

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NORTH DAKOTA)

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Governor Kelly Armstrong
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the North Dakota Public Finance Authority, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the North Dakota Public Finance Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the North Dakota Public Finance Authority, as of December 31, 2025 and 2024, and the respective changes in financial position, and, where applicable, cash flows thereof, and the statement of appropriations, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the North Dakota Public Finance Authority are intended to present the financial position, changes in financial position, cash flows and appropriations of only the portion of the State of North Dakota that is attributable to the North Dakota Public Finance Authority. They do not purport to, and do not, present fairly the financial position of the State of North Dakota, as of December 31, 2025 and 2024, the changes in its financial position, its cash flows or appropriations for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Authority has adopted new accounting guidance, GASB Statement No. 103 *Financial Reporting Model Improvements*. Our opinions are not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be

independent of the North Dakota Public Finance Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota Public Finance Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota Public Finance Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the North Dakota Public Finance Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of employer's share of net pension liability, and schedule of employer contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Public Finance Authority's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026 on our consideration of the North Dakota Public Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota Public Finance Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Dakota Public Finance Authority's internal control over financial reporting and compliance.



BRADY MARTZ
BISMARCK, NORTH DAKOTA

March 9, 2026

**NORTH DAKOTA PUBLIC FINANCE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025 AND 2024
(In Thousands)**

OVERVIEW OF THE FINANCIAL STATEMENTS:

The discussion and analysis are intended to serve as an introduction to the North Dakota Public Finance Authority's (PFA's) financial statements for the years ended December 31, 2025 and 2024. The financial statements of the PFA consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

Government-wide financial statements provide a broad view of the PFA's operations in a manner similar to a business entity, providing both short-term and long-term information about the PFA's financial position. These statements include the Statements of Net Position and the Statements of Activities. The government-wide statements combine the PFA's special revenue fund and proprietary funds.

PFA's special revenue fund financial statements focus on the near-term inflows and outflows of spendable resources, and the balances available for future spending. Bond proceeds are shown as a revenue source, bond repayments are shown as an expenditure, and accrued interest is not included on the fund statements. Special Revenue fund statements include the Balance Sheets, Reconciliations of the Balance Sheets-Special Revenue Fund to the Statements of Net Position, Statements of Revenues, Expenditures, and Changes in Fund Balances, and the Reconciliations of the Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statements of Activities.

Proprietary fund financial statements provide accounting information similar to that of many other business entities. The Statements of Net Position summarize the assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. It also serves as the basis for analysis of the soundness and liquidity of the PFA. The Statements of Revenues, Expenses and Changes in Net Position summarize the PFA's operating performance for two years. The Statements of Cash Flows summarizes the flow of cash through the PFA as it conducts its business.

TYPES OF INFORMATION IN THE FINANCIAL STATEMENTS:

Cash and Investments - Certain PFA cash and investments, which are included in the restricted current and non-current assets, are restricted for the debt service of bond issues or for the purchase of municipal securities.

Municipal Securities - Obligations of North Dakota political subdivisions are classified separately on the balance sheet as municipal securities. These investment securities are primarily city and water district obligations and are pledged to the various bond issues.

Bonds Payable - To provide local political subdivisions with funds to finance projects, the PFA has issued bonds to facilitate the purchase of the political subdivision's municipal securities. The bonds are direct obligations of the PFA and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Grants and set-asides - Under an agreement with the North Dakota Department of Environmental Quality, the PFA assists in administering the State Revolving Loan Fund. The purpose of the Loan Fund is to provide low-cost financing to local political subdivisions to finance wastewater disposal system projects and drinking water projects. The federal Environmental Protection Agency (EPA) provides capitalization grants. Capitalization grants require that the state provide 20% match which is funded through bonds issued by the PFA and loan administration fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2025 AND 2024
(In Thousands)

FINANCIAL SUMMARY - GOVERNMENTAL ACTIVITIES ANALYSIS:

GOVERNMENTAL ACTIVITIES CONDENSED STATEMENT OF NET POSITION
DECEMBER 31,

	2025	2024	2025 vs. 2024	
			Dollar Variance	Percentage Variance
ASSETS				
CURRENT ASSETS - RESTRICTED	\$ 84,652	\$ 141,160	\$ (56,508)	-40.03%
NONCURRENT ASSETS - RESTRICTED	21,423	-	21,423	100.00%
TOTAL ASSETS	106,075	141,160	(35,085)	-24.85%
LIABILITIES				
CURRENT LIABILITIES	32,179	31,511	668	2.12%
NONCURRENT LIABILITIES	591,501	621,841	(30,340)	-4.88%
TOTAL LIABILITIES	623,680	653,352	(29,672)	-4.54%
NET POSITION				
UNRESTRICTED	(517,605)	(512,192)	(5,413)	1.06%
TOTAL NET POSITION	\$ (517,605)	\$ (512,192)	\$ (5,413)	1.06%

GOVERNMENTAL ACTIVITIES CONDENSED STATEMENT OF ACTIVITIES
DECEMBER 31,

	2025	2024	2025 vs. 2024	
			Dollar Variance	Percentage Variance
NONOPERATING REVENUE				
Investment income	\$ 3,913	\$ 13,556	\$ (9,643)	-71.13%
	3,913	13,556	(9,643)	-71.13%
TOTAL REVENUE	3,913	13,556	(9,643)	-71.13%
OPERATING EXPENSES				
Interest expense	21,979	22,603	(624)	-2.76%
Other	61	64	(3)	-4.69%
	22,040	22,667	(627)	-2.77%
TRANSFERS	12,714	(196,709)	209,423	-106.46%
CHANGE IN NET POSITION	(5,413)	(205,820)	200,407	-97.37%
TOTAL NET POSITION, BEGINNING OF YEAR	(512,192)	(306,372)	(205,820)	-67.18%
TOTAL NET POSITION, END OF YEAR	\$ (517,605)	\$ (512,192)	\$ (5,413)	1.06%

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2025 AND 2024
(In Thousands)

The Public Finance Authority's Governmental Funds show Legacy Bond Activity. The PFA's Legacy Fund Infrastructure Bond Program (Legacy Bonds) was established in 2021 to transfer funds to the Bank of North Dakota (BND) to allocate to legislature approved state infrastructure projects and programs. PFA issued Legacy Bonds (rated Aa2 by Moody's and AA by S&P) of \$320,915 in 2022 and \$389,200 in 2021. Bond payments are funded by transfers from ND Legacy Fund earnings, earnings on unspent bond proceeds and capitalized interest. The bond requirements for the 2025-2027 biennium are \$102,623 and were transferred from the general fund in 2025. Project funds transferred to BND totaled \$89,909 in 2025 and \$196,709 in 2024. Legacy Bond fund financials are shown in the Special Revenue Fund financial statements.

FINANCIAL SUMMARY - BUSINESS-TYPE ACTIVITIES ANALYSIS:

PROPRIETARY FUNDS CONDENSED STATEMENT OF NET POSITION
DECEMBER 31,

	2025	2024	2025 vs. 2024	
			Dollar Variance	Percentage Variance
ASSETS				
CURRENT ASSETS - RESTRICTED	\$ 180,712	\$ 257,934	\$ (77,222)	-29.94%
NONCURRENT ASSETS - RESTRICTED	<u>1,102,803</u>	<u>994,795</u>	<u>108,008</u>	<u>10.86%</u>
TOTAL ASSETS	<u>1,283,515</u>	<u>1,252,729</u>	<u>30,786</u>	<u>2.46%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>72</u>	<u>125</u>	<u>(53)</u>	<u>-42.40%</u>
LIABILITIES				
CURRENT LIABILITIES	31,090	32,284	(1,194)	-3.70%
NONCURRENT LIABILITIES	<u>489,378</u>	<u>521,842</u>	<u>(32,464)</u>	<u>-6.22%</u>
TOTAL LIABILITIES	<u>520,468</u>	<u>554,126</u>	<u>(33,658)</u>	<u>-6.07%</u>
DEFERRED INFLOWS OF RESOURCES	<u>13,827</u>	<u>15,250</u>	<u>(1,423)</u>	<u>-9.33%</u>
NET POSITION				
UNRESTRICTED	2,483	2,273	210	9.24%
RESTRICTED FOR DEBT SERVICE	118,219	120,398	(2,179)	-1.81%
RESTRICTED FOR LOAN PURPOSES	<u>628,590</u>	<u>560,807</u>	<u>67,783</u>	<u>12.09%</u>
TOTAL NET POSITION	<u>\$ 749,292</u>	<u>\$ 683,478</u>	<u>\$ 65,814</u>	<u>9.63%</u>

The Public Finance Authority's proprietary fund financial statements show the State Revolving Fund (SRF) program and Capital Financing Program (CFP) loan fund activity. In its proprietary funds, total assets increased modestly from 2024 to 2025 due to a large increase in municipal securities (loans outstanding), which was offset by a large decrease in cash and investments. Municipal securities increased 10.3% from \$1,043,281 in 2024 to \$1,150,479 in 2025 due to a continued strong demand for project funding. There was \$240,055 of loans funded

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2025 AND 2024
(In Thousands)

in 2025 and \$145,757 of loans funded in 2024. PFA anticipates loan demand will remain strong as these projects are constructed over the next one to two years. SRF loans are funded with grant revenues, bond proceeds, and loan repayments, which are invested until loans are funded. Proprietary fund investments decreased by 66.2% to \$29,678 in 2025 from \$87,820 in 2024 due to continued funding of loans from the remaining investments purchased in 2024 with SRF bond proceeds.

