.0%	345.3	(6.9%)
July 1, 1997	704.5	646.9	(57.6)	108.9%	359.0	(16.0%)
July 1, 1998	801.3	720.1	(81.2)	111.3%	379.0	(21.4%)
July 1, 1999	917.0	842.7	(74.3)	108.8%	397.7	(18.7%)
July 1, 2000	1,027.0	891.9	(135.1)	115.1%	409.0	(33.0%)
NDHPRS						
July 1, 1995	$ 20.0	$ 22.3	$ 2.3	89.7%	$ 3.4	67.6%
July 1, 1996	22.2	23.8	1.6	93.3%	3.8	42.1%
July 1, 1997	24.9	27.5	2.6	90.5%	4.2	61.9%
July 1, 1998	28.1	28.9	0.8	97.2%	4.3	18.6%
July 1, 1999	32.0	32.2	0.2	99.4%	4.5	4.4%
July 1, 2000	35.9	34.0	(1.9)	105.6%	4.7	(40.4%)
JSND						
July 1, 1996	$ 46.1	N/A*	$ 1.9	N/A	$ 4.9	38.5%
July 1, 1997	51.0	N/A	-	N/A	4.7	0.0%
July 1, 1998	61.7	N/A	-	N/A	4.3	0.0%
July 1, 1999	66.6	N/A	-	N/A	4.0	0.0%
July 1, 2000	71.0	N/A	-	N/A	3.7	0.0%
TFFR						
July 1, 1995	$ 661.2	$ 799.8	$ 138.6	82.7%	$ 268.7	51.6%
July 1, 1996	733.3	851.6	118.3	86.1%	281.2	42.1%
July 1, 1997	823.4	977.1	153.6	84.3%	294.1	52.2%
July 1, 1998	928.0	1,033.0	105.1	89.8%	298.4	35.2%
July 1, 1999	1,053.1	1,188.4	135.3	88.6%	314.6	43.0%
July 1, 2000	1,308.5	1,287.9	(20.6)	101.6%	323.0	(6.4%)

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

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Employer contribution rates for PERS, NDHPRS and JSND are set by state statute using the entry age normal actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost, (2) an amount for amortization of the unfunded accrued liability over a period of 20 years for PERS and NDHPRS and 30 years for JSND, and (3) the amount necessary to provide for operating expenses. For JSND the entire employer contribution requirement is to cover the current amortization of the Initial Actuarial Accrued Liability with none being applied for normal costs. In determining funding requirements, the actuary uses the same actuarial assumptions as those used to calculate the actuarial accrued liability.

The contribution rate is not actuarially determined for TFFR; it is set by statutory law under the North Dakota Century Code 15-39.1-09. It is required that every eligible teacher be a member of the Fund and assessed at a rate of 7.75 percent of gross salary and that every governmental body employing a teacher pay into the plan a sum equal to 7.75 percent of the teacher's salary. Based on an actuarial valuation, the plan is effectively providing for the normal cost plus amortizing the unfunded liability over approximately a 20-year period.

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

Schedule of Employer Contributions

		Annual Required Contribution	Percentage Contributed
PERS			
	1998	$ 10,810,265	100%
	1999	9,698,810	100%
	2000	13,457,783	100%
TFFR			
	1998	$ 23,326,328	100%
	1999	24,257,091	100%
	2000	25,528,245	100%

For NDHPRS and JSND, sole employer plans, the following schedule represents the annual pension costs and net pension obligations for the year ended June 30, 2000:

	NDHPRS	JSND
Annual required contributions	$ 532,786	$ -
Interest on net pension obligations	-	(134,996)
Adjustment to annual required contributions	-	138,789
Annual pension costs	532,786	3,793
Contributions made	741,089	-
Increase in net pension obligations	(208,303)	3,793
Net pension obligations, beginning of year	-	(1,687,455)
(Assets in excess of) net pension obligations, end of year	$ (208,303)	$ (1,683,662)

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

		Annual Pension Costs (APC)	Percentage of APC Contributed	Net Pension Obligations
NDHPRS				
	1998	$ 609,384	100%	$ -
	1999	521,216	100%	-
	2000	532,786	139%	(208,303)
JSND				
	1998	$ -	N/A%	$ (577,936)
	1999	1,299	85,513%	(1,687,455)
	2000	3,793	0%	(1,683,662)

E. DEFINED CONTRIBUTION PLAN

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State. Employees of the judicial branch or the Board of Higher Education and state institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. The Defined Contribution Plan had 237 participants as of June 30, 2000.

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

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

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

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

Contributions are set by state statute and are a percentage of salaries and wages. Employee contributions are established at 4%, and employer contributions are established at 4.12% of regular compensation. Employee contributions totaled $192,307 for the fiscal year ended June 30, 2000.

The Board, or vendors contracted by the Board, have exclusive authority to invest and manage the assets of the Defined Contribution Plan. State statute allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the Board. The following investments represent 5% or more of net plan assets at June 30, 2000:

Fidelity Growth Company Mutual Fund	22.95%
Fidelity Managed Income Portfolio Mutual Fund	15.45%
Fidelity Diversified International Mutual Fund	10.55%
Alger Small Cap Retirement Mutual Fund	9.49%
Fidelity Freedom 2020 Mutual Fund	9.30%
Fidelity Spartan 500 Index Mutual Fund	8.49%
Fidelity Freedom 2010 Mutual Fund	7.61%
Fidelity Equity Income Mutual Fund	5.48%

F. TEACHERS' INSURANCE ANNUITY ASSOCIATION

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

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

Employment Class	Years Of Service	By The Participant	By The Institution	Total
I and III	0 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
II	0 thru 2	0.50%	4.50%	5.00%
	3 thru 10	1.50%	9.50%	11.00%
	over 10	2.00%	10.00%	12.00%
IV	0	1.00%	9.00%	10.00%

Plan contributions by participants will be deducted from salary payments, or if elected by the participant, will be made on a tax-deferred basis under an agreement for salary reduction executed in accordance with Section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed $13,487,879, which is the required contribution, for the fiscal year ended June 30, 2000.

NOTE 8 - POST-RETIREMENT BENEFITS

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

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at one percent of covered compensation. The employer contribution for the Supreme and district court judges is three percent of covered compensation in order to extend this benefit to judges retired under NDCC 27-17. Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement program established by Job Service North Dakota. Employees participating in the retirement plan as part-time/temporary members are required to contribute one percent of their covered compensation to the Retiree Health Benefits Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund.

Retiree health benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, the Defined Contribution Retirement Plan, or the Retirement Plan established by Job Service North Dakota, are eligible to receive credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 for each of the employee's years of credited service not to exceed the premium in effect for selected coverage. Total Job Service expenditures for their pay-as-you-go plan was $187,854 for the period ending June 30, 2000. The number of employees from Job Service using the credit was 150 at June 30, 2000. The retiree health benefit is also available for early retirement with reduced benefits.

Death and disability benefits are set by state statute. An employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit, are eligible to receive a credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 for each of the employee's or deceased employee's years of credited service, not to exceed the premium in effect for selected coverage.

Actuarial valuations of the Fund were done as of June 30, 2000. The actuarial cost method used is the Projected Unit Actuarial Credit Cost Method. The significant actuarial assumptions used to determine funding requirements are (a) a rate of return on the investment of present and future assets of 8.0 percent, (b) inflation at 4.50 percent per annum, (c) pre- and post-mortality life expectancies of participants based upon 1983 Group Annuity Mortality Tables and the PBGC's Disabled Life Mortality Tables, (d) rates of withdrawal from active service before retirement for reasons other than death, rates of disability, and expected retirement ages developed on the basis of actual plan experience, and (e) administrative expenses of $65,000 per year. Plan assets are valued at fair value for actuarial purposes.

The following are the changes in actuarial assumptions, asset method and plan experience, and the effect on the employer's contribution rates expressed as a percent of covered payroll and the dollar effect on the actuarial accrued liability. There were no plan amendments.

