

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

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Governor Doug Burgum
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, 2023 and 2022, 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, each major fund of the North Dakota Public Finance Authority, as of December 31, 2023 and 2022, 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, 2023 and 2022, 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.

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 8, 2024 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 & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

March 8, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

The discussion and analysis of the financial performance of the North Dakota Public Finance Authority (PFA) that follows is meant to provide additional insight into the PFA's activities for the years ended December 31, 2023, 2022 and 2021. Please read it in conjunction with the PFA's financial statements and footnotes, which are presented within this report.

FINANCIAL HIGHLIGHTS:

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. Bond payments are funded by capitalized interest, earnings on unspent bond proceeds, and transfers from ND Legacy Fund earnings. As of December 31, 2023, 2022, and 2021 capitalized interest of \$0, \$12,660, and \$13,384, respectively was held in Treasury Securities and CDs. Project funds transferred to BND totaled \$114,643 in 2023, \$101,241 in 2022, and \$74,500 in 2021. The bond requirements for the 2023-2025 biennium are \$102,620 and were transferred from the general fund in 2023. PFA issued Legacy Bonds (rated Aa2 by Moody's and AA by S&P) of \$320,915 in 2022 and \$389,200 in 2021. Legacy Bond fund financials are shown in the Special Revenue Fund financial statements.

Proprietary fund municipal securities (loans outstanding) increased 2.7% from \$949,084 in 2022 to \$974,496 in 2023, and they increased 2.2% from \$928,807 in 2021 to \$949,084 in 2022. State Revolving Fund (SRF) loans are funded with grant revenues, bond proceeds, and loan repayments, which are invested until loans are funded. There were \$99,633 of loans funded in 2023, \$80,377 of loans funded in 2022, and \$83,134 of loans funded in 2021. The variances are due to the demand fluctuations created by the number of projects outstanding. PFA anticipates loan demand will continue to remain strong as these projects are constructed over the next one to two years. Proprietary Fund Investments decreased by 49.4% to \$41,808 in 2023 due to loans being funded from investment proceeds, increased by 168.7% to \$82,601 in 2022 due to issuing SRF bonds and purchasing more investments in 2022. Proprietary Fund Investments decreased by 71.1% to \$30,741 in 2021 due to loans being funded from investment proceeds.

There were no rebate payments made to the Internal Revenue Service in 2023. An arbitrage refund of \$101 was received from the Internal Revenue Service in 2022. There were no rebate payments made to the Internal Revenue Service in 2021. As of year-end, there is no accrued rebate liability or receivable.

No Capital Financing Program "CFP" bonds (rated A+ by Standard and Poor's) were issued in 2023 or 2022, and a \$2,130 CFP bond was issued in 2021. The State Revolving Fund Loan Program (rated Aaa by Moody's and AAA by S&P) issues bonds to provide the required match to receive capitalization grants from the EPA and leverage the program. No SRF bonds were issued in 2023, SRF bonds were issued in 2022 totaling \$85,330, and no SRF bonds were issued in 2021.

State Revolving Fund expenses were \$22,812 for 2023, \$5,881 for 2022, and \$5,965 for 2021. This is largely due to capitalization grants being required to provide loan forgiveness, which is presented as an expense on the statement of revenues, expenses and changes in net position. Loan forgiveness increased in 2023 due to Infrastructure Investment and Jobs Act (IIJA) requirements.

In its proprietary funds, total assets increased \$12,252 to \$1,087,915 in 2023 and \$25,945 to \$1,075,663 in 2022 and decreased \$8,475 to \$1,049,718 in 2021. 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 resulted in an increase of \$44,258 in 2023, \$9,808 in 2022, and \$20,727 in 2021 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. As of December 31, 2023, 2022, and 2021, the PFA had \$226,860, \$157,082, and \$152,155, respectively, of commitments to extend credit.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

REQUIRED FINANCIAL STATEMENTS:

The discussion and analysis are intended to serve as an introduction to the PFA's financial statements. 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 funds and proprietary funds.

PFA's special revenue fund financial statements show Legacy Bond activity. These statements focus on the near-term inflows and outflows of spendable resources, and the balances left at year-end that are available for future spending. Bond proceeds are shown as a revenue source and accrued interest is not included on the special revenue 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.

PFA's proprietary fund financial statements show the State Revolving fund program and Capital Financing Program loan fund activity. 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.