The statement of net position indicates that the PFA continues to have adequate resources to provide for bond repayments. Change in net position of the PFA proprietary funds was \$65,814 in 2025 and \$43,202 in 2024, providing the PFA with an overall strong financial position. Grant proceeds account for a significant portion of net position. Federal law provides that grants may only be expended for SRF program purposes, and net position is restricted for debt service of bond issues or for the purchase of municipal securities.

**PROPRIETARY FUNDS CONDENSED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31,**

	2025	2024	2025 vs. 2024	
			Dollar Variance	Percentage Variance
OPERATING REVENUES				
Investment income	\$ 20,600	\$ 20,434	\$ 166	0.81%
Grant and set-asides	81,808	57,595	24,213	42.04%
Administrative fees and other	5,215	4,794	421	8.78%
	<u>107,623</u>	<u>82,823</u>	<u>24,800</u>	<u>29.94%</u>
NONOPERATING REVENUE				
Investment income	6,918	6,447	471	7.31%
	<u>6,918</u>	<u>6,447</u>	<u>471</u>	<u>7.31%</u>
TOTAL REVENUE	<u>114,541</u>	<u>89,270</u>	<u>25,271</u>	<u>28.31%</u>
OPERATING EXPENSES				
Interest expense	17,390	17,018	372	2.19%
State Revolving Fund expenses	30,943	27,472	3,471	12.63%
Amortization of bond issue costs	-	1,096	(1,096)	-100.00%
Other	394	482	(88)	-18.26%
	<u>48,727</u>	<u>46,068</u>	<u>2,659</u>	<u>5.77%</u>
CHANGE IN NET POSITION	<u>65,814</u>	<u>43,202</u>	<u>22,612</u>	<u>52.34%</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>683,478</u>	<u>640,276</u>	<u>43,202</u>	<u>6.75%</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 749,292</u>	<u>\$ 683,478</u>	<u>\$ 65,814</u>	<u>9.63%</u>

State Revolving Fund (SRF) grant and set-asides revenue increased 42% from 2024 due to more capitalization grants provided by the Infrastructure Investment and Jobs Act (IIJA) in 2025 than in 2024.

State Revolving Fund expenses also increased from 2024, largely due to the capitalization grants' requirement to provide loan forgiveness, which is presented as an expense on the Statement of Revenues, Expenses and

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2025 AND 2024
(In Thousands)

Changes in Net Position. Loan forgiveness increased to \$21,611 in 2025 from \$16,536 in 2024 due to IIJA funds requiring a higher subsidization level.

LONG-TERM FINANCING:

The Capital Financing Program “CFP” (rated A+ by Standard and Poor’s) issued refunding and new issue bonds totaling \$43,610 in 2025, refunding \$45,490 in 2015 bonds, resulting in a net decrease to bonds payable of \$1,880. No CFP bonds were issued in 2024. The State Revolving Fund Loan Program (rated Aaa by Moody’s and AAA by S&P) issues bonds to leverage the program. No SRF bonds were issued in 2025. SRF bonds were issued in 2024 totaling \$200,920. Further details are contained in Note 5 to the financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS:

PFA plans to issue SRF program bonds in 2026

A State Revolving Fund bond issuance is planned for 2026. The 2024 SRF bond proceeds have been fully spent amid a continued strong demand for project financing.

Continued IIJA financing

2026 is the fifth and final year of additional SRF capitalization grants funded by the Infrastructure Investment and Jobs Act (IIJA). The 2026 IIJA grants are anticipated to contain a seven-year project period to spend the awarded funds, with grant funds received as they are spent.

Economic Factors and Budgetary Information

Note 1 to the financial statements discusses the PFA’s economic dependence on North Dakota political subdivision municipal securities obligations.

As discussed in financial statement Note 1, the PFA, an agency of the Industrial Commission, operates through a biennial appropriation provided by the State Legislature. The PFA prepares a biennial budget as a part of the Industrial Commission’s budget, which is included in the Governor’s budget that is presented to the General Assembly at the beginning of each legislative session. The PFA has a continuous appropriation of income from operations. Changes to the appropriation not falling under the continuing appropriation are subject to approval by the State Emergency Commission.

Contacting the North Dakota Public Finance Authority’s financial management:

The information in this report is intended to provide the reader with an overview of the PFA’s operations along with the PFA’s accountability for those operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Dakota Public Finance Authority, PO Box 5509, Bismarck, ND 58506-5509.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF NET POSITION
GOVERNMENT-WIDE
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
ASSETS						
CURRENT ASSETS						
Restricted						
Cash and cash equivalents	\$ 33,177	\$ 50,850	\$ 97,257	\$ 115,724	\$ 130,434	\$ 166,574
Interest receivable	171	192	6,101	5,904	6,272	6,096
Investments	51,304	90,118	22,243	84,074	73,547	174,192
Municipal securities	-	-	55,111	52,232	55,111	52,232
Total restricted current assets	<u>84,652</u>	<u>141,160</u>	<u>180,712</u>	<u>257,934</u>	<u>265,364</u>	<u>399,094</u>
Total current assets	<u>84,652</u>	<u>141,160</u>	<u>180,712</u>	<u>257,934</u>	<u>265,364</u>	<u>399,094</u>
NONCURRENT ASSETS - RESTRICTED						
Investments	21,423	-	7,435	3,746	28,858	3,746
Municipal securities	-	-	1,095,368	991,049	1,095,368	991,049
Total restricted noncurrent assets	<u>21,423</u>	<u>-</u>	<u>1,102,803</u>	<u>994,795</u>	<u>1,124,226</u>	<u>994,795</u>
Total assets	<u>106,075</u>	<u>141,160</u>	<u>1,283,515</u>	<u>1,252,729</u>	<u>1,389,590</u>	<u>1,393,889</u>
DEFERRED OUTFLOWS OF RESOURCES						
Derived from pension	-	-	72	125	72	125
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>72</u>	<u>125</u>	<u>72</u>	<u>125</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	-	-	58	52	58	52
Bonds payable	30,405	29,680	26,225	27,145	56,630	56,825
Interest payable	1,774	1,831	4,807	5,087	6,581	6,918
Total current liabilities	<u>32,179</u>	<u>31,511</u>	<u>31,090</u>	<u>32,284</u>	<u>63,269</u>	<u>63,795</u>
NONCURRENT LIABILITIES						
Bonds payable	591,501	621,841	489,085	521,508	1,080,586	1,143,349
Net pension liability	-	-	293	334	293	334
Total noncurrent liabilities	<u>591,501</u>	<u>621,841</u>	<u>489,378</u>	<u>521,842</u>	<u>1,080,879</u>	<u>1,143,683</u>
Total liabilities	<u>623,680</u>	<u>653,352</u>	<u>520,468</u>	<u>554,126</u>	<u>1,144,148</u>	<u>1,207,478</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on bond refunding	-	-	13,717	15,089	13,717	15,089
Derived from pension	-	-	110	161	110	161
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>13,827</u>	<u>15,250</u>	<u>13,827</u>	<u>15,250</u>
NET POSITION						
Unrestricted	(517,605)	(512,192)	2,483	2,273	(515,122)	(509,919)
Restricted for debt service	-	-	118,219	120,398	118,219	120,398
Restricted for loan purposes	-	-	628,590	560,807	628,590	560,807
Total net position	<u><u>\$(517,605)</u></u>	<u><u>\$(512,192)</u></u>	<u><u>\$ 749,292</u></u>	<u><u>\$ 683,478</u></u>	<u><u>\$ 231,687</u></u>	<u><u>\$ 171,286</u></u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
YEAR ENDED DECEMBER 31, 2025
(In Thousands)

Functions:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Special Revenue Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 61	\$ 3,913	\$ -	\$ 3,852	\$ -	\$ 3,852
Interest on long term debt	<u>21,979</u>	<u>-</u>	<u>-</u>	<u>(21,979)</u>	<u>-</u>	<u>(21,979)</u>
Total governmental activities	22,040	3,913	-	(18,127)	-	(18,127)
BUSINESS-TYPE ACTIVITIES						
Financing Programs	<u>48,727</u>	<u>32,733</u>	<u>81,808</u>	<u>-</u>	<u>65,814</u>	<u>65,814</u>
Total primary government	<u>\$ 70,767</u>	<u>\$ 36,646</u>	<u>\$ 81,808</u>	(18,127)	65,814	47,687
Transfers in from other state agency				102,623	-	102,623
Transfers out to other state agency				<u>(89,909)</u>	<u>-</u>	<u>(89,909)</u>
Change in net position				(5,413)	65,814	60,401
Net position, beginning of year				<u>(512,192)</u>	<u>683,478</u>	<u>171,286</u>
Net position, ending				<u>\$ (517,605)</u>	<u>\$ 749,292</u>	<u>\$ 231,687</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
YEAR ENDED DECEMBER 31, 2024
(In Thousands)

Functions:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Special Revenue Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 64	\$ 13,556	\$ -	\$ 13,492	\$ -	\$ 13,492
Interest on long term debt	22,603	-	-	(22,603)	-	(22,603)
Total governmental activities	22,667	13,556	-	(9,111)	-	(9,111)
BUSINESS-TYPE ACTIVITIES						
Financing Programs	46,068	31,675	57,595	-	43,202	43,202
Total primary government	<u>\$ 68,735</u>	<u>\$ 45,231</u>	<u>\$ 57,595</u>	(9,111)	43,202	34,091
				(196,709)	-	(196,709)
				(205,820)	43,202	(162,618)
				(306,372)	640,276	333,904
				<u>\$ (512,192)</u>	<u>\$ 683,478</u>	<u>\$ 171,286</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BALANCE SHEETS
SPECIAL REVENUE FUND
DECEMBER 31, 2025 AND 2024
(In Thousands)