	As a Percentage of Covered Payroll	Dollar Effect
Net effect of change in retirement age assumption	.03%	$ 124,195

Employer contributions totaling $3,992,189 were made for the year ended June 30, 2000. The actuarially required employer contribution of $4,211,825 for the year ended June 30, 2000, is 1.02 percent of the covered payroll and reflects the fact that the statutory rate of one percent is sufficient to cover future costs of the Fund. At June 30, 2000, the cost of benefits incurred for the fund was $3,409,471.

Employee membership is as follows:

Retirees receiving benefit	3,169
Active participants	16,720
Total Membership	19,889

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

Actuarial accrued liability	$ 61,901,039
Net assets available for benefits, at actuarial value	22,575,796
"Unfunded" accrued liability	$ 39,325,243

The fair value of the net assets available for benefits at June 30, 2000, is $26,089,630.

NOTE 9 - DEFERRED COMPENSATION PLAN

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

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

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

Plan Participation By:	
State of North Dakota	$ 5,653
Other Jurisdictions	1,163
Total Value	$ 6,816

NOTE 10 - PERS UNIFORM GROUP INSURANCE PROGRAM SURPLUS

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract. The surplus will be reduced by claims incurred during the biennium that are paid during the 24 months following the end of the biennium. Based on BCBS's accounting for the biennium ended June 30, 1999, the State's portion of the surplus was determined to be $4.9 million. This amount was reduced by claims paid during the current fiscal year that were incurred in the 1997-99 biennium. The State used $2.1 million and $5.5 million of the accumulated surplus and earnings during the fiscal years 2000 and 1999, respectively, to reduce the premium rates. The accumulated surplus and other invested funds in the amount of $2.8 million is shown as cash on the State's balance sheet. These funds are being held by BCBS and are earning interest based on a formula provided in the contract at a rate equal to the five year treasury note as quoted by the Wall Street Journal.

The contract for the 1999-01 biennium provides for a similar accounting of surplus balances. As of June 30, 2000, the surplus for the 2000 fiscal year is $10.4 million. This surplus is not reflected on the financial statements, as this is only an estimate and the amount will change based on claims paid throughout the life of the contract and 24 months following the end of the contract.

Similarly, the PERS Uniform Group Insurance Program contracts with ReliaStar Life Insurance Company to provide life insurance to the employees of the State of North Dakota or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract. Based on ReliaStar's final accounting for the 1997-1999 biennium, there is no surplus for this contract period. The surplus is used to fund rate reductions in the supplemental life program or provide benefit enhancements. The surplus is being held at ReliaStar and is earning interest based on a formula provided in the contract at a rate equal to three percent plus any additional interest as ReliaStar may declare from year to year. The surplus of $552,810 is shown as cash on the State's balance sheet.

NOTE 11 - SEGMENT INFORMATION

The State groups its Enterprise Funds into several segments which include the following:

Primary Government

Bank of North Dakota was established for the purpose of promoting agriculture, commerce and industry in North Dakota. Business of the Bank may include anything that a bank lawfully may do, except as it may be restricted by the laws of the State.

Beginning Farmer Revolving Loan was established for the purpose of making loans to North Dakota beginning farmers for the purchase of agricultural real estate.

Bonding was established to provide fidelity bonding of public employees and officials.

Community Water Facility Loan was established to provide supplementary financing in conjunction with federal monies for the construction, enlargement, extension or other improvement of community water facilities.

Developmentally Disabled Facility Loan was established for the purpose of making loans to nonprofit corporations for project costs related to the establishment of facilities for developmentally disabled, chronically ill and physically disabled persons.

Fire and Tornado was established to provide property insurance to various State agencies and political subdivisions.

Guaranteed Student Loan was established to account for revenues and expenses associated with the administration, development, and operation of the guaranteed loan program.

Housing Finance provides assistance for North Dakotans in buying or renting decent, safe housing.

Mill and Elevator was created for the purpose of encouraging and promoting agriculture, commerce and industry by maintaining and marketing farm products.

PERS Uniform Group Insurance was established to provide employees of the State of North Dakota or any of its political subdivisions, institutions, departments, or agencies, economies of scale in purchasing health and life insurance.

Roughrider Industries was established to account for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates.

State Fair was established for the purpose of conducting an annual exhibition of the State's resources and products in order to promote the State.

Student Loan was established to provide loans to students in post secondary education.

Workers Compensation was established principally to provide compensation and to cooperate in making arrangements for the rehabilitation of persons injured over the course of employment for both the public and private sector.

Segment financial information for the fiscal year ended June 30, 2000, is as follows (expressed in thousands):

Schedule of Segment Information - Enterprise Funds
For The Fiscal Year Ended June 30, 2000
(Expressed In Thousands)

	Bank Of North Dakota	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Develop-mentally Disabled Facility Loan	Fire And Tornado	Guaranteed Student Loan
Operating Revenue	$ 105,770	$ 766	$ 57	$ 500	$ 502	$ 4,710	$ 2,527
Operating Expenses	76,729	468	80	81	308	2,909	2,687
Depreciation	486	-	-	-	-	6	-
Operating Income (Loss)	29,041	298	(23)	419	194	1,801	(160)
Operating Transfers:							
In	17	1,000	-	-	-	-	2,000
Out	(29,509)	-	-	-	(1,184)	(32)	-
Tax Revenues	-	-	-	-	-	-	-
Net Income (Loss)	(451)	1,298	504	419	(989)	3,655	(2,028)
Current Capital Contributions and Transfers	-	-	-	-	-	-	-
Property, Plant, and Equipment :							
Balance June 30, 2000	2,837	-	-	-	-	9	-
Additions	270	-	-	-	-	7	-
Deletions	(583)	-	-	-	-	(25)	-
Total Assets	1,686,761	17,598	6,075	16,405	7,452	19,489	17,266
Net Working Capital	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Liabilities Payable From Operating Revenues	372,219	-	85	-	4,282	1,825	175
Total Equity	138,869	17,585	4,922	16,385	3,160	14,065	2,122

N/A: Not Available

Housing Finance	Mill And Elevator	PERS Uniform Group Insurance	Roughrider Industries	State Fair	Student Loan	Workers Compensation	Total Enterprise Funds June 30 2000
$ 60,068	$ 60,988	$ 734	$ 3,063	$ 3,130	$ 15,835	$ 102,301	$ 360,951
53,625	59,499	564	3,160	3,403	11,308	163,202	378,023
26	1,435	-	61	500	-	599	3,113
6,443	1,489	170	(98)	(273)	4,527	(60,901)	(17,073)
-	-	-	-	380	-	-	3,397
(23)	(27)	-	(1)	-	-	-	(30,776)
-	-	-	-	4,284	-	-	4,284
6,420	1,823	431	(96)	4,333	4,527	35,068	54,914
-	-	-	-	-	-	-	-
103	29,895	-	477	14,813	-	1,299	49,433
50	16,202	-	7	6,989	-	199	23,724
(26)	-	-	(46)	(9)	-	(58)	(747)
866,237	50,176	4,242	1,976	17,103	232,179	1,155,091	4,098,050
N/A	17,549	N/A	1,260	730	N/A	N/A	19,539
786,464	532	36	78	2,518	153,097	750,110	2,071,421
44,704	47,502	3,331	1,573	13,275	73,714	126,242	507,449

N/A: Not Available

NOTE 12 - COMPONENT UNIT FUNDS

The State's Component Units, which are all Proprietary Funds, consist of the following:

Comprehensive Health Association was established to provide low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable.

North Dakota Development Fund, Inc. was established to provide for the development and expansion of primary sector business in North Dakota.

Municipal Bond Bank was established with its purpose being to make funds available for borrowing by North Dakota political subdivisions through the issuance of its bonds and the purchase of political subdivisions' municipal securities.

Technology Transfer, Inc. was established to provide a program and budgetary interface between the Department of Economic Development and Finance and the North Dakota University System with the primary objective to focus the intellectual and technical resources of the University System on the discovery, development, and application of scientific and technological principles and concepts on North Dakota's primary sector business.