GOVERNMENTAL ACTIVITIES CONDENSED STATEMENT OF NET POSITION
DECEMBER 31,

	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
				Dollar Variance	Percentage Variance	Dollar Variance	Percentage Variance
ASSETS							
CURRENT ASSETS - RESTRICTED	\$ 375,996	\$ 520,736	\$ 313,583	\$ (144,740)	-27.80%	\$ 207,153	66.06%
NONCURRENT ASSETS - RESTRICTED	-	-	-	-	100.00%	-	100.00%
TOTAL ASSETS	<u>375,996</u>	<u>520,736</u>	<u>313,583</u>	<u>(144,740)</u>	<u>-27.80%</u>	<u>207,153</u>	<u>66.06%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100.00%</u>	<u>-</u>	<u>100.00%</u>
LIABILITIES							
CURRENT LIABILITIES	30,912	30,386	353	526	1.73%	30,033	8507.93%
NONCURRENT LIABILITIES	<u>651,456</u>	<u>680,420</u>	<u>389,842</u>	<u>(28,964)</u>	<u>-4.26%</u>	<u>290,578</u>	<u>74.54%</u>
TOTAL LIABILITIES	<u>682,368</u>	<u>710,806</u>	<u>390,195</u>	<u>(28,438)</u>	<u>-4.00%</u>	<u>320,611</u>	<u>82.17%</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100.00%</u>	<u>-</u>	<u>100.00%</u>
NET POSITION							
UNRESTRICTED	<u>(306,372)</u>	<u>(190,070)</u>	<u>(76,612)</u>	<u>(116,302)</u>	<u>61.19%</u>	<u>(113,458)</u>	<u>148.09%</u>
TOTAL NET POSITION	<u>\$ (306,372)</u>	<u>\$ (190,070)</u>	<u>\$ (76,612)</u>	<u>\$ (116,302)</u>	<u>61.19%</u>	<u>\$ (113,458)</u>	<u>148.09%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

BUSINESS-TYPE ACTIVITIES CONDENSED STATEMENT OF NET POSITION
DECEMBER 31,

	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
				Dollar Variance	Percentage Variance	Dollar Variance	Percentage Variance
ASSETS							
CURRENT ASSETS - RESTRICTED	\$ 154,982	\$ 158,786	\$ 145,244	\$ (3,804)	-2.40%	\$ 13,542	9.32%
NONCURRENT ASSETS - RESTRICTED	<u>932,933</u>	<u>916,877</u>	<u>904,474</u>	<u>16,056</u>	<u>1.75%</u>	<u>12,403</u>	<u>1.37%</u>
TOTAL ASSETS	<u>1,087,915</u>	<u>1,075,663</u>	<u>1,049,718</u>	<u>12,252</u>	<u>1.14%</u>	<u>25,945</u>	<u>2.47%</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>252</u>	<u>394</u>	<u>2,030</u>	<u>(142)</u>	<u>-36.04%</u>	<u>(1,636)</u>	<u>-80.59%</u>
LIABILITIES							
CURRENT LIABILITIES	30,893	31,819	30,485	(926)	-2.91%	1,334	4.38%
NONCURRENT LIABILITIES	<u>413,140</u>	<u>444,144</u>	<u>434,667</u>	<u>(31,004)</u>	<u>-6.98%</u>	<u>9,477</u>	<u>2.18%</u>
TOTAL LIABILITIES	<u>444,033</u>	<u>475,963</u>	<u>465,152</u>	<u>(31,930)</u>	<u>-6.71%</u>	<u>10,811</u>	<u>2.32%</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,858</u>	<u>4,076</u>	<u>386</u>	<u>(218)</u>	<u>-5.35%</u>	<u>3,690</u>	<u>955.96%</u>
NET POSITION							
UNRESTRICTED	2,170	2,152	1,978	18	0.84%	174	8.80%
RESTRICTED FOR DEBT SERVICE	92,490	97,861	90,362	(5,371)	-5.49%	7,499	8.30%
RESTRICTED FOR LOAN PURPOSES	<u>545,616</u>	<u>496,005</u>	<u>493,870</u>	<u>49,611</u>	<u>10.00%</u>	<u>2,135</u>	<u>0.43%</u>
TOTAL NET POSITION	<u>\$ 640,276</u>	<u>\$ 596,018</u>	<u>\$ 586,210</u>	<u>\$ 44,258</u>	<u>7.43%</u>	<u>\$ 9,808</u>	<u>1.67%</u>

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. Additional discussion of these investments can be found at Note 2 to the financial statements.