	Legacy Bond Program	
	2025	2024
RESTRICTED ASSETS		
Cash and cash equivalents	\$ 33,177	\$ 50,850
Investments	72,727	90,118
Interest receivable - net	171	192
	<u>106,075</u>	<u>141,160</u>
Total assets	<u>106,075</u>	<u>141,160</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	-	-
	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
FUND BALANCE		
Restricted for projects	378	90,286
Restricted for bonds payable	105,697	50,874
	<u>106,075</u>	<u>141,160</u>
Total fund balance	<u>106,075</u>	<u>141,160</u>
Total liabilities and fund balance	<u>\$ 106,075</u>	<u>\$ 141,160</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
RECONCILIATIONS OF THE BALANCE SHEETS TO THE STATEMENTS OF NET POSITION
SPECIAL REVENUE FUND
DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>Legacy Bond Program</u>	
	<u>2025</u>	<u>2024</u>
Total fund balance-special revenue fund	\$ 106,075	\$ 141,160
<p>Amounts reported for special revenue funds in the statement of net position are different because:</p> <p>Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:</p>		
Bonds payable (net of discount)	\$(621,906)	\$ (651,521)
Accrued interest on long-term liabilities	<u>(1,774)</u>	<u>(1,831)</u>
Total long-term liabilities	<u>(623,680)</u>	<u>(653,352)</u>
Net position of governmental activities	<u>\$ (517,605)</u>	<u>\$ (512,192)</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	Legacy Bond Program	
	2025	2024
REVENUES		
Interest and investment income	\$ 3,913	\$ 13,556
Total revenues	3,913	13,556
EXPENDITURES		
Administrative expenses	61	64
Debt service:		
Principal	29,680	29,030
Interest and other charges	21,971	22,589
Total expenditures	51,712	51,683
Excess (deficiency) of revenues over expenditures	(47,799)	(38,127)
OTHER FINANCE SOURCES (USES)		
Transfers in from other state agency	102,623	-
Transfers out to other state agency	(89,909)	(196,709)
Total other financing sources (uses)	12,714	(196,709)
Net change in fund balance	(35,085)	(234,836)
Fund Balance, beginning of year	141,160	375,996
FUND BALANCE, ending	\$ 106,075	\$ 141,160

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
RECONCILIATIONS OF THE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES TO THE STATEMENTS OF ACTIVITIES
SPECIAL REVENUE FUND
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>Legacy Bond Program</u>	
	<u>2025</u>	<u>2024</u>
Net change in fund balance-special revenue fund	\$ (35,085)	\$ (234,836)
<p>Amounts reported for special revenue funds in the statement of net position are different because:</p>		
<p>Repayment of long-term debt is reported as an expenditure in governmental funds but reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:</p>		
Bond principal retirement	29,680	29,030
<p>Accrued interest and bond discount amortization on the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the special revenue fund.</p>		
	<u>(8)</u>	<u>(14)</u>
Change in net position of special revenue fund	<u>\$ (5,413)</u>	<u>\$ (205,820)</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2025 AND 2024
(In Thousands)

	Business-Type Activities	
	2025	2024
ASSETS		
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	\$ 97,257	\$ 115,724
Interest receivable	6,101	5,904
Investments	22,243	84,074
Municipal securities	55,111	52,232
Total restricted current assets	<u>180,712</u>	<u>257,934</u>
Total current assets	<u>180,712</u>	<u>257,934</u>
NONCURRENT ASSETS - RESTRICTED		
Investments	7,435	3,746
Municipal securities	1,095,368	991,049
Total restricted noncurrent assets	<u>1,102,803</u>	<u>994,795</u>
Total assets	<u>1,283,515</u>	<u>1,252,729</u>
DEFERRED OUTFLOWS OF RESOURCES		
Derived from pension	72	125
Total deferred outflows of resources	<u>72</u>	<u>125</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	58	52
Bonds payable	26,225	27,145
Interest payable	4,807	5,087
Total current liabilities	<u>31,090</u>	<u>32,284</u>
NONCURRENT LIABILITIES		
Bonds payable	489,085	521,508
Net pension liability	293	334
Total noncurrent liabilities	<u>489,378</u>	<u>521,842</u>
Total liabilities	<u>520,468</u>	<u>554,126</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on bond refunding	13,717	15,089
Derived from pension	110	161
Total deferred inflows of resources	<u>13,827</u>	<u>15,250</u>
NET POSITION		
Unrestricted	2,483	2,273
Restricted for debt service	118,219	120,398
Restricted for loan purposes	628,590	560,807
Total net position	<u>\$ 749,292</u>	<u>\$ 683,478</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	Business-Type Activities	
	2025	2024
OPERATING REVENUES		
Investment income	\$ 20,600	\$ 20,434
Grant and set-asides	81,808	57,595
Administrative fees and other	5,215	4,794
	<u>107,623</u>	<u>82,823</u>
OPERATING EXPENSES		
Interest expense	17,390	17,018
State Revolving Fund loan forgiveness	21,611	16,536
State Revolving Fund administration	4,419	4,145
State Revolving Fund set-asides	4,913	6,791
Salaries and benefits	341	351
Bond issue costs	-	1,096
Operating	53	130
Paying agent fees	-	1
	<u>48,727</u>	<u>46,068</u>
OPERATING INCOME (LOSS)	<u>58,896</u>	<u>36,755</u>
NONOPERATING REVENUE		
Investment income	6,918	6,447
	<u>6,918</u>	<u>6,447</u>
CHANGE IN NET POSITION	65,814	43,202
TOTAL NET POSITION, BEGINNING OF YEAR	<u>683,478</u>	<u>640,276</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 749,292</u>	<u>\$ 683,478</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	Business-Type Activities	
	2025	2024
OPERATING ACTIVITIES		
Receipts of administrative fees from customers	\$ 5,215	\$ 4,794
Grant and set-asides	81,808	57,595
Payments to service providers	(9,379)	(11,055)
Payments to employees	(380)	(349)
NET CASH FROM OPERATING ACTIVITIES	77,264	50,985
NONCAPITAL FINANCING ACTIVITIES		
Interest paid on bonds payable	(23,360)	(19,092)
Bond financing costs	-	(1,096)
Proceeds from bond premiums	-	29,127
Proceeds from issuance of bonds payable	43,610	200,920
Principal payments on bonds payable	(72,635)	(106,375)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	(52,385)	103,484
INVESTING ACTIVITIES		
Interest received on investments and municipal securities	28,024	24,814
Proceeds from maturities and sales of investments	91,601	77,167
Purchases of investments	(34,162)	(121,488)
Proceeds from maturities of municipal securities	111,246	60,436
Purchases of municipal securities	(240,055)	(145,757)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	(43,346)	(104,828)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(18,467)	49,641
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	115,724	66,083
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 97,257	\$ 115,724

STATEMENTS OF CASH FLOWS – CONTINUED
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO TO NET CASH FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 58,896	\$ 36,755
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Bond financing costs	-	1,096
Net amortization of premium on bonds payable	5,690	3,328
Reclassification of investment income and expense to other activities	12,711	9,792
Changes in assets, liabilities, deferred inflows/outflows:		
Pension accruals	(39)	2
Accounts payable	6	12
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 77,264</u>	<u>\$ 50,985</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF APPROPRIATIONS
SPECIAL REVENUE FUND
TWO YEARS ENDED JUNE 30, 2025 AND SIX MONTHS ENDED DECEMBER 31, 2025
(In Thousands)

	2023-2025	7/1/2023 12/31/2023	Unexpended Appropriations 6/30/2025	2025-2027	7/1/2025 12/31/2025	Unexpended Appropriations 12/31/2026
	<u>Appropriations</u>	<u>Expenditures</u>		<u>Appropriations</u>	<u>Expenditures</u>	
Legacy bond payments	\$ 102,620	\$ 102,620	\$ -	\$ 102,623	\$ 40,666	\$ 61,957
Total expenditures	<u>\$ 102,620</u>	<u>\$ 102,620</u>	<u>\$ -</u>	<u>\$ 102,623</u>	<u>\$ 40,666</u>	<u>\$ 61,957</u>

During the 2021 legislative session, House Bill 1431 authorized the PFA to issue Legacy Fund Infrastructure Program bonds which would provide \$680,000 of the proceeds for appropriation to the Bank of North Dakota for allocation to infrastructure projects. Bonds were issued on December 22, 2021, and July 19, 2022, and the Special Revenue Fund transferred proceeds of \$374,500 and \$305,500, respectively, to provide funds for projects.

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF APPROPRIATION		
EXPENDITURES TO TOTAL EXPENDITURES		
Total appropriation expenditures for year ended December 31	\$ 51,651	\$ 51,619
Administrative expenses	<u>61</u>	<u>64</u>
Total expenditures	<u>\$ 51,712</u>	<u>\$ 51,683</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF APPROPRIATIONS
PROPRIETARY FUND
TWO YEARS ENDED JUNE 30, 2025 AND SIX MONTHS ENDED DECEMBER 31, 2025
(In Thousands)

Note: Only appropriations of specific amounts are included in this statement. A reconciliation to the proprietary funds salaries and operating expenses on the December 31, 2025 and 2024 Statements of Revenues, Expenses and Changes in Net Position follows:

	2023-2025 Appropriations	2023-2025 Actual Expenditures	Unexpended Appropriations 6/30/2025	2025-2027 Appropriations	2025-2027 Actual Expenditures	Unexpended Appropriations 12/31/2025
Salaries and wages	\$ 778	\$ 702	\$ 76	\$ 941	\$ 202	\$ 739
Operating expenses	246	246	-	318	31	287
Total expenditures	<u>\$ 1,024</u>	<u>\$ 948</u>	<u>\$ 76</u>	<u>\$ 1,259</u>	<u>\$ 233</u>	<u>\$ 1,026</u>

The Public Finance Authority also incurs noninterest expenditures which are not part of the biennial appropriation process. Examples of these expenditures include expenses associated with the issuance and repayment of bonds issued to fund qualified projects. These expenditures are authorized by the Industrial Commission under the continuing appropriation authority as provided by Article 10, Section 12 of the North Dakota Constitution.