Condensed financial statements for the component unit funds for the fiscal year ended June 30, 2000, are as follows (expressed in thousands):

Condensed Financial Information - Component Units
For The Fiscal Year Ended June 30, 2000

Condensed Balance Sheet

	Comprehensive Health Association	Municipal Bond Bank	North Dakota Development Fund	Technology Transfer Inc.	Total June 30 2000
Assets					
Cash	$ 255	$ 1,201	$ 7,497	$ -	$ 8,953
Investments	-	210,361	2,877	-	213,238
Accounts Receivable - Net	41	-	-	-	41
Interest Receivable - Net	-	2,526	344	-	2,870
Loans And Notes Receivable - Net	-	-	10,212	-	10,212
Advances To Primary Government	-	9,143	-	-	9,143
Unamortized Bond Issuance Costs	-	1,360	-	-	1,360
Fixed Assets (Net Of Depreciation)	-	7	24	-	31
Total Assets	$ 296	$ 224,598	$ 20,954	$ -	$ 245,848
Liabilities					
Accounts Payable	$ 107	$ 8	$ -	$ -	$ 115
Interest Payable	-	1,621	-	-	1,621
Intergovernmental Payable	-	1,103	-	-	1,103
Claims/Judgements Payable	1,025	-	-	-	1,025
Advances From Primary Government	-	9,143	-	-	9,143
Bonds Payable	-	133,735	-	-	133,735
Deferred Revenue	226	-	34	-	260
Total Liabilities	1,358	145,610	34	-	147,002
Equity					
Contributed Capital	-	-	1,285	-	1,285
Retained Earnings	(1,062)	78,988	19,635	-	97,561
Total Equity	(1,062)	78,988	20,920	-	98,846
Total Liabilities And Equity	$ 296	$ 224,598	$ 20,954	$ -	$ 245,848

Classified balance sheets are not available for the component unit financial statements.

Condensed Statement of Revenues, Expenses, and Changes in Fund Equity

	Comprehensive Health Association	Municipal Bond Bank	North Dakota Development Fund	Technology Transfer Inc.	Total June 30 2000
Operating Revenues	$ 6,121	$ 10,991	$ 1,214	$ -	$ 18,326
Operating Expenses					
Depreciation	-	(5)	-	-	(5)
Other	(5,637)	(9,656)	(2,101)	-	(17,394)
Operating Income (Loss)	484	1,330	(887)	-	927
Nonoperating Revenues	30		-		30
Operating Grant		16,765	-		16,765
Operating Transfers From Primary Government	-	-	375	-	375
Net Income (Loss)	514	18,095	(512)	-	18,097
Fund Equity - Beginning Of Year	(1,576)	60,893	20,147	1,285	80,749
Residual Equity Transfers Out	-	-	-	(1,285)	(1,285)
Contributed Capital	-	-	1,285	-	1,285
Fund Equity - End Of Year	$ (1,062)	$ 78,988	$ 20,920	$ -	$ 98,846

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

BANK OF NORTH DAKOTA

The State, through the Bank of North Dakota, is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit and financial standby letters of credit. Those instruments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the State has in particular classes of off-balance-sheet financial instruments.

The State's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and financial standby letters of credit is represented by the contractual amount of those instruments. The State uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	Contract Amount (in thousands)
Commitments to extend credit	$ 242,339
Financial standby letters of credit	72,317
	$ 314,656

Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The State evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained by the State upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

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

NORTH DAKOTA HOUSING FINANCE AGENCY

In the normal course of business, the Agency makes various commitments that are not reflected in the financial statements. These include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolution.

Commitments to extend credit are agreements to fund loans as long as there is no violation of any contract established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed expiration date. Commitments to extend credit total $10,983,000 at June 30, 2000. The Agency does not anticipate any material losses as a result of these commitments.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled $17,469,000 at June 30, 2000.

MUNICIPAL BOND BANK

In the normal course of business, the Bond Bank (a component unit) makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of $16,370,000 at December 31, 1999.

NOTE 14 - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

NOTE 15 - RISK MANAGEMENT

Several funds accumulate assets to cover risks that the State may incur. Specifically, the State assumes a portion or substantially all risks associated with the following:

THE STATE FIRE AND TORNADO FUND

The State Fire and Tornado Fund, an Enterprise Fund, is financed by premiums charged to the participating funds of the State. All monies collected must be paid into the fund for use only for the purpose outlined in NDCC 26.1-22.02.

All losses occasioned by the hazards provided for in the North Dakota Century Code must be paid out of the fund, with the fund being reimbursed by a third-party insurance carrier for all losses in excess of $1,000,000 per occurrence. The limit of liability of such reinsurance contract is no less than $1,000,000 during each twelve month period.

STATE BONDING FUND

The State Bonding Fund, an Enterprise Fund, is financed by premiums charged to each State agency for the bonding of public employees and public officials.

FLEET SERVICES

Fleet Services, an Internal Service Fund, represents the State's fleet of automobiles and is administered by the Department of Transportation. The State is self-insured for substantially all automobile insurance (e.g., comprehensive, collision), with the exception of liability, which is provided by the State's Risk Management Fund (RMF). State agencies are charged premiums to cover Fleet Service's RMF assessment and to pay for those losses which are not covered by RMF. These premium charges are factored into the fees agencies are charged when renting the cars.

WORKERS COMPENSATION BUREAU

Workers Compensation Bureau (Bureau), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. The Bureau is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of the Bureau. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2000, a total of $150,631,678 in claims was recognized. Incurred but not reported claims of $749,700,000 have been accrued as a liability based primarily upon actuarial estimates.

RISK MANAGEMENT FUND

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

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

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

The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 1999, and June 30, 2000:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
1999	$ 2,821,206	$ 1,303,000	$ 827,466	$ 3,296,740
2000	3,296,740	1,352,000	711,154	3,937,586

NOTE 16 - PUBLIC ENTITY RISK POOLS

A. GENERAL

FIRE AND TORNADO AND BONDING FUND

The Fire and Tornado Fund provides property insurance to state agencies, political subdivisions, the International Peace Garden and the winter show. The Fire and Tornado Fund has issued 1,097 policies to participating entities for a total building and content coverage of $4.77 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,900 policies to participating entities. The total coverage for the Bonding Fund is $546,525,821. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

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

The Fire and Tornado Fund uses reinsurance agreements to reduce its exposure to large losses on all types of its insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks that are reinsured. The Fire and Tornado Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. However, at June 30, 2000, there was no amount deducted from claims liabilities for reinsurance.

WORKERS COMPENSATION BUREAU

Workers Compensation Bureau (Bureau), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2000, coverage extended to the following employer units:

Local Governments	1,870
State Agencies	90
Private Employers	20,699
Total	22,659

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

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

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

For the year ended June 30, 2000, the actuary presented an estimate in the form of a range to emphasize the uncertainty for the estimated liability of the Bureau. The degree of uncertainty was high for the Bureau because of the legislative and environmental changes that have taken place over the last few years. These ranges are as follows (expressed in thousands):

	Low	Expected Value	High
Full Value Basis (undiscounted)	$ 800,000	$ 885,655	$ 1,020,000
Discounted at 6% rate	*	499,700	575,000
Discounted at 1.5% rate	-	749,700	-

*Not computed by actuary.

For many years, the actuarial computations were based on the use of a six percent discount factor, recognizing the effects of future investment earnings. Due to the level of uncertainty in the actuarial computations and other factors, management's goal is to increase the liability to an undiscounted level over a period of years through the use of a contingency reserve. This contingency reserve represents the amount of the liability provided for in excess of the expected liability at the six percent discount factor.

The Bureau has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's six percent discounted expected value plus contingency reserve of $749.7 million at June 30, 2000. The addition of the contingency reserve represents an estimated liability reserve at a discount of 1.5 percent. This adjustment resulted in an increase to expenses of $90 million in 2000.

The June 30, 1999, liability of $668.8 million was also recorded at the discounted rate of six percent plus a contingency reserve. The addition of the contingency reserve represents an estimated liability discounted at 3.00 percent. The 1999 liability resulted in an increase to expenses of $45 million.

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

The Workers Compensation fund did not incur any acquisition costs which should have been capitalized at June 30, 2000.