Municipal Securities

Obligations of North Dakota political subdivisions are classified separately on the balance sheet as “municipal securities” and included in the restricted current and non-current assets of the Statement of Net Position. These investment securities are primarily city and water district obligations and are pledged to the various bond issues. No future losses for market value declines are anticipated and an allowance has not been provided. Note 3 to the financial statements contains further information regarding municipal securities.

Bonds Payable

In order 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 payable are included in the restricted current and non-current liabilities of the preceding statement. 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. Further details are contained in Note 4 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

GOVERNMENTAL ACTIVITIES CONDENSED STATEMENT OF ACTIVITIES
DECEMBER 31,

	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
				Dollar Variance	Percentage Variance	Dollar Variance	Percentage Variance
NONOPERATING REVENUE							
Investment income	\$ 21,547	\$ 4,848	\$ 6	\$ 16,699	344.45%	\$ 4,842	80700.00%
	<u>21,547</u>	<u>4,848</u>	<u>6</u>	<u>16,699</u>	<u>344.45%</u>	<u>4,842</u>	<u>80700.00%</u>
TOTAL REVENUE	<u>21,547</u>	<u>4,848</u>	<u>6</u>	<u>16,699</u>	<u>344.45%</u>	<u>4,842</u>	<u>80700.00%</u>
OPERATING EXPENSES							
Interest expense	23,133	15,515	232	7,618	49.10%	15,283	6587.50%
Bond issue costs	-	1,523	1,886	(1,523)	-100.00%	(363)	-19.25%
Other	73	27	-	46	170.37%	27	100.00%
	<u>23,206</u>	<u>17,065</u>	<u>2,118</u>	<u>6,141</u>	<u>35.99%</u>	<u>14,947</u>	<u>705.71%</u>
TRANSFERS	<u>(114,643)</u>	<u>(101,241)</u>	<u>(74,500)</u>	<u>(13,402)</u>	<u>13.24%</u>	<u>(26,741)</u>	<u>35.89%</u>
CHANGE IN NET POSITION	<u>(116,302)</u>	<u>(113,458)</u>	<u>(76,612)</u>	<u>(2,844)</u>	<u>2.51%</u>	<u>(36,846)</u>	<u>48.09%</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>(190,070)</u>	<u>(76,612)</u>	<u>-</u>	<u>(113,458)</u>	<u>-148.09%</u>	<u>(76,612)</u>	<u>-100.00%</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ (306,372)</u>	<u>\$ (190,070)</u>	<u>\$ (76,612)</u>	<u>\$ (116,302)</u>	<u>61.19%</u>	<u>\$ (113,458)</u>	<u>148.09%</u>

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

	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
				Dollar Variance	Percentage Variance	Dollar Variance	Percentage Variance
OPERATING REVENUES							
Investment income	\$ 20,335	\$ 20,564	\$ 20,821	\$ (229)	-1.11%	\$ (257)	-1.23%
Grant and set-asides	632	-	491	632	100.00%	(491)	-100.00%
Administrative fees and other	4,629	4,459	4,139	170	3.81%	320	7.73%
	<u>25,596</u>	<u>25,023</u>	<u>25,451</u>	<u>573</u>	<u>2.29%</u>	<u>(428)</u>	<u>-1.68%</u>
NONOPERATING REVENUE							
Grant and set-asides	52,515	8,181	19,184	44,334	541.91%	(11,003)	-57.36%
Investment income	4,999	247	816	4,752	1923.89%	(569)	-69.73%
	<u>57,514</u>	<u>8,428</u>	<u>20,000</u>	<u>49,086</u>	<u>582.42%</u>	<u>(11,572)</u>	<u>-57.86%</u>
TOTAL REVENUE	<u>83,110</u>	<u>33,451</u>	<u>45,451</u>	<u>49,659</u>	<u>148.45%</u>	<u>(12,000)</u>	<u>-26.40%</u>
OPERATING EXPENSES							
Interest expense	15,539	17,112	18,391	(1,573)	-9.19%	(1,279)	-6.95%
State Revolving Fund expenses	22,812	5,881	5,965	16,931	287.89%	(84)	-1.41%
Refund from IRS	-	(101)	-	101	-100.00%	(101)	100.00%
Amortization of bond issue costs	-	348	-	(348)	100.00%	348	100.00%
Other	501	403	368	98	24.32%	35	9.51%
	<u>38,852</u>	<u>23,643</u>	<u>24,724</u>	<u>15,209</u>	<u>64.33%</u>	<u>(1,081)</u>	<u>-4.37%</u>
CHANGE IN NET POSITION	<u>44,258</u>	<u>9,808</u>	<u>20,727</u>	<u>34,450</u>	<u>351.24%</u>	<u>(10,919)</u>	<u>-52.68%</u>
TOTAL NET POSITION, BEGINNING OF YEAR	<u>596,018</u>	<u>586,210</u>	<u>565,483</u>	<u>9,808</u>	<u>1.67%</u>	<u>20,727</u>	<u>3.67%</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 640,276</u>	<u>\$ 596,018</u>	<u>\$ 586,210</u>	<u>\$ 44,258</u>	<u>7.43%</u>	<u>\$ 9,808</u>	<u>1.67%</u>