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF APPROPRIATION		
EXPENDITURES TO OPERATING EXPENSES		
Total appropriation expenditures for year ended December 31	\$ 433	\$ 478
GASB 68 Adjustment	(39)	3
Interest expense	17,390	17,018
State Revolving Fund administrative fees	30,943	27,472
Bond Issue Costs	-	1,096
Paying agent fees	-	1
Total operating expenses	<u>\$ 48,727</u>	<u>\$ 46,068</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(In Thousands)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The North Dakota Public Finance Authority (PFA) was established July 1, 1975, by the North Dakota Legislature, as provided in Chapter 6-09.4 of the North Dakota Century Code, as a separate agency of the State of North Dakota. The purpose of the PFA 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 PFA has been granted all powers required in order to accomplish this purpose and is under the control and management of the North Dakota Industrial Commission.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, the PFA should include all component units over which the PFA exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization, or (3) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the PFA. Reporting units are further defined as a legally separate, tax exempt affiliated organization that meets all of the following criteria:

- The economic resources of the organization entirely or almost entirely directly benefit the PFA or its constituents, and
- The PFA or its component units are entitled to or can otherwise access, a majority of the economic resources of the organization, and
- The economic resources that the PFA is entitled to, or can otherwise access, are significant to the PFA.

Based on the criteria of GASB Statement No. 61, no organizations were determined to be part of the reporting entity. The PFA is included as a discretely presented component unit within the State of North Dakota's reporting entity.

Budgetary Process

The PFA operates through a biennial appropriation provided by the State Legislature. The PFA prepares a biennial budget which is included in the Governor's budget that is presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The Governor has line item veto powers over all legislation subject to legislative override. Once passed and signed, the appropriation becomes the PFA's financial plan for the next two years. The PFA has a continuous appropriation of income from operations. Changes to the appropriation not falling under the continuing appropriation are subject to approval by the State Emergency Commission.

The Statement of Appropriations has been prepared using the accrual basis of accounting and includes only those expenses for which an appropriation has been established.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the PFA. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents the PFA's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted net position results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The PFA currently presents restricted net position for the following:
 - The PFA administers issuance of bonds for the Legacy Fund Infrastructure Bond program. ND legislation restricts the fund balance to funding legislature-approved state projects and programs, and to repayment of bond principal and interest payments.
 - The PFA administers the financial component of the SRF federal grant programs for the North Dakota Department of Environmental Quality. Grant proceeds account for a significant portion of net position. Federal law provides that the grants may only be expended for SRF program purposes. Net position is also restricted for debt service of bond issues or for the purchase of municipal securities. The PFA follows the CFP and SRF bond indentures for the repayment of restricted net position.
- Unrestricted net position consists of net position that does not meet the definition of the two preceding categories. Unrestricted net position often is designated, to indicate that management does not consider it to be available for general operations. Unrestricted net position often has constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

Basis of Accounting and Measurement Focus

The PFA is presented in the accompanying government-wide financial statements, combining its special revenue (governmental) fund type with its proprietary fund type – an enterprise fund. Separate financial statements are provided for PFA's special revenue fund and proprietary fund. PFA has one major program in its special revenue

NOTES TO FINANCIAL STATEMENTS - CONTINUED

fund financial statements. Three programs are reported in the proprietary fund financial statements. There are no non-major funds.

PFA accounts for its government-wide and proprietary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Interest associated with the current year are considered to be susceptible to accrual and have been recognized as revenues in the current year. All other revenues are considered measurable and available when cash is received. Expenditures are recorded when a liability is incurred, as under accrual accounting. However debt service expenditures are recorded only when payment is due.

Proprietary Fund financials are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public or other funds on a continuing basis be financed or recovered primarily through user charges. The PFA recovers its costs through administrative charges to municipalities and earnings on administrative funds. The Program revenues include 1) Income from receivables and 2) Administrative fees. The Non Program revenues include 1) Investment income and 2) Income from grants and set-asides.

The accompanying financial statements of the North Dakota Public Finance Authority follow 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 No. 62, the PFA follows all applicable GASB Pronouncements as well as following accounting principles generally accepted in the United States of America.

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

Financial Statement Presentation

The PFA reports one major governmental fund, the Legacy Bond Program. The Legacy Bond Program is a special revenue fund. The fund accounts for activities from bond proceeds, which are restricted legally or administratively for the particular costs of an agency or program.

The PFA reports one major proprietary fund. The proprietary fund makes funds available to finance projects of North Dakota political subdivisions through the issuance of bonds and purchasing municipal securities of the political subdivisions.

Governmental Fund Types

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Proprietary Fund Types

Enterprise Funds account for those business-like activities that provide goods/services to the public, financed primarily through user charges.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of

NOTES TO FINANCIAL STATEMENTS - CONTINUED

the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Concentration of Credit Risk

Municipal securities primarily consist of obligations of cities, school districts and water organizations. The PFA performs credit evaluations and, in some instances, municipal securities are collateralized by property and leases. Generally, the PFA maintains a security interest until related receivables are collected. Municipal securities are due under terms corresponding with applicable bonds. All customers are located in the state of North Dakota.

Pensions

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Cash and Cash Equivalents

The PFA considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The PFA follows the bond indenture documentation on satisfying requirements for unrestricted and restricted cash and cash equivalents.

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of revenues, expenses, and changes in net position. The PFA follows the bond indenture documentation on satisfying requirements for unrestricted and restricted investments.

Funds held by trustees or the PFA under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the PFA. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The restricted bond accounts have their moneys invested in various debt securities such as U.S. Treasury securities, certificates of deposit, agency notes and commercial paper.

Equipment and Furnishings

Equipment and furnishings are stated at cost, net of accumulated depreciation. Equipment and furnishings with a cost of \$5,000 or more per unit are capitalized and reported in the accompanying financial statements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. There is no equipment or furnishings recorded for the years ended December 31, 2025 and 2024.

Expenditures for major additions and improvements that extend the useful lives of equipment and furnishings are capitalized. Routine expenditures for repairs and maintenance are charged to expenses when incurred.

Accumulated Unpaid Vacation and Sick Pay

Annual leave and sick leave are a part of permanent employees' compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Annual leave is earned based on tenure of employment, within a range of one working day per month of employment to two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. In general, accrued annual leave cannot exceed 30 days at each year-end, as set by the Agency. Employees are paid for unused annual leave upon termination or retirement.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Sick leave is earned based on tenure at the rate of one working day per month of employment. There are no limitations on the amount of sick leave an employee can accumulate. Employees who have ten continuous years of service are paid one-tenth of their accumulated sick leave upon leaving service under chapter 54-52 of the North Dakota Century Code.

Vacation and sick leave are immaterial as of December 31, 2025 and 2024 and are not accrued.

Fund Balance

The difference between fund assets and liabilities is “Fund Balance” on governmental fund statements.

Fund balance classifications for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is not in spendable form such as inventories and prepaids. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

- Restricted – includes amounts that can be spent only for the specific purposes stipulated by the State constitution and external parties, such as the federal government, or through enabling legislation.
- Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority, the state’s legislature, through legislation, that is not considered as enabling legislation, passed into law.
- Assigned – includes amounts to be used for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – is the residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications.

The PFA generally segregates restricted, committed, and assigned resources by individual funds within the governmental funds. When resources meeting more than one of these classifications are comingled within an individual fund, the assumed order of spending is restricted first, committed second, assigned third, and finally, unassigned.

Operating Revenues, Noncapital Subsidies and Non-operating Revenues

Operating revenues consist of revenues that constitute the agency’s principal ongoing operations and other miscellaneous revenue that does not meet the criteria for nonoperating revenue.

Noncapital subsidies consist of transfers between programs.

Nonoperating revenues consist of subsidies received and provided and investment income and expenses except for transactions which constitute the agency’s principal ongoing operations.

Administrative Fee Revenue

All loans originated by the PFA are charged an administration fee. These fees are used to cover the costs incurred in the administration of the loan programs. Income is recorded when the fees are received.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Grant and Set-Asides Revenue

The SRF Program grants, received from the United States Environmental Protection Agency, are to be used to make below-market interest rate loans to political subdivisions for the purpose of financing authorized projects. In addition, the Drinking Water SRF Program is allowed to “set-aside” a percentage of each grant award, which is expended for administration, technical assistance and source water assessment programs.

State Revolving Fund Administration Expense

State Revolving Fund administration expenses are incurred by the PFA and North Dakota Department of Environmental Quality in administration of the State Revolving Loan Programs.

State Revolving Fund Set-Asides Expenses

The Drinking Water SRF Program is allowed to “set-aside” a percentage of each grant award, which is expended for administration, technical assistance and source water assessment programs.

