

TESTIMONY FOR  
LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

October 2, 2014

2013 Comprehensive Annual Financial Report (CAFR)

The CAFR contains several financial statements, including those for the State as a whole and for various fund types. The Management's Discussion and Analysis Section of the CAFR on pages 20 through 30 gives a summary of the statements and fund types and also includes comparative condensed statements which show the changes in the State's financial position from one fiscal year to the next.

These condensed statements have a total column for the State as a whole; a column for Governmental Activities, which includes the state's services supported by governmental funds such as the general fund and special revenue funds; and a Business type activities column, which includes those entities such as the University System and the Bank of North Dakota.

Comparative statements of net position and changes in net positions are on pages 23 and 24. From these statements, you can see that the State's total net assets went from \$10.9 billion in 2012 to \$14.1 billion in 2013. Net position for 2013 was \$3.2 billion compared to a net position of \$2.2 billion in 2012. Both Governmental and Business type activities had an increase in net position from the prior fiscal year. The governmental activities net position increased primarily because of increased oil and gas tax revenues. The Business type activities increase was due in large part to University Systems increase in investment income and an increase in tuition fees and revenues.

Pages 25 and 26 have pie charts showing how the largest revenues and expenses for the state's governmental activities, with explanations of the changes in net assets for both Governmental and Business-type activities on these pages as well.

The Government wide financial statements start on Page 32, beginning with the Statement of Net Position, with the Statement of Activities following on page 34. These statements present information for the State as a whole. Similar to consolidated statements that businesses prepare, certain balances and transactions between state agencies or funds have been eliminated in these government-wide statements. The Statement of Activities, on pages 34-35, presents the expenses and the program revenues of each function of the government in order to present the net expense or revenue of each function. The format of this statement is intended to show which functions are self-supporting and which are reliant on the state's general revenues. For example, the Health and Human Services function has expenses of \$1.349 billion which were supported by about \$805 million in program revenues, with the remainder, \$514 million financed with the state's general revenues. The bottom of the statement reports the general revenues of the state, most of which are tax revenues.

The Fund statements begin on page 38. The first set of statements are for governmental funds and are presented by the state's Major Funds, which are the General and two Special Revenues funds, the Federal fund and the State fund, with a total column for non-major funds. Due to changes made in 2011 because of GASB 52 there are funds other than the general fund included in the General fund column and all other special revenue funds, other than the Federal fund, have

been combined under a State Special Revenue fund. Fund balance categories include nonspendable, restricted, committed, assigned and unassigned.

Some of the larger funds included in the General fund are the Property Tax relief fund, the Legacy fund, the Disaster Relief fund, the Budget Stabilization fund, and the Centers of Excellence fund. On page 38 you will see a total fund balance of \$4.3 billion for the general fund. Of this balance, the unassigned \$2.1 billion is basically what most consider to be the general fund and the nonspendable and committed balance of \$2.2 billion is the other funds. The largest balances of this committed amount are for the Budget Stabilization fund , \$402 million, and the Property Tax Relief fund , \$346 million. The balance of the nonspendable balance is the Legacy fund of \$1.3 billion.

The State Special Revenue fund includes nearly 250 individual funds with a total fund balance of \$4.9 billion. Some of the larger funds and their fund balances included are the Common Schools Trust Fund with \$2.6 billion; the Land and Minerals Trust fund with \$970 million; and the Foundation Aid Stabilization fund with \$335 million. All these fund balances are either in the restricted or committed categories.

The Proprietary funds statements begin on page 42 and are presented by major enterprise funds, the Bank of ND, Housing Finance, University System, and Workforce Safety and Insurance with a column for nonmajor funds. Statements for Fiduciary funds, which include all Pension funds, and Component Units follow these statements.

The next section of the CAFR is the Notes to the Financial Statements. There is an index for the notes on pages 56-57, which you can use to find specific information in the notes. The notes include detailed information on such things as capital assets, long term debt, and long term commitments.

Following the notes, starting on page 132, are Budgetary Schedules for the General Fund, Federal Fund and State Special revenue fund. After the Schedule for each of these funds, there is Budget to GAAP reconciliation as the financial statements and the Budget do not use the same accounting basis.

Financial statements for the non-major funds, by fund type: permanent, debt service, capital projects, enterprise, internal service and fiduciary funds start on page 141. The totals for these nonmajor funds are on the Basic statements at the front of the CAFR.

In addition to the CAFR, we prepared a Biennium Budget and Actual Detail Report for the fiscal year ending 2013. You should have a copy of this report also. This report provides a detailed comparison of budgeted and actual expenditures and appropriation by department for the biennium.

Are there any questions? Thank you.