B. RECONCILIATION OF CLAIMS LIABILITIES

The following is a reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year (expressed in thousands):

	Fire And Tornado		Bonding		Workers Compensation	
	2000	1999	2000	1999	2000	1999
Unpaid claims and claims adjustment expenses at the beginning of the year	$ 6,133	$ 5,176	$ 258	$ 109	$ 668,800	$ 591,700
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	2,104	3,578	60	229	80,505	92,130
Change in provision for prior fiscal year	-	-	-	-	(19,872)	19,368
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(303)	2,555	22	29	(16,157)	(14,317)
Prior fiscal years' insured events	(6,133)	(5,176)	(258)	(109)	(55,290)	(52,901)
Total Payments	(6,436)	(2,621)	(236)	(80)	(71,447)	(67,218)
Change in provision for discount		-		-	(696)	(13,000)
Contingency reserve for adverse deviation	-	-	-	-	90,000	45,000
Other	-	-	-	-	2,410	820
Total unpaid claims and claims adjustment expenses at the end of the year	$ 1,801	$ 6,133	$ 82	$ 258	$ 749,700	$ 668,800

NOTE 17 - GUARANTEED STUDENT LOAN RESERVES RECALL

During 1997, the Balanced Budget Act (H.R. 2015, Section 6101) was passed, amending Section 422 of the Higher Education Act. The Act requires the Secretary of Education to recall portions of reserve funds held by guarantee agencies. Based on the State's reserve fund balance and the original principal amount of all outstanding insured loans as of September 30, 1996, the Department of Education has determined that the State's required share of the recall of Federal reserve funds is $7,574,859. This amount has been accrued as a liability in the State's financial statements. Within 90 days after the beginning of each of the fiscal years 1998 through 2002, the State is required to transfer twenty percent of their required share to a restricted account. On September 1, 2002, this amount will be recalled by the Department.

NOTE 18 - COMMITMENTS AND CONTINGENCIES

A. LONG-TERM COMMITMENTS

BANK OF NORTH DAKOTA

The 1999 North Dakota Legislature passed Senate Bill 2015, which included a contingent Bank transfer to the state general fund. If, during the biennium ending June 30, 2001, the director of the Office of Management and Budget determines via revised projections that general fund revenue collections will not meet the revenues as forecast in the March 1999 legislative forecast, the Industrial Commission shall transfer to the state general fund an additional amount, as determined by the director of the Office of Management and Budget and as approved by the budget section, from the earnings and accumulated and undivided profits of Bank of North Dakota. Transfers made under these provisions may not be made before July 1, 2000, and may only be made to the extent necessary to achieve a projected June 30, 2001, general fund balance of $10,000,000. The moneys must be transferred in amounts and at such times as requested by the director of the Office of Management and Budget. The additional amount transferred may not exceed the lesser of $40,000,000 or the revenue shortfall of actual collections compared to the March 1999 legislative forecast.

No transfers may be made which would reduce the Bank's capital structure below $100,000,000.

The 1999 North Dakota Legislature passed Senate Bill 2188, which authorizes the State Water Commission to issue $84,800,000 in bonds and appropriate the proceeds for various statewide water development projects.

Principal and interest on the bonds are payable first from moneys received by the State pursuant to the 1998 settlement agreement with tobacco product manufacturers, and any earnings on these moneys; second from revenues in the Resources Trust Fund; and then from any other revenues the State Water Commission makes available. If sufficient funds from these sources are not available, principal and interest on the bonds will be payable from the first available current biennial earnings of the Bank of North Dakota, not to exceed $6,500,000 per biennium. No appropriation was made from the Bank of North Dakota for the 1999-2001 biennium by the Legislature.

The Bank of North Dakota shall extend a line of credit not to exceed $84,800,000 for the biennium ending June 30, 2001, to the State Water Commission for the purpose of interim financing until bonds are issued. Advances on the line of credit may be made only when a source of repayment has been identified and determined to be available. As of December 31, 1999, Bank of North Dakota has funded $965,000 and has a commitment outstanding of $39,035,000 included in commitments to extend credit.

MILL AND ELEVATOR

As of June 30, 2000, the Mill had commitments to purchase 598,191 bushels of spring wheat and 120,565 bushels of durum.

STATE COURTS

As of June 30, 2000, the state courts had significant commitments of $1,293,114. The amount consists of indigent defense contracts with law firms around the state to provide legal services for eligible indigent persons at all stages of proceedings as specified in the contracts.

BUILDING AUTHORITY

The Authority has committed funds to complete various construction and modernization programs at June 30, 2000, as follows (expressed in thousands):

Department of Corrections	$ 1,297
State Board of Higher Education	2,218
	$ 3,515

The Authority has also committed to fund construction projects for Williston State College. The cost of this construction project is not known as of June 30, 2000.

BEGINNING FARMER REVOLVING LOAN FUND

The Loan Fund enters into commitments with the Bank of North Dakota to buydown interest rates on Beginning Farmer Loans originated by the Bank. At December 31, 1999, there were $129,648 in buydown commitments.

STATE FAIR ASSOCIATION

The City of Minot, North Dakota imposed a special one percent sales tax and a special one percent use tax from January 1, 1998, to December 31, 1999, estimated to generate $8,000,000, which is largely dedicated to the expansion and renovation of the All Seasons Arena Complex located on North Dakota State Fair property. The Association has estimated commitments of $7,150,000 for construction costs and architect fees for the expansion or Phase 1 of the project. The Association has received $5,943,684 in sales tax collections from the City of Minot and paid out $6,949,235 in construction costs, which are included in Construction In Progress at September 30, 1999. Unexpended sales tax collections are classified as restricted cash and sales tax collections received in October 1999 are recorded as restricted receivables in the financial statements.

MUNICIPAL BOND BANK

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

PACE FUND

Funds committed to buy down interest rates on loans, but not yet disbursed at June 30, 2000, totaled $621,270.

DEPARTMENT OF HUMAN SERVICES

As of June 30, 2000, the Department of Human Services had significant commitments for the purchase of services as follows (expressed in thousands):

ADA Services	$	202
Administrative Services		987
Alcohol/Drug Abuse Prevention		392
Assisted Technology Services		114
Case Aide Services		1,540
Case Management		113
Child Care/Dependent Services		337
Computer Systems Services		2,927
Consultant		484
Consultation-Psychiatric		427
Detoxification		113
Education Programs		391
Employment and Training		423
Family Preservation		1,702
Guardianship Services		418
Independent Living		613
Inpatient Hospitalization		725
Intensive In-home		1,701
Jobs Program		123
Legal Services		146
Master Contract		200
Mental Health Services		571
Psych/Social Club		212
Psychiatric Services		914
Refugee Assistance		105
Residential Services		3,029
Training Services		743
Utilization Review		267
Total	$	19,919

INDUSTRIAL COMMISSION

As of June 30, 2000, the Industrial Commission had significant commitments of $6,000,000. The commitments are funding for the capture, compression, and transportation of carbon dioxide from the gasification company. The $6,000,000 will be provided as an equity investment of no less than $4,000,000 and a grant of $2,000,000. There are a number of conditions that must be met prior to the funding being provided.

PUBLIC SERVICE COMMISSION

As of June 30, 2000, the Public Service Commission had significant commitments of $629,693. This amount consists primarily of contractor charges associated with the Abandoned Mine Lands.

AERONAUTICS COMMISSION

As of June 30, 2000, the Aeronautics Commission had significant commitments of $350,000. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

ECONOMIC DEVELOPMENT AND FINANCE

As of June 30, 2000, Economic Development and Finance had significant commitments of $488,449. This amount consists of grants for the research and development of North Dakota agriculture products.

DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2000, the Dairy Products Commission had significant commitments of $328,850. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2000, the North Dakota Soybean Council had significant commitments of $212,022. This amount mainly consists of grants for the research and development of soybeans.