NOTE 2 - CHANGE IN ACCOUNTING POLICY

The North Dakota Public Finance Authority implemented Governmental Accounting Standard (GASB Statement) No. 103 *Financial Reporting Model Improvements* in 2025. Grant and set-asides revenue previously classified as non-operating revenue was reclassified to operating revenues as part of the Authority’s principal ongoing operations. The accounting change had no effect on net position as of the beginning of 2025 or 2024.

NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS

The North Dakota Public Finance Authority is required to maintain its deposits at the Bank of North Dakota. As of December 31, the PFA had the following deposits (amounts in the thousands):

	Bank Balance 2025	Bank Balance 2024
Cash and cash equivalents		
Special Revenue Fund	\$ 33,177	\$ 50,850
Proprietary Fund	<u>97,257</u>	<u>115,724</u>
Total deposits	<u>\$ 130,434</u>	<u>\$ 166,574</u>

Custodial and Concentration of Credit Risk

For a deposit, the custodial credit risk that, in the event of the failure of a depository financial institution, the PFA will not be able to recover collateral securities that are in the possession of an outside party. The PFA’s deposits are uncollateralized. All of the deposits are with the Bank of North Dakota.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

INVESTMENTS

NDCC 6-09.4-7 authorizes the PFA to invest any funds in the same manner as permitted for investment of funds belonging to the state or the Bank of North Dakota. The PFA does have a formal investment policy. Also, the General Bond Resolution and Master Trust Indenture specify the permitted investments. The PFA follows those stipulations when investing funds.

Funds held by trustees or the PFA under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the PFA. The maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The restricted bond accounts may have their moneys invested in various debt securities such as U.S. Treasury securities, commercial paper, guaranteed investment contracts, agency notes and certificates of deposit. There is no limit on the amount the PFA may invest in any one issuer.

Investment Valuation

The PFA categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The PFA does not have any investments that are measured using Level 3 inputs.

The following tables summarize investment by investment type and input level as of December 31, 2025 and 2024 (amounts are in thousands):

Investments	12/31/2025	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Special Revenue Fund				
US Treasuries	\$ 72,727	\$ 72,727	\$ -	\$ -
Proprietary Fund				
US Treasuries	24,251	24,251	-	-
Certificates of deposit	1,136	-	1,136	-
Corporate Note	1,168	-	1,168	-
Commercial paper	3,123	-	3,123	-
Total Proprietary Fund	<u>29,678</u>	<u>24,251</u>	<u>5,427</u>	<u>-</u>
Total Investments at fair value	<u>\$ 102,405</u>	<u>\$ 96,978</u>	<u>\$ 5,427</u>	<u>\$ -</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Investments	12/31/2024	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Special Revenue Fund				
US Treasuries	\$ 90,118	\$ 90,118	\$ -	\$ -
Proprietary Fund				
US Treasuries	23,348	23,348	-	-
Certificates of deposit	6,068	-	6,068	-
Corporate note	1,976	-	1,976	-
Federal agency notes	4,369	4,369	-	-
Commercial paper	52,059	-	52,059	-
Total Proprietary Fund	87,820	27,717	60,103	-
Total Investments at fair value	\$ 177,938	\$ 117,835	\$ 60,103	\$ -

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair values of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The PFA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes.

As of December 31, 2025, the following table summarizes investment by investment type and maturity (amounts are in thousands):

Investment Type	Total Fair Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Special Revenue Fund					
US Treasuries	\$ 72,727	\$ 51,304	\$ 21,423	\$ -	\$ -
Proprietary Fund					
US Treasuries	24,251	17,406	6,845	-	-
Certificates of Deposit	1,136	1,136	-	-	-
Corporate Note	1,168	578	590	-	-
Commercial Paper	3,123	3,123	-	-	-
Total Proprietary Fund	29,678	\$ 22,243	\$ 7,435	\$ -	\$ -
Total Investments at Fair Value	\$ 102,405				

NOTES TO FINANCIAL STATEMENTS - CONTINUED

As of December 31, 2024, the following table summarizes investment by investment type and maturity (amounts are in thousands):

Investment Type	Total Fair Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Special Revenue Fund					
US Treasuries	\$ 90,118	\$ 90,118	\$ -	\$ -	\$ -
Proprietary Fund					
US Treasuries	23,348	20,250	3,098	-	-
Certificates of Deposit	6,068	6,068	-	-	-
Corporate Note	1,976	1,328	648	-	-
Agency Notes	4,369	4,369	-	-	-
Commercial Paper	52,059	52,059	-	-	-
Total Proprietary Fund	87,820	\$ 84,074	\$ 3,746	\$ -	\$ -
Total Investments at Fair Value	\$ 177,938				

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2025, the following table summarizes investment by investment type and credit rating (amounts are in thousands):

Investment Type	Total Fair Value	Credit Rating*			
		AAA	AA	A	BBB
Proprietary Fund					
Certificates of Deposit	\$ 1,136	\$ -	\$ -	\$ 1,136	\$ -
Corporate Note	1,168	-	394	275	499
Commercial Paper	3,123	-	-	3,123	-
		\$ -	\$ 394	\$ 4,534	\$ 499
US Government					
Special Revenue Fund	72,727				
Proprietary Fund	24,251				
Total Debt Securities	\$102,405				

NOTES TO FINANCIAL STATEMENTS - CONTINUED

As of December 31, 2024, the following table summarizes investment by investment type and credit rating (amounts are in thousands):

Investment Type	Total Fair Value	Credit Rating*			
		AAA	AA	A	BBB
Proprietary Fund					
Certificates of Deposit	\$ 6,068	\$ -	\$ -	\$ 6,068	\$ -
Corporate Note	1,976	-	651	1,125	200
Agency Notes	4,369	-	4,369	-	-
Commercial Paper	52,059	-	-	52,059	-
		<u>\$ -</u>	<u>\$ 5,020</u>	<u>\$59,252</u>	<u>\$ 200</u>
US Government					
Special Revenue Fund	90,118				
Proprietary Fund	23,348				
Total Debt Securities	<u>\$177,938</u>				

* Ratings are determined by a nationally recognized statistical rating organization.

NOTE 4 - MUNICIPAL SECURITIES

Obligations of North Dakota political subdivisions are classified separately on the balance sheet as “municipal securities.” These investment securities are primarily obligations of cities and water organizations, and are pledged to the various bond issues. Due to the maturity of these securities, a market value is not readily available. The PFA intends to hold these securities to maturity. No future losses for market value decline are anticipated and an allowance has not been provided. The PFA had the following municipal securities as of December 31 (amounts are in thousands):

	2025	2024
Capital Financing Program	\$ 97,539	\$ 107,931
State Revolving Fund Program	<u>1,052,940</u>	<u>935,350</u>
	<u>1,150,479</u>	<u>1,043,281</u>
Less current portion	<u>55,111</u>	<u>52,232</u>
Noncurrent portion Municipal Securities	<u>\$ 1,095,368</u>	<u>\$ 991,049</u>

NOTE 5 - BONDS PAYABLE

Changes in Bonds Payable

Activity for long-term liabilities for the year ended December 31, 2025 was as follows (amounts are in thousands):

	Balance 1/1/2025	Additions	Reductions	Net Accretion of Premiums and Discounts	Balance 12/31/2025	Amounts Due Within One Year
LONG-TERM LIABILITIES						
Bonds payable, Governmental Activities	\$ 651,521	\$ -	\$ 29,680	\$ 65	\$ 621,906	\$ 30,405
Bonds payable, Business-type Activities	548,653	43,610	72,635	(4,318)	515,310	26,225
Total Bonds Payable	<u>\$1,200,174</u>	<u>\$ 43,610</u>	<u>\$102,315</u>	<u>\$ (4,253)</u>	<u>\$1,137,216</u>	<u>\$ 56,630</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Activity for long-term liabilities for the year ended December 31, 2024 was as follows (amounts are in thousands):

	Balance 1/1/2024	Additions	Reductions	Net Accretion of Premiums and Discounts	Balance 12/31/2024	Amounts Due Within One Year
LONG-TERM LIABILITIES						
Bonds payable, Governmental Activities	\$ 680,486	\$ -	\$ 29,030	\$ 65	\$ 651,521	\$ 29,680
Bonds payable, Business-type Activities	439,817	230,047	106,375	(14,836)	548,653	27,145
Total Bonds Payable	<u>\$1,120,303</u>	<u>\$230,047</u>	<u>\$135,405</u>	<u>\$ (14,771)</u>	<u>\$1,200,174</u>	<u>\$ 56,825</u>

Bonds Payable – Governmental Activities

The governmental activities bonds of the PFA are appropriation bonds which have been issued to provide financing to legislature approved state projects and programs. The bonds are limited obligations of the PFA and are payable solely from the funds appropriated by the Legislative Assembly, other legally available funds, if any, and other funds or amounts held by the Trustee as security for the bonds.

Bonds Payable – Business-type Activities

The bonds of the PFA have been 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 PFA and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Maturities of Bonds Payable – Governmental Activities

Maturities of principal and interest on Governmental Activities bonds are as follows (amounts are in thousands):

Years Ending December 31,	Principal	Interest	Total Debt Service
2026	\$ 30,405	\$ 21,289	\$ 51,694
2027	31,205	20,526	51,731
2028	32,080	19,686	51,766
2029	33,025	18,777	51,802
2030	34,035	17,792	51,827
2031-2035	187,630	72,045	259,675
2036-2040	224,255	36,552	260,807
2041-2045	50,310	2,005	52,315
(Net Discount)	(1,039)	1,039	-
	<u>\$ 621,906</u>	<u>\$ 209,711</u>	<u>\$ 831,617</u>

The following summarizes the PFA's Governmental Activities bonds outstanding on December 31, 2025 and 2024 (amounts are in thousands):

Description and Due Date	Interest Rate	Original Value	2025	2024
Special Revenue Fund				
Series 2021-Legacy				
Serial Bonds 6/1/23-6/1/41	0.87 - 3.20	\$ 389,200	\$ 337,768	\$ 355,305
Series 2022-Legacy				
Serial Bonds 6/1/23-6/1/41	3.30 - 4.80	320,915	<u>284,138</u>	<u>296,216</u>
Total Special Revenue Fund			<u>\$ 621,906</u>	<u>\$ 651,521</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Maturities of Bonds Payable – Business-type Activities

Maturities of principal and interest on Business-type Activities bonds are as follows (amounts are in thousands):

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2026	\$ 26,225	\$ 21,923	\$ 48,148
2027	27,455	20,681	48,136
2028	33,800	19,380	53,180
2029	33,170	17,768	50,938
2030	34,565	16,169	50,734
2031-2035	157,705	56,859	214,564
2036-2040	91,685	25,333	117,018
2041-2045	54,065	6,663	60,728
Net Premium	56,640	(56,640)	-
	<u>\$ 515,310</u>	<u>\$ 128,136</u>	<u>\$ 643,446</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The following summarizes the PFA's Business-type Activities bonds outstanding on December 31, 2025 and 2024 (amounts are in thousands):

Description and Due Date	Interest Rate	Original Value	2025	2024
<u>Proprietary Fund</u>				
Series 2006-IDBP				
Serial Bonds 6/1/07-6/1/31	4.00 - 5.00	\$ 1,360	\$ 490	\$ 560
Series 2009-CFP				
Serial Bonds 6/1/10-6/1/34	2.00 - 4.88	2,125	390	415
Series 2012-SRF				
Serial Bonds 10/1/12-10/1/25 (net of premium)	0.24 - 5.00	37,605	-	2,474
Series 2012-CFP				
Serial Bonds 6/1/13-6/1/41	2.00 - 3.75	9,635	2,850	3,090
Series 2013-CFP				
Serial Bonds 6/1/14-6/1/33	3.00 - 4.00	51,375	25,430	28,075
Series 2014-CFP				
Serial Bonds 6/1/15-6/1/34	2.00 - 5.00	41,840	20,815	23,175
Series 2015-CFP				
Serial Bonds 6/1/15-6/1/45	2.00 - 5.00	65,845	640	48,485
Series 2016-SRF				
Serial Bonds 10/1/19-10/1/28 (net of premium)	4.00 - 5.00	16,405	6,680	8,751
Series 2018-CFP				
Serial Bonds 6/1/19-6/1/28	5.00	1,360	495	645
Series 2018-SRF				
Serial Bonds 10/1/19-10/1/38 (net of premium)	5.00	128,625	111,319	117,645
Series 2021-CFP				
Serial Bonds 10/1/22-10/1/41	2.25 - 5.00	2,130	1,720	1,810
Series 2022-SRF				
Serial Bonds 10/1/22-10/1/41 (net of premium)	4.00 - 5.00	85,330	77,615	83,852
Series 2024-SRF				
Serial Bonds 10/1/24-10/1/44 (net of premium)	5.00	200,920	223,256	229,676
Series 2025-CFP				
Serial Bonds 6/1/26-6/1/45	5.00	43,610	43,610	-
Total Proprietary Funds			\$ 515,310	\$ 548,653

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 - PENSION PLAN

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

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

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

Pension Benefits

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

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member 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 NDPERS in the North Dakota Administrative Code.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Refunds of Member Account Balance

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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 8.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 9.26% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (amounts are in thousands)

At December 31, 2025 and December 31, 2024, the Employer reported liabilities of \$293 and \$334, respectively, for its proportionate share of the net pension liability. The net pension liabilities were measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2025, the Employer's proportion was 0.018400 percent, which was an increase of 0.000549 percent from its proportion measured as of June 30, 2024.

At the measurement dates of June 30, 2025 and 2024, the Employer recognized pension (revenue) expense of (\$16) and \$22, respectively. At December 31, 2025, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16	\$0
Changes of assumptions	30	81
Net difference between projected and actual earnings on pension plan investments	-	26
Changes in proportion and differences between employer contributions and proportionate share of contributions	8	3
Employer contributions subsequent to the measurement date (see below)	<u>18</u>	<u>-</u>
Total	<u>\$72</u>	<u>\$110</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

\$18 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2026.

At December 31, 2024, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16	\$0
Changes of assumptions	80	152
Net difference between projected and actual earnings on pension plan investments	-	3
Changes in proportion and differences between employer contributions and proportionate share of contributions	13	6
Employer contributions subsequent to the measurement date	<u>16</u>	<u>-</u>
Total	<u>\$125</u>	<u>\$161</u>

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

Year ending December 31:

2026	\$ (6)
2027	(31)
2028	(11)
2029	(8)

Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2021 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.9%	5.03%
International Equity	19.1%	6.10%
Private Equity	7%	8.30%
Domestic Fixed Income	23%	2.32%
Global Real Assets	19%	5.47%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 5.20%; and the resulting Single Discount Rate is 6.50%.

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

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's Proportionate Share of the Net Pension Liability	\$436	\$293	\$173

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 - STATE REVOLVING LOAN FUND

Under an agreement with the North Dakota Department of Environmental Quality, the PFA assists in administering the State Revolving Loan Fund. The purpose of the Loan Fund is to provide low cost financing to local political subdivisions to finance wastewater disposal system projects and drinking water projects.

The federal Environmental Protection Agency (EPA) provides capitalization grants. Capitalization grants require that the state provide 20% match which is funded through loan administration fees and bonds issued by the PFA.

As of December 31, the following Loan Fund transactions had occurred (amounts are in thousands):

	<u>2025</u>	<u>2024</u>
Municipal securities purchased	\$ 196,445	\$ 145,757
EPA grant funds received	81,808	57,595

NOTE 8 - RELATED PARTY TRANSACTIONS

All cash accounts of the PFA are deposited in the Bank of North Dakota. All investments are under the safekeeping of the Bank of North Dakota. The Bank of North Dakota acts as paying agent for all bonds and as trustee for the 2016, 2018, 2022, and 2024 State Revolving Fund Bonds.

The PFA had the following transactions with related parties summarized as follows (amounts are in thousands):

	<u>2025</u>	<u>2024</u>
Bank of North Dakota		
Cash and cash equivalents - restricted	\$ 37,990	\$ 61,820
Treasury Securities recorded at Fair Value	74,819	91,458
Interest receivable	171	192
Expenses		
Registrar, paying agent and trustee fees	198	180
Treasury fees	4	5
Industrial Commission		
Administrative Fees	-	57
Information Technology Department		
Telecommunications and data	7	5
Office of Attorney General		
Legal Services	3	-

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Amounts passed through from the State Department of Environmental Quality from federal grantor agencies are subject to audit and adjustment by the federal grantor agencies. Any disallowed grant costs may constitute a liability. The amount, if any, of costs which may be disallowed by the grantor will be recognized in the year determined.

The PFA is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

The PFA's exposure to credit loss is represented by the contractual amount of these commitments. The PFA follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Commitments to extend credit totaled \$311,536 and \$229,648 (in thousands) as of December 31, 2025 and 2024, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The PFA purchased letters of credit from the Bank of North Dakota to fund the reserves for the Capital Financing Program Bonds. As of December 31, 2025, \$26,189 (in thousands) of credit was available through these letters of credit and no funds have been advanced.

NOTE 10 - RISK MANAGEMENT

The PFA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the State for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees, and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of \$250 per person and \$1,000 per occurrence (in thousands).

The PFA also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The PFA pays an annual premium to the Fire and Tornado Fund to cover property damage to personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a twelve-month period. The State Bonding Fund currently provides the PFA with blanket fidelity bond coverage in the amount of \$2,000 (in thousands) for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The PFA, as a contributor to RMF, participates in the North Dakota Workforce Safety and Insurance (WSI), an Enterprise Fund of the State of North Dakota. WSI is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

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

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025 AND 2024
(In Thousands)

Schedule of Employer's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
1. Employer's proportion of the net pension liability (asset)	0.01840%	0.01785%	0.01779%	0.01821%	0.01825%	0.01370%	0.01631%	0.01655%	0.01652%	0.01635%
2. Employer's proportionate share of the net pension liability (asset)	\$293	\$334	\$343	\$524	\$190	\$431	\$191	\$279	\$266	\$159
3. Employer's covered payroll	\$244	\$234	\$218	\$211	\$207	\$151	\$170	\$170	\$169	\$165
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	120.13%	142.58%	157.68%	248.10%	92.04%	285.19%	112.68%	164.27%	157.40%	96.36%
5. Plan fiduciary net position as a percentage of the total pension liability	73.63%	68.02%	65.31%	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%

Data reported is measured as of June 30 of the years presented.

Schedule of Employer Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$22	\$19	\$16	\$16	\$15	\$11	\$12	\$13	\$12	\$12
Contributions in relation to the statutorily required contribution	(\$20)	(\$18)	(\$16)	(\$15)	(\$13)	(\$10)	(\$12)	(\$11)	(\$12)	(\$12)
Contribution deficiency (excess)	\$2	\$1	\$0	\$1	\$2	\$0	\$0	\$1	\$0	\$0
Agency's covered payroll	\$244	\$234	\$218	\$211	\$207	\$151	\$170	\$170	\$169	\$165
Contributions as a percentage of covered payroll	8.31%	7.81%	7.31%	7.31%	6.36%	6.82%	7.12%	6.73%	7.12%	7.27%

Data reported is measured as of December 31 of the years presented.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2025 AND 2024
(In Thousands)

Notes to Required Supplementary Information
For the Year Ended December 31, 2025

Changes of benefit terms.