STATE WATER COMMISSION

As of June 30, 2000, the State Water Commission had long-term commitments of the following (expressed in thousands):

Atmospheric Resources Board	$	125
Hydrologic Investigations		461
Devils Lake		390
Maple River Flood Control		71
Nesson Valley Irrigation		1,291
Northwest Area Water Supply		74
Southwest Pipeline Project		910
Flood Mitigation Assistance		25
General Contracts		2,095
Elk/Charbon Irrigation District		1,000
Total	$	6,442

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2000, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately $5.1 million of which $2.5 million represents federal programs which are cost reimbursable.

Construction commitments at June 30, 2000, totaled approximately $137.3 million, of which $108.7 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

UNIVERSITY SYSTEMS

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

	Original Issue	Paid To Date	Amount To Be Paid
UND:			
Barnes and Noble Bookstore	$ 2,084	$ 1,901	$ 183
High Voltage Elec. Dist. Upgrade	168	43	125
Telecommunications Infrastructure	239	54	185
Smith Hall Bathroom Renovation	564	-	564
Biomedical Research Facility	3,451	2,670	781
Steam Line Project	21,776	10,538	11,238
NDSU:			
West Dining Center	150	110	40
Animal Care Facility	4,178	382	3,796
Student Wellness Cntr	3,688	669	3,019
Minard Hall	62	38	24
Minot State University:			
North Dome Lobby	380	27	353
Ceramics Lab	60	32	28
Swain Hall	30	3	27
11th Avenue	425	122	303
North Parking	110	6	104
Tunnel Projects	109	17	92
BSC:			
Student Union Renovation	493	138	355
Music Hall Addition	759	49	710
DSU:			
Student Union Improv.	2,809	2,628	181
NDSCS:			
Steam Line	1,126	375	751
Tuckpointing Projects-OM/HOR	199	170	29
Roof Replacements	366	154	212
Exhaust System-TT2 & Bisek	178	29	149
VCSU:			
Life Safety Project	377	-	377
Foss Hall Air Quality	35	-	35

UNIVERSITY OF NORTH DAKOTA

Northwest Airlines has notified UND it intends to terminate a lease agreement between Northwest Airlines/NATCO and UND for rented space in Ryan Hall on UND's campus. This termination would put at risk approximately $1,480,000 in lease receivable at June 30, 2000. The lease agreement was established to offset a loan obtained from the Bank of North Dakota to finance NATCO's commitment to the cost of the building where the space is located. To date, NATCO has missed six of its quarterly lease payments, due May 2, 1999, August 2, 1999, November 2, 1999, February 2, 2000, May 2, 2000, and August 2, 2000. On June 16, 1999, NATCO was served in an action by UND in the Northeastern Division of the U.S. Court for the District of North Dakota. The suit is ongoing and has not yet gone to trial. The Bank of North Dakota agreed to interest-only payments on the NATCO loan beginning with the 7/01/00 quarterly payment and continuing through the 4/01/01 quarterly payment.

NORTH DAKOTA STATE UNIVERSITY

An IRS audit report dated April 28, 1995, assessed NDSU a liability of $323,918 for various employer-related taxes which NDSU did not pay for January 1, 1991, through December 31, 1994. The assessment categories include (a) taxable wages on tenure purchase payments ($268,488) and (b) FICA taxes on J-1 VISA employees ($31,191). NDSU paid the assessment prior to June 30, 1995, to avoid potential interest and penalty, and vigorously contested the IRS's assessment related to the $299,679. A lawsuit was filed by NDSU for a refund with the United States District Court in Fargo. On November 23, 1999, the U.S. District Court came to a decision on this court case. The J-1 VISA issue and NDSU's claim for FICA refund on early retirement payments for administrators (non-tenured employees) were dismissed. NDSU's claim prevailed regarding FICA on tenure buyouts. The IRS has filed an appeal of the FICA on the tenure buyout issue.

OTHER CONSTRUCTION COMMITMENTS

The State has various long-term construction commitments in the following agencies at June 30, 2000 (expressed in thousands):

Office of Management & Budget	$	174
Department of Human Services		914
Department of Transportation		268
Adjutant General		1,741
Veterans' Home		106
Game and Fish		481

B. LITIGATION

There is no litigation at June 30, 2000, in which a loss to the State is probable. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at $220,000 to $10,240,000.

The estimated gain in all the litigation brought by the State in which a gain is probable was $9,328,124. This amount was not accrued in these financial statements.

In November 1998, the North Dakota Attorney General joined forty-five other states and five territories in a settlement agreement against the nation's largest tobacco manufacturer. The Master Settlement Agreement includes base payments to states totaling $220.6 billion for the next 25 years, and continues in perpetuity. North Dakota's share of the settlement is expected to be $866 million over the next 25 years. The amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), or other adjustments will likely cause decreases in the payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State had not settled any cases before June 30, 2000, in which the settlement had not been paid as of June 30, 2000.

C. QUESTIONED COSTS

The State receives federal financial assistance which is subject to review and audit by the Office of the State Auditor and the federal government. This assistance is generally conditioned upon compliance with certain laws and regulations. Disallowed and questioned costs relating to federal assistance could become a liability to the State. The State estimates that the ultimate disallowances pertaining to federal assistance, if any, will be immaterial to its overall financial condition.

The single audit of the State of North Dakota for the two year period ending June 30, 1998, was completed in March of 1999. As a result of this audit, approximately $2,035,000 of identifiable questioned costs were noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

The 1999-2000 single audit will be issued sometime in March of 2001. It is anticipated there will be potential questioned costs against the State as a result of this audit. The State does not believe the results of this audit will have a material impact.

NOTE 19 - SUBSEQUENT EVENTS

HOUSING FINANCE

Subsequent to June 30, 2000, Housing Finance entered into a series of transactions to issue $50,000,000 2000 Series C Housing Finance Program Bonds and issue $60,000,000 2000 Series D Housing Finance Program Bonds.

STUDENT LOAN TRUST

Subsequent to June 30, 2000, the Industrial Commission approved the transfer of $300,000 from the Student Loan Trust to the Guarantee Agency Reserve of the Guarantee Student Loan Program for the supplemental loan program. In addition, it also approved the transfer of $2,400,000 from the Student Loan Trust to the Guarantee Agency Operating Fund of the Guarantee Student Loan Program.

At their November 14, 2000, meeting, the Industrial Commission approved a General Authorization Resolution for the issuance of $63 million in Student Loan Revenue Bonds Series 200A-1, 2000A-2, and 2000B. The terms of the bonds indicate that interest rates cannot exceed 7.50% with a final maturity of not later than December 1, 2035. Proceeds from the bonds are to be used for acquiring U.S. and North Dakota guaranteed student loans and for liquidity needs.

PARKS AND RECREATION

Subsequent to June 30, 2000, Parks and Recreation received approval from the Emergency Commission to borrow $1,400,000 from the Bank of North Dakota to fund the restoration of a state park that was hit with a natural disaster. This approval is treated as a continuing appropriation, and the moneys borrowed are limited to the amount of any estimated federal reimbursement for restoration. If the state contingencies appropriation is inadequate to pay the estimated state share costs, then moneys may be borrowed by Parks and Recreation to cover the remaining costs.

STATE WATER COMMISSION

Subsequent to June 30, 2000, the Commission entered into a series of transactions to issue $983,300 of 1999 A Series Bonds, $1,000,000 of 2000 A Series Bonds, and $383,300 of 2000 B Series Bonds. The proceeds from these transactions were used to fund the Southwest Water Pipeline.

MUNICIPAL BOND BANK

On February 22, 2000, the Bond Bank issued $16,725,000 of State Revolving Fund Program Series A Bonds. These bonds were for the express purpose of providing funds to make loans to certain political subdivisions. Interest rates vary from 4.40% to 6.00%, with maturities ranging from October 1, 2001, to October 1, 2021.

On September 26, 2000, the Industrial Commission approved the issuance of a total $3,100,000 of Capital Financing Program Bonds, Series 2000 B. These bonds are for the express purpose of providing funds to make loans to certain school districts. The interest rate on these bonds is 4.70%, with a maturity date of October 25, 2001.

UNIVERSITY OF NORTH DAKOTA

On July 1, 2000, UND issued $13,770,000 of revenue bonds to refinance the 1990 COPS, existing leases, and acquire new aircraft.

UND received a $700,000 loan from the UND Alumni Foundation on July 1, 2000. Proceeds from the loan are to be used to complete the construction of the bookstore, which is to be operated by Barnes and Noble.

On November 6, 2000, UND was awarded $3.5 million by a jury in Northeast Central District Court. The award came pursuant to a counter-claim filed by UND against Western National Mutual Insurance in August 1999 to cover UND's loss of replacing certain damaged boiler and machinery systems on campus after the 1997 flood.

NORTH DAKOTA STATE UNIVERSITY

On October 21, 2000, an NDSU resident hall was completely destroyed by fire. The building is insured by State Fire and Tornado and has an insured (replacement) value of $789,164, with building contents insured at $116,178.

APPENDIX D

General Information Concerning the North Dakota State Board of Higher Education, Its Facilities and Programs

GENERAL INFORMATION

The North Dakota State Board of Higher Education was established by an initiated measure approved by the voters of North Dakota in 1938 which added Article 54 to the State Constitution. Annually, the Governor nominates a Board member from a list of three names which have been selected by action of four of the following five persons: the President of North Dakota Educational Association, the Chief Justice of the Supreme Court, the Superintendent of Public Instruction, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives, and with the consent of a majority of members-elect of the Senate, serves a four-year term. Members can be reappointed and serve a maximum of two four-year terms. (This method of selecting members of the Board was amended by a vote of the people during the 1996 General Election.) Prior to 1997 a Board member served a seven-year term. The Board is made up of eight voting members and one non-voting faculty representative; seven voting members selected by the method outlined above and one student voting member. The student member is appointed by the Governor from a list of names recommended by the Executive Board of the North Dakota Student Association for a term of one year. The faculty representative is appointed annually by the Council of College Faculties. The State Constitution provides the Board with broad powers and specifies that the Board retains any powers it does not specifically delegate to the campuses. The Board discharges its constitutional responsibilities through policies adopted by the Board and administrative rules and regulations established at various levels.

The North Dakota State Board of Higher Education is the governing body for North Dakota's eleven publicly-supported colleges and universities, which include two research universities, four regional universities, five two-year institutions and related entities which include the Cooperative Extension Service, Research Stations, Medical School and the State Forest Service. The Commissioner of Higher Education serves as the chief executive officer of the Board. The Commissioner is the Chancellor and chief executive officer of the University System. The University System was implemented and the role of Chancellor was created to concentrate in the Commissioner more authority over the State supported institutions of higher education. The Chancellor chairs a cabinet consisting of the presidents and vice chancellors to advise him or her regarding matters affecting the University System. The Chancellor is assisted by three vice chancellors: the Vice Chancellor for Academic Affairs, the Vice Chancellor for Administrative Affairs and the Vice Chancellor for Strategic Planning. Following is a brief biographical sketch of each of these key administrators.

Larry A. Isaak was appointed as Chancellor of the North Dakota University System by the State Board of Higher Education in July 1994. Mr. Isaak was raised on a farm near Drake, North Dakota. He attended the University of North Dakota from 1969 to 1973 earning his B.S. in Business Administration, majoring in accounting. He also received his MBA through UND in 1996. In 1985 he also attended and completed the Stanford University Business Management Institute of the Western Association of College and University Business Officers. He is a certified public accountant. Mr. Isaak worked in a private CPA firm in Grand Forks from 1972 to 1974. In 1974 he began a steady progression of positions with the State of North Dakota. From 1974 to 1981 he was employed with the North Dakota Legislative Council as the Assistant Legislative Budget Analyst and Auditor. From 1981 to 1984 he was employed by the Office of Management and Budget, where he eventually became the State's Executive Budget Analyst. Mr. Isaak joined the University System in 1984 as the Assistant Commissioner for Administration and later as the Vice Chancellor for Administrative Affairs. In 1993, he was assigned the additional duties of student affairs and liaison with the System's Student Affairs Council and the North Dakota Student Association. During these ten years, Mr. Isaak has also been the Director of the Higher Education Computer Network, overseeing policy development and planning for the statewide computing network.

Dr. Michel Hillman was appointed Vice Chancellor for Academic Affairs for the North Dakota University System in June 1996. He previously was the Director of Academic Affairs for the South Dakota Board of Regents, a position he held since 1987. His other experience includes serving as a Research Officer in the South Dakota system of higher education, an Evaluation Specialist for the Division of Law Enforcement Assistance in Pierre, South Dakota, and an Adjunct Professor of Psychology at the University of South Dakota. He received his bachelor's degree in psychology from Slippery Rock State College in Pennsylvania, his master's degree in experimental psychology from Indiana University of Pennsylvania, and his Ph.D. degree in experimental psychology from the University of South Dakota in Vermillion.

Laura Glatt was appointed the Vice Chancellor for Administrative Affairs in July 1995. A native of Bismarck, North Dakota, she earned a B.S. in accounting from the University of Mary in 1983 and a master's in Management from the University of Mary in 1996. She is a certified public accountant. Prior to joining the University staff in 1989, she served as a management and fiscal analyst in the North Dakota Office of Management and Budget, served as Controller for the State Treasurer's office and Cashier for the State Tax Department.

Eddie Dunn was named the Vice Chancellor for Strategic Planning in July 1999. A native of LaMoure, North Dakota, he obtained his Bachelor's and Master's degrees from North Dakota State University where he later became an associate professor of agricultural economics and was also Coordinator for the University's Faculty Development Institute. He later served as an economic development specialist with the Cooperative Extension Service and the Agricultural Experiment Station at North Dakota State University. In 1980-81, he served as Program Leader for Economic Development with the Federal Extension Service for the U.S. Department of Agriculture in Washington, D.C. Prior to joining the University System, Eddie was Vice President for Programs and Economic Development for the Greater North Dakota Association. In addition to serving as Vice Chancellor for Strategic Planning, Eddie is also the Executive Director of the College Technical Education Council, a position he has held since January of 1993.

CAMPUSES AND FACILITIES

Below are brief descriptions of selected institutions of higher education in the state.

The University of North Dakota (UND) is a co-educational institution located in Grand Forks, North Dakota. The campus is in the center of the Red River Valley, one of the richest farming areas in the world. With more than 10,000 students, UND is the largest post-secondary institution in the four-state region of the Dakotas, Montana, and Wyoming.

The University's 170 undergraduate, graduate and professional programs are offered, including a School of Law and Medicine. Major research components include the Energy and Environmental Research Center, Center for Aerospace Sciences and Human Nutrition Laboratory. The University also operates a graduate center in Bismarck.

The campus itself includes nearly 570 acres and 5 million square feet of space. UND is the largest public or private employer in North Dakota with approximately 2,100 full-time employees. The University's and related entities budget from all sources for the fiscal year beginning July 1, 2000 is $270 million, of which about one-quarter was expected to come from the State Treasury.

North Dakota State University (NDSU), North Dakota's land-grant institution, was founded in 1862. It is located in the Red River Valley in eastern North Dakota, in the city of Fargo. There are approximately 9,900 students enrolled in the fully accredited colleges of Agriculture, Business Administration, Engineering and Architecture, Home Economics, Humanities and Social Sciences, Science and Mathematics, Pharmacy and University Studies, the School of Education and the Graduate School.

The main campus includes approximately 85 buildings covering nearly 30 square blocks. NDSU also oversees the operations of the State Forest Service, Extension Service, Upper Great Plains Transportation Institute, Northern Crops Institute and the Main Research Station and its eight branches. North Dakota State University and related entities employ over 1,800 full-time equivalent employees with an annual operating budget from all sources of $234 million for the fiscal year beginning July 1, 2000 for the University and related entities.

Minot State University (MiSU) is a comprehensive, mid-size university offering 50 undergraduate degrees and nine master's degree programs. Current enrollment is nearly 3,100 students. Programs are offered in five colleges: Education and Human Services, Business, Arts and Sciences, Nursing and the Graduate School. MiSU has a branch campus in Bottineau.