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

Changes of assumptions

The actuarial assumptions used in the actuarial valuation as of July 1, 2025 were based on an experience review for the period from July 1, 2019 to July 1, 2024, and were adopted for first use commencing with the actuarial valuation as of July 1, 2025.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
SUPPLEMENTARY INFORMATION

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2025
(In Thousands)

	Proprietary Fund			Total
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	
ASSETS				
CURRENT ASSETS				
Restricted				
Restricted cash and cash equivalents	\$ 51,216	\$ 45,969	\$ 72	\$ 97,257
Interest receivable	3,447	2,303	351	6,101
Investments	1,171	18,980	2,092	22,243
Municipal securities	25,557	21,368	8,186	55,111
Total restricted current assets	<u>81,391</u>	<u>88,620</u>	<u>10,701</u>	<u>180,712</u>
Total current assets	<u>81,391</u>	<u>88,620</u>	<u>10,701</u>	<u>180,712</u>
NONCURRENT ASSETS - RESTRICTED				
Investments	4,162	3,273	-	7,435
Municipal securities	616,612	389,403	89,353	1,095,368
Total restricted noncurrent assets	<u>620,774</u>	<u>392,676</u>	<u>89,353</u>	<u>1,102,803</u>
Total assets	<u>702,165</u>	<u>481,296</u>	<u>100,054</u>	<u>1,283,515</u>
DEFERRED OUTFLOWS OF RESOURCES				
Derived from pension	-	-	72	72
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>72</u>	<u>72</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	7	8	43	58
Bonds payable	9,880	8,230	8,115	26,225
Interest payable	3,205	1,244	358	4,807
Total current liabilities	<u>13,092</u>	<u>9,482</u>	<u>8,516</u>	<u>31,090</u>
NONCURRENT LIABILITIES				
Bonds payable	288,395	112,365	88,325	489,085
Net pension liability	-	-	293	293
Total noncurrent liabilities	<u>288,395</u>	<u>112,365</u>	<u>88,618</u>	<u>489,378</u>
Total liabilities	<u>301,487</u>	<u>121,847</u>	<u>97,134</u>	<u>520,468</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on bond refunding	11,440	2,277	-	13,717
Derived from pension	-	-	110	110
Total deferred inflows of resources	<u>11,440</u>	<u>2,277</u>	<u>110</u>	<u>13,827</u>
NET POSITION				
Unrestricted	-	-	2,483	2,483
Restricted for debt service	53,585	64,235	399	118,219
Restricted for loan purposes	335,653	292,937	-	628,590
Total net position	<u>\$ 389,238</u>	<u>\$ 357,172</u>	<u>\$ 2,882</u>	<u>\$ 749,292</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2024
(In Thousands)

	Proprietary Fund			Total
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	
ASSETS				
CURRENT ASSETS				
Restricted				
Restricted cash and cash equivalents	\$ 84,026	\$ 31,603	\$ 95	\$ 115,724
Interest receivable	3,176	2,323	405	5,904
Investments	59,489	23,245	1,340	84,074
Municipal securities	23,861	19,880	8,491	52,232
Total restricted current assets	<u>170,552</u>	<u>77,051</u>	<u>10,331</u>	<u>257,934</u>
Total current assets	<u>170,552</u>	<u>77,051</u>	<u>10,331</u>	<u>257,934</u>
NONCURRENT ASSETS - RESTRICTED				
Investments	938	2,808	-	3,746
Municipal securities	523,027	368,582	99,440	991,049
Total restricted noncurrent assets	<u>523,965</u>	<u>371,390</u>	<u>99,440</u>	<u>994,795</u>
Total assets	<u>694,517</u>	<u>448,441</u>	<u>109,771</u>	<u>1,252,729</u>
DEFERRED OUTFLOWS OF RESOURCES				
Derived from pension	-	-	125	125
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	14	-	38	52
Bonds payable	9,797	9,413	7,935	27,145
Interest payable	3,328	1,362	397	5,087
Total current liabilities	<u>13,139</u>	<u>10,775</u>	<u>8,370</u>	<u>32,284</u>
NONCURRENT LIABILITIES				
Bonds payable	300,691	122,497	98,320	521,508
Net pension liability	-	-	334	334
Total noncurrent liabilities	<u>300,691</u>	<u>122,497</u>	<u>98,654</u>	<u>521,842</u>
Total liabilities	<u>313,830</u>	<u>133,272</u>	<u>107,024</u>	<u>554,126</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on bond refunding	12,679	2,410	-	15,089
Derived from pension	-	-	161	161
Total deferred inflows of resources	<u>12,679</u>	<u>2,410</u>	<u>161</u>	<u>15,250</u>
NET POSITION				
Unrestricted	-	-	2,273	2,273
Restricted for debt service	68,456	51,504	438	120,398
Restricted for loan purposes	299,552	261,255	-	560,807
Total net position	<u>\$ 368,008</u>	<u>\$ 312,759</u>	<u>\$ 2,711</u>	<u>\$ 683,478</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2025
(In Thousands)

	Proprietary Fund			Total
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	
OPERATING REVENUES				
Investment income	\$ 9,879	\$ 6,160	\$ 4,561	\$ 20,600
Grant and set-asides	22,022	59,786	-	81,808
Administrative fees and other	2,787	1,958	470	5,215
	<u>34,688</u>	<u>67,904</u>	<u>5,031</u>	<u>107,623</u>
OPERATING EXPENSES				
Interest expense	9,536	3,293	4,561	17,390
State Revolving Fund loan forgiveness	5,375	16,236	-	21,611
State Revolving Fund administration	2,872	1,547	-	4,419
State Revolving Fund set-asides	-	4,913	-	4,913
Salaries and benefits	-	-	341	341
Operating	-	-	53	53
	<u>17,783</u>	<u>25,989</u>	<u>4,955</u>	<u>48,727</u>
OPERATING INCOME	<u>16,905</u>	<u>41,915</u>	<u>76</u>	<u>58,896</u>
NONOPERATING REVENUES				
Investment income	4,325	2,498	95	6,918
	<u>4,325</u>	<u>2,498</u>	<u>95</u>	<u>6,918</u>
CHANGE IN NET POSITION	21,230	44,413	171	65,814
TOTAL NET POSITION, BEGINNING OF YEAR	<u>368,008</u>	<u>312,759</u>	<u>2,711</u>	<u>683,478</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 389,238</u>	<u>\$ 357,172</u>	<u>\$ 2,882</u>	<u>\$ 749,292</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2024
(In Thousands)

	Proprietary Fund			Total
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	
OPERATING REVENUES				
Investment income	\$ 8,920	\$ 6,600	\$ 4,914	\$ 20,434
Grant and set-asides	16,674	40,921	-	57,595
Administrative fees and other	2,431	1,910	453	4,794
	<u>28,025</u>	<u>49,431</u>	<u>5,367</u>	<u>82,823</u>
OPERATING EXPENSES				
Interest expense	8,194	3,910	4,914	17,018
State Revolving Fund loan forgiveness	4,271	12,265	-	16,536
State Revolving Fund administration	2,498	1,647	-	4,145
State Revolving Fund set-asides	-	6,791	-	6,791
Salaries and benefits	-	-	351	351
Bond Issue Costs	1,064	32	-	1,096
Operating	-	-	130	130
Paying agent fees	-	-	1	1
	<u>16,027</u>	<u>24,645</u>	<u>5,396</u>	<u>46,068</u>
OPERATING INCOME (LOSS)	<u>11,998</u>	<u>24,786</u>	<u>(29)</u>	<u>36,755</u>
NONCAPITAL SUBSIDIES				
Transfers	20,920	(20,920)	-	-
	<u>20,920</u>	<u>(20,920)</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES	<u>32,918</u>	<u>3,866</u>	<u>(29)</u>	<u>36,755</u>
NONOPERATING REVENUE				
Investment income	3,262	3,080	105	6,447
	<u>3,262</u>	<u>3,080</u>	<u>105</u>	<u>6,447</u>
CHANGE IN NET POSITION	36,180	6,946	76	43,202
TOTAL NET POSITION, BEGINNING OF YEAR	<u>331,828</u>	<u>305,813</u>	<u>2,635</u>	<u>640,276</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 368,008</u>	<u>\$ 312,759</u>	<u>\$ 2,711</u>	<u>\$ 683,478</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
OPERATING ACTIVITIES				
Receipts of administrative fees from customers	\$ 2,787	\$ 1,958	\$ 470	\$ 5,215
Grant and set-asides	22,022	59,786	-	81,808
Payments to service providers	(2,879)	(6,452)	(48)	(9,379)
Payments to employees	-	-	(380)	(380)
NET CASH FROM (USED FOR)				
OPERATING ACTIVITIES	<u>21,930</u>	<u>55,292</u>	<u>42</u>	<u>77,264</u>
NONCAPITAL FINANCING ACTIVITIES				
Interest paid on bonds payable	(13,314)	(5,446)	(4,600)	(23,360)
Proceeds from issuance of bonds payable	-	-	43,610	43,610
Principal payments on bonds payable	(9,797)	(9,413)	(53,425)	(72,635)
NET CASH FROM (USED FOR)				
NONCAPITAL FINANCING ACTIVITIES	<u>(23,111)</u>	<u>(14,859)</u>	<u>(14,415)</u>	<u>(52,385)</u>
INVESTING ACTIVITIES				
Interest received on investments and municipal securities	14,627	8,679	4,718	28,024
Proceeds from maturities and sales of investments	59,259	26,974	5,368	91,601
Purchases of investments	(4,859)	(23,175)	(6,128)	(34,162)
Proceeds from maturities of municipal securities	32,433	24,811	54,002	111,246
Purchases of municipal securities	(133,089)	(63,356)	(43,610)	(240,055)
NET CASH FROM (USED FOR)				
INVESTING ACTIVITIES	<u>(31,629)</u>	<u>(26,067)</u>	<u>14,350</u>	<u>(43,346)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(32,810)</u>	<u>14,366</u>	<u>(23)</u>	<u>(18,467)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>84,026</u>	<u>31,603</u>	<u>95</u>	<u>115,724</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 51,216</u>	<u>\$ 45,969</u>	<u>\$ 72</u>	<u>\$ 97,257</u>