The campuses encompass 41 buildings with 1.2 million square feet. MiSU and its branch campus employ 400 full-time equivalent personnel and has a $51 million operating budget for the fiscal year beginning July 1, 2000 for MiSU and MiSU-BC.

Williston State College (WSC), located in Williston, is a two-year state college that offers a broad range of classes in the area of general education and pre-professional programs. Its current enrollment is over 600 students.

WSC has 62 full-time employees and a $8.9 million annual budget for the fiscal year beginning July 1, 2000.

ACADEMIC INFORMATION

The North Dakota Board of Higher Education currently operates under an open door admission policy. Current requirements are: (1) the applicant must be a high school graduate or have successfully completed the GED test, and (2) for undergraduate admission, the applicant must submit the scores from either the ACT or SAT, with a limited number of exceptions. The institutions may limit admission to selected undergraduate and graduate programs based on considerations other than high school records, test scores, residence academic records and transfer records. Examples of such considerations may include, but are not limited to, the following: facility or instructional equipment limitations; number of qualified faculty or support staff; and financial resources. In April, 1990, the State Board of Higher Education adopted new admission requirements for its four-year institutions. The new requirements became effective the summer term of 1993. The following high school courses constitute the new minimum admission requirements:

- 4 units of English
- 3 units of mathematics, algebra I or above
- 3 units of lab science, including at least 2 in biology, chemistry, physics, or physical science
- 3 units of social studies, excluding consumer education, cooperative marketing, orientation to social science, and marriage/family.

In addition, two units of a single classical or modern language, including American Sign Language and Native American languages and the completion of algebra II (advanced algebra), are strongly recommended. Again, institutions may limit admission to selected undergraduate and graduate programs based on other criteria, including scholastic achievement.

TUITION AND FEES

Academic Year	UND	NDSU	MiSU	WSC
2001-02 (est.)	$3,237	$3,262	$2,554	$1,966
2000-01	3,088	3,010	2,425	1,916
1999-00	2,956	2,886	2,330	1,876
1998-99	2,830	2,730	2,241	1,806
1997-98	2,677	2,566	2,106	1,806
1996-97	2,528	2,410	2,044	1,806
1995-96	2,428	2,310	1,960	1,758
1994-95	2,428	2,310	1,960	1,758
1993-94	2,298	2,219	1,836	1,758
1992-93	2,165	2,032	1,710	1,708
1991-92	2,145	2,249	1,701	1,678
1990-91	2,040	2,166	1,653	1,678

Note: Tuition and fees for full-time undergraduate resident students.

FALL FTE STUDENT ENROLLMENT

Academic Year	UND	NDSU	MiSU	WSC
2000-01	9,302	8,469	2,491	550
1999-00	8,911	8,253	2,491	550
1998-99	8,684	8,142	2,597	592
1997-98	8,725	8,079	2,727	663
1996-97	9,221	8,190	2,964	702
1995-96	9,390	8,196	3,134	714
1994-95	9,463	8,092	3,216	702
1993-94	9,671	7,917	3,417	738
1992-93	10,059	7,504	3,278	717
1991-92	9,786	7,254	3,349	622
1990-91	9,837	7,243	3,394	599

OUTSTANDING INDEBTEDNESS OF THE BOARD - FOR SELECTED CAMPUSES

University of North Dakota:

	Interest Rate	Original Issue	6/30/00 Balance
Energy and Environmental Research Revenue Bonds	6.15%-6.40%	2,845,000	$ 1,025,000
Housing and Auxiliary Facilities Revenue Bonds (Series 1993A)	4.40%-5.25%	5,210,000	4,060,000
Technology Fee Bonds (Series 1996)	4.20%-4.75%	1,407,205	964,000
Housing (Series 1998A)	4.05%-4.80%	22,560,000	22,520,000
Total Bonds Payable			$28,569,000

The principal of and interest on the bonds are payable only from the net income of specific auxiliary activities, from designated student fees, or from debt reserve funds.

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The minimum principal repayments required on the outstanding bonds payable for the next four years ending June 30 are as follows:

2001	$1,563,130
2002	2,016,649
2003	2,118,684
2004	1,798,961

North Dakota State University:

	Interest Rate	Original Issue	6/30/00 Balance
Housing and Auxiliary Facilities Revenue Refunding (Series 1992)	5.90-6.50%	$ 8,810,000	$ 7,310,000
Housing and Auxiliary Facilities Revenue Bonds (Series 1988)	7.10%-7.70%	2,500,000	435,000
Technology Fee Bonds (1996)	4.20%-4.75%	976,385	669,000
Refunding Bonds (Series 1996B)	4.45%-5.25%	1,175,000	1,110,000
Student Health & Wellness Center (1999)	5.00%-5.60%	3,500,000	3,455,000
Total Bonds Payable			$12,979,000

The principal of and interest on the bonds are payable only from the net income of specific auxiliary activities, from designated student fees, or from debt reserve funds.

The minimum principal repayments required on the outstanding bonds payable for the next four years ending June 30 are as follows:

2001	$775,808
2002	762,875
2003	868,131
2004	856,418

Minot State University:

	Interest Rate	Original Issue	6/30/00 Balance
Bottineau Milligan Hall (1971)	6.90%	$ 390,000	$ 241,000
Refunding Bonds (1992)	6.40%-6.75%	2,620,000	1,395,000
Student Center (1994)	4.20%-5.50%	2,000,000	1,625,000
Technology Fee (1996)	4.20%-4.75%	300,000	206,000
Bottineau Technology Fee (1996)	4.20%-4.75%	28,955	20,000
Total Bonds Payable			$3,487,000

The principal of and interest on the bonds are payable only from the net income of specific auxiliary activities, from designated student fees, or from debt reserve funds.

The minimum principal repayments required on the outstanding bonds payable for the next four years ending June 30 are as follows:

2001	$545,784
2002	359,856
2003	559,001
2004	383,989

Williston State College:

	Interest Rate	Original Issue	6/30/00 Balance
Student Housing (1979)	3.00%	$546,000	$306,000
Technology Fee Bonds	4.20%-4.75%	72,535	50,000
Total Bonds Payable			$356,000

The principal of and interest on the bonds are payable only from the net income of specific auxiliary activities, from designated student fees, or from debt reserve funds.

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APPENDIX E

Form of Legal Opinion

Cook Wegner & Wike PLLP

Maurice E. Cook
Scott D. Wegner*
Jaclin M. Wike

*Also Licensed in South Dakota and Minnesota

Attorneys at Law

June 27, 2001

Industrial Commission of North Dakota
acting as the North Dakota Building Authority

and

$13,225,000
STATE OF NORTH DAKOTA
NORTH DAKOTA BUILDING AUTHORITY
LEASE REVENUE BONDS
(WILLISTON STATE COLLEGE, formerly known as UND-WILLISTION,
HEALTH AND WELLNESS CENTER
AND MINOT STATE UNIVERSITY OLD MAIN RENOVATION)
2001 SERIES A

We have acted as bond counsel in connection with the issuance by the Industrial Commission of North Dakota acting in its capacity as the North Dakota Building Authority (the "**Authority**") of $13,225,000 State of North Dakota, North Dakota Building Authority, Lease Revenue Bonds, (Williston State College, formerly known as UND-Williston, Health and Wellness Center and Minot State University Old Main Renovation) 2001 Series A (the "**Bonds**"). The Bonds are issued pursuant to Chapter 54-17.2 of the North Dakota Century Code (the "**Act**"), a General Authorization Resolution dated May 24, 2001 and a Trust Indenture of the Authority dated as of ___________, 2001 (the "**Indenture**") and are issuable in denominations of $5,000 or any integral multiple thereof, of single maturities. (Capitalized terms used herein and not otherwise defined shall have the same meanings as ascribed to such terms in the Indenture.)

The Bonds are dated June 1, 2001 and will mature on December 1 in the years and in the respective principal amounts as provided by the Indenture. The Bonds will bear interest from their dated date payable semiannually thereafter on the first day of June and December (commencing December 1, 2001) at the respective rates per annum set forth in the Indenture.

The Bonds are subject to redemption prior to maturity as a whole or in part at such time or times, under such circumstances, at par and in such manner as is set forth in the Indenture. The Bonds are issuable only in the form of fully registered book-entry bonds without coupons, and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement).

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination, we are of opinion, as of the date hereof, as follows:

1. The Authority is duly created and validly existing under the constitution and laws of the State of North Dakota with the power to adopt the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Indenture has been duly adopted by the Authority and constitutes a valid and binding obligation of the Authority enforceable upon the Authority in accordance with its terms and limitations.

3. The Bonds have been authorized for the purpose of the financing of projects (the "**Projects**") for the North Dakota State Board of Higher Education (the "**Agency**").

4. Pursuant to the Act, the Indenture creates a valid lien on the Projects and any Additional Security and appropriated rental revenue pledged by the Indenture as security for the Bonds.

5. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

6. Under existing law, the interest on the Bonds is excluded from gross income of the owners for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the Agency comply with all requirements of the Internal Revenue Code of 1986, as amended, (the "**Code**") that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Authority and the Agency have covenanted to comply with all such requirements. The Bonds have not been designated as "qualified tax-exempt obligations" under Section 265 of the Code. Interest on the Bonds is not subject to taxation by the state of North Dakota or any county, municipality or political subdivision thereof except for the taxes imposed on certain financial institutions under North Dakota Century Code Chapter 57-35.3. We express no opinion regarding other local, state or federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully Submitted,
COOK WEGNER & WIKE PLLP

APPENDIX F

Form of Undertaking to Provide Continuing Disclosure

NORTH DAKOTA BUILDING AUTHORITY
LEASE REVENUE BONDS
2001 SERIES A -- $13,165,000

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. This constitutes the written undertaking (the "**Undertaking**") of the Industrial Commission of North Dakota, acting as the North Dakota Building Authority (the "**Authority**") for the benefit of a holder's or holders' beneficial interests in the captioned bonds (the "**Bonds**") as issued pursuant to that 2001 Series A Trust Indenture and Assignment of Lease Rentals adopted by the Authority as of June ____, 2001 (the "**Indenture**") required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, § 240.15c2-12) (the "**Rule**"). Capitalized terms used herein and not otherwise defined in the Indenture shall have the meanings assigned such terms in Section 4 hereof.

Section 2. To the extent there are appropriated or other legally available funds for these purposes, the Authority undertakes to provide the following information as provided in this Undertaking:

A. Annual Financial Information;

B. Audited Financial Statements; and

C. Material Event Notices.

Section 3.

A. The Authority shall while any Bonds are Outstanding provide the Annual Financial Information on or before December 15th of each year (the "**Report Date**"), beginning in 2001, to the Trustee and to each then existing NRMSIR and the SID, if any. The Authority shall include with each submission of Annual Financial Information to the Trustee a written representation addressed to the Trustee to the effect that the Annual Financial Information is the Annual Financial Information required hereby and that it complies with the applicable requirements hereof. It shall be sufficient if the Authority provides to each then existing NRMSIR, any SID and the Trustee the Annual Financial Information by specific reference to documents previously provided to each NRMSIR and any SID or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

B. (i) If a Material Event occurs while any Bonds are Outstanding, the Authority shall provide a Material Event Notice in a timely manner to the Trustee and the MSRB and any SID. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(ii) The Trustee shall promptly advise the Authority whenever, in the course of performing its duties as Trustee hereunder, the Trustee identifies an occurrence which, if material, would require the Authority to provide a Material Event Notice pursuant to Section 3(B)(i); provided that the failure of the Trustee so to advise the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities hereunder.

C. The Trustee shall, without further direction or instruction from the Authority, provide in a timely manner to the MSRB and to any SID notice of any failure by the Authority while any Bonds are Outstanding to provide the Trustee Annual Financial Information on or before the Report Date. For the purposes of determining whether information received from the Authority is Annual Financial Information, the Trustee shall be entitled conclusively to rely on the Authority's written representation made pursuant to Section 3(A) of this Undertaking.

Section 4. The following are the definitions of the capitalized terms used herein and not otherwise defined in this Undertaking.

"Annual Financial Information" means the financial information, which shall be based on financial statements prepared in accordance with generally accepted accounting principles **("GAAP")** for governmental units as prescribed by the Governmental Accounting Standards Board **("GASB")** or operating data with respect to the Authority, provided at least annually, of the type included in those sections of the final official statement with respect to the Bonds attached thereto as Appendix C and Appendix A pages A-5 through A-12, which Annual Financial Information may, but is not required to, include Audited Financial Statements.

"Audited Financial Statements" means the Authority's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State.

"Material Event" means any of the following events, if material, with respect to the Bonds:

(a) Principal and interest payment delinquencies;

(b) Non-payment related defaults;

(c) Unscheduled draws on debt service reserves reflecting financial difficulties;

(d) Unscheduled draws on credit enhancements reflecting financial difficulties;

(e) Substitution of credit or liquidity providers, or their failure to perform;

(f) Adverse tax opinions or events affecting the tax-exempt status of the security;

(g) Modifications to rights of security holders;

(h) Bond calls (other than sinking fund redemptions);

(i) Defeasances;

(j) Release, substitution, or sale of property securing repayment of the securities; and

(k) Rating changes.

"Material Event Notice" means written or electronic notice of a Material Event.

"MSRB" means the Municipal Securities Rulemaking Board located at 1150 18th Street NW, Suite 400, Washington, DC 20036.

"NRMSIR" means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule, and which list is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm;

"SID" means a state information depository as operated or designated by the State as such for the purposes referred to in the Rule. As of the date hereof there is no SID.

Section 5. Unless otherwise required by law and subject to technical and economic feasibility, the Authority and the Trustee shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Authority's information.

Section 6. The continuing obligation hereunder of the Authority to provide Annual Financial Information, Audited Financial Statements, if any, and Material Event Notices shall terminate immediately once the Bonds no longer are Outstanding. Any provision hereof shall be null and void in the event that the Authority delivers to the Trustee an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds; provided that the Authority shall have provided notice of such delivery and the cancellation hereof to each then existing NRMSIR and the SID, if any.

Section 7.

A. In the event of a failure of the Authority to provide to the Repositories the Annual Financial Information as required by this Undertaking, the registered holder or holders of beneficial interest in any Bonds may take only such actions as may be necessary to cause the Authority to comply with its obligations to provide Annual Financial Information under this Undertaking.

B. Notwithstanding the foregoing, no registered holder or holders of a beneficial interest in the Bonds shall have the right to challenge the content or adequacy of the information provided hereto by mandamus, specific performance or other equitable proceedings unless the registered holder or holders of beneficial interest in the Bonds representing at least 25% aggregate principal amount of outstanding Bonds shall join in such proceedings.

C. A default under this Undertaking shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Undertaking in the event of any failure of the Authority to comply with this Undertaking shall be an action to compel performance.

D. Notwithstanding any other provision in this Undertaking, neither the State, the Authority, or any officer, director, employee, or agent thereof shall be liable for any claims for monetary damages or attorneys' fees whatsoever for any breach of this Undertaking.

Section 8. Information may be obtained from an Authorized Officer, as designated in the Indenture. Additionally, the Authority may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking.

Section 9. The Trustee shall be entitled to the protections afforded to the Trustee in the Indenture with regard to the performance of any of the duties required of the Trustee by this Undertaking.

Section 10. Notwithstanding any other provision of this Undertaking, the Authority by resolution authorizing such amendment, may amend this Undertaking without the consent of the registered holders or holders of beneficial interests if an opinion of nationally recognized bond counsel is obtained by the Authority to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Undertaking with the Rule or materially impair the interest of registered holders or holders of beneficial interests; if:

A. The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority or type of business conducted;

B. This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The Annual Financial Information initially following the amendment containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

Dated this _____ day of June, 2001.

North Dakota Building Authority

By: ___________________________________
An Authorized Officer

Bank of North Dakota, as Trustee

By: ___________________________________
An Authorized Officer

APPENDIX G

Specimen Financial Guaranty Insurance Policy