COMBINING STATEMENT OF CASH FLOWS – CONTINUED
YEAR ENDED DECEMBER 31, 2025
(In Thousands)

	Proprietary Fund			Total
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES				
Operating gain (loss)	\$ 16,905	\$ 41,915	\$ 76	\$ 58,896
Adjustments to reconcile operating gain/loss to net cash from operating activities				
Net amortization of premium on bonds payable	3,655	2,035	-	5,690
Reclassification of operating income and expense to other activities	1,377	11,334	-	12,711
Changes in assets, liabilities, deferred inflows/outflows				
Pension Accruals			(39)	(39)
Accounts payable	(7)	8	5	6
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	<u>\$ 21,930</u>	<u>\$ 55,292</u>	<u>\$ 42</u>	<u>\$ 77,264</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024
(In Thousands)

	Proprietary Fund			Total
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	
OPERATING ACTIVITIES				
Receipts of administrative fees from customers	\$ 2,431	\$ 1,910	\$ 453	\$ 4,794
Grant and set-asides	16,674	40,921	-	57,595
Payments to service providers	(2,484)	(8,443)	(128)	(11,055)
Payments to employees	-	-	(349)	(349)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	16,621	34,388	(24)	50,985
NONCAPITAL FINANCING ACTIVITIES				
Transfers	20,920	(20,920)	-	-
Interest paid on bonds payable	(8,225)	(5,924)	(4,943)	(19,092)
Bond financing costs	(1,064)	(32)	-	(1,096)
Proceeds from bond premiums	28,433	694	-	29,127
Proceeds from issuance of bonds payable	195,575	5,345	-	200,920
Principal payments on bonds payable	(83,203)	(15,047)	(8,125)	(106,375)
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	152,436	(35,884)	(13,068)	103,484
INVESTING ACTIVITIES				
Interest received on investments and municipal securities	10,582	9,189	5,043	24,814
Proceeds from maturities and sales of investments	33,152	40,371	3,644	77,167
Purchases of investments	(85,317)	(32,360)	(3,811)	(121,488)
Proceeds from maturities of municipal securities	29,413	22,802	8,221	60,436
Purchases of municipal securities	(104,908)	(40,849)	-	(145,757)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	(117,078)	(847)	13,097	(104,828)
NET CHANGE IN CASH AND CASH EQUIVALENTS	51,979	(2,343)	5	49,641
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	32,047	33,946	90	66,083
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 84,026	\$ 31,603	\$ 95	\$ 115,724

COMBINING STATEMENT OF CASH FLOWS – CONTINUED
YEAR ENDED DECEMBER 31, 2024
(In Thousands)

	Proprietary Fund			Total
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES				
Operating Income (loss)	\$ 11,998	\$ 24,786	\$ (29)	\$ 36,755
Adjustments to reconcile operating income (loss) to net cash used for operating activities				
Bond financing costs	1,064	32	-	1,096
Net amortization of premium on bonds payable	1,435	1,893	-	3,328
Reclassification of operating income and expense to other activities	2,110	7,682	-	9,792
Changes in assets, liabilities, deferred inflows/outflows:				
Pension Accruals			2	2
Accounts payable	14	(5)	3	12
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	<u>\$ 16,621</u>	<u>\$ 34,388</u>	<u>\$ (24)</u>	<u>\$ 50,985</u>

**SUMMARY OF NORTH DAKOTA
PUBLIC FINANCE AUTHORITY AUDIT
FOR FISCAL YEAR ENDED DECEMBER 31, 2025
PREPARED BY BRADY MARTZ
March 9, 2026**

Purpose of the audit: To determine the financial statements are free from material misstatement.

Type of opinion: Unmodified

Summary of finding/recommendations: No findings/recommendations

Explanations of significant audit adjustments and correct or uncorrected misstatements:

1. The following material misstatements were identified as a result of the audit procedures performed, which were corrected by management:
 - a. None

2. The following uncorrected misstatements were identified as a result of the audit procedures performed, which were determined by management to be immaterial both individually and in the aggregate:
 - a. None

Disagreements with management or difficulties encountered in performing the audit: None

Other items to highlight in the report: None

Cost of the audit:

Current audit \$28,723

Prior audit \$24,245

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Governor Kelly Armstrong
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of North Dakota Public Finance Authority, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise North Dakota Public Finance Authority’s basic financial statements, and have issued our report thereon dated March 9, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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



BRADY MARTZ
BISMARCK, NORTH DAKOTA

March 9, 2026

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governor Kelly Armstrong
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited North Dakota Public Finance Authority’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of North Dakota Public Finance Authority’s major federal programs for the year ended December 31, 2025. North Dakota Public Finance Authority’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, North Dakota Public Finance Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North Dakota Public Finance Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of North Dakota Public Finance Authority’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North Dakota Public Finance Authority’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North Dakota Public Finance Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North Dakota Public Finance Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding North Dakota Public Finance Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of North Dakota Public Finance Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North Dakota Public Finance Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BRADY MARTZ
BISMARCK, NORTH DAKOTA

March 9, 2026

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2025
(IN THOUSANDS)

EXHIBIT A-4

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Expenditures (In Thousands)	Amounts Passed- Through to Subrecipients (In Thousands)
ENVIRONMENTAL PROTECTION AGENCY			
Passed through the North Dakota Department of Environmental Quality			
Capitalization Grants for Clean Water State Revolving Funds:			
Base Capitalization grants for Clean Water State Revolving Funds	66.458	\$ 7,788	\$ 7,788
IIJA Supplemental grants for Clean Water State Revolving Funds	66.458	12,094	12,094
IIJA Emerging Contaminants grants for Clean Water State Revolving Funds	66.458	2,140	2,140
Total Capitalization Grants for Clean Water State Revolving Funds:		22,022	22,022
Capitalization Grants for Drinking Water State Revolving Funds:			
Base Capitalization grants for Drinking Water State Revolving Funds	66.468	15,567	15,567
IIJA Supplemental grants for Drinking Water State Revolving Funds	66.468	33,770	33,770
IIJA Emerging Contaminants grants for Drinking Water State Revolving Funds	66.468	4,420	4,420
IIJA Lead Service Line Replacement grants for Drinking Water State Revolving Funds	66.468	6,029	1,229
Total Capitalization Grants for Drinking Water State Revolving Funds:		59,786	54,986
Total Environmental Protection Agency		\$ 81,808	\$ 77,008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (the “schedule”) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 2 - INDIRECT COST RATE

The agency has not elected to use the 15% de minimis cost rate.

NOTE 3 - AGENCY OR PASS-THROUGH NUMBER

The pass-through entity has not provided us with the identifying number on all programs; therefore, they are not included in the schedule.

NOTE 4 - SUBRECIPIENTS

The amounts passed through to sub-recipients consist entirely of loans advanced to the sub-recipients.

The North Dakota Public Finance Authority also has outstanding loan balances to sub-recipients from prior years. These balances are not included on the accompanying schedule of expenditures of federal awards because the federal government imposes no continuing compliance requirements on the sub-recipient.

NOTE 5 - BASIS OF PRESENTATION

The accompanying schedule includes the federal award activity of North Dakota Public Finance Authority under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported on the schedule have been reconciled to and are in agreement with amounts recorded in the accounting records from which the financial statements have been reported.

A. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No
Identification of major programs:	
<u>Name of Federal Program or Cluster</u>	<u>AL Number</u>
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B programs	\$2,454,420
Auditee qualified as a low-risk auditee	Yes

Section II – Financial Statement Findings

No financial statement findings reported in the current year.

Section III – Federal Award Findings and Questioned Costs

No federal award findings reported in the current year.

INDEPENDENT AUDITOR'S COMMUNICATION TO THE INDUSTRIAL COMMISSION OF NORTH DAKOTA

March 9, 2026

Governor Kelly Armstrong
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of the governmental activities, business-type activities and each major fund of North Dakota Public Finance Authority for the year ended December 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our conversation on February 4, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Public Finance Authority are described in Note 1 to the financial statements. As described in Note 2 to the financial statements, the North Dakota Public Finance Authority changed accounting policies related to Financial Reporting by adopting Statement of Governmental Accounting Standard (GASB Statement) No. 103 in 2025. There was no cumulative effect of the accounting change as of the beginning of the year. We noted no transactions entered into by North Dakota Public Finance Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements identified during the course of the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 9, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to North Dakota Public Finance Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as North Dakota Public Finance Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, schedule of employer's share of net pension liability, and schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining financial statements and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee and management of North Dakota Public Finance Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



BRADY MARTZ
BISMARCK, NORTH DAKOTA