Note 1 to the financial statements contains discussion of several of the various operating revenue and expense items pertaining to PFA operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
DECEMBER 31, 2023, 2022 AND 2021
(In Thousands)

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 grant proceeds are classified as non-operating revenue in the Statement of Revenues, Expenditures and Changes in Net Position.

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.

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
DECEMBER 31, 2023 AND 2022
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
CURRENT ASSETS						
Restricted						
Cash and cash equivalents	\$ 8,382	\$ 42,407	\$ 66,083	\$ 38,379	\$ 74,465	\$ 80,786
Interest receivable	193	73	5,528	5,599	5,721	5,672
Investments	367,421	478,256	33,095	65,878	400,516	544,134
Municipal securities	-	-	50,276	48,930	50,276	48,930
Total restricted current assets	375,996	520,736	154,982	158,786	530,978	679,522
Total current assets	375,996	520,736	154,982	158,786	530,978	679,522
NONCURRENT ASSETS - RESTRICTED						
Investments	-	-	8,713	16,723	8,713	16,723
Municipal securities	-	-	924,220	900,154	924,220	900,154
Total restricted noncurrent assets	-	-	932,933	916,877	932,933	916,877
Total assets	375,996	520,736	1,087,915	1,075,663	1,463,911	1,596,399
DEFERRED OUTFLOWS OF RESOURCES						
Derived from pension	-	-	252	394	252	394
Total deferred outflows of resources	-	-	252	394	252	394
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	-	-	40	65	40	65
Bonds payable	29,030	28,460	27,020	27,645	56,050	56,105
Interest payable	1,882	1,926	3,833	4,109	5,715	6,035
Total current liabilities	30,912	30,386	30,893	31,819	61,805	62,205
NONCURRENT LIABILITIES						
Bonds payable	651,456	680,420	412,797	443,620	1,064,253	1,124,040
Net pension liability	-	-	343	524	343	524
Total noncurrent liabilities	651,456	680,420	413,140	444,144	1,064,596	1,124,564
Total liabilities	682,368	710,806	444,033	475,963	1,126,401	1,186,769
DEFERRED INFLOWS OF RESOURCES						
Deferred gain on bond refunding	-	-	3,581	3,857	3,581	3,857
Derived from pension	-	-	277	219	277	219
Total deferred inflows of resources	-	-	3,858	4,076	3,858	4,076
NET POSITION						
Unrestricted	(306,372)	(190,070)	2,170	2,152	(304,202)	(187,918)
Restricted for debt service	-	-	92,490	97,861	92,490	97,861
Restricted for loan purposes	-	-	545,616	496,005	545,616	496,005
Total net position	\$ (306,372)	\$ (190,070)	\$ 640,276	\$ 596,018	\$ 333,904	\$ 405,948

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
YEAR ENDED DECEMBER 31, 2023
(In Thousands)

Functions:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges For	Operating	Special	Business-Type	Total
		Services	Grants and	Revenue	Activities	
			Contributions	Activities		
GOVERNMENTAL ACTIVITIES						
General government	\$ 73	\$ 21,547	\$ -	\$ 21,474	\$ -	\$ 21,474
Interest on long term debt	23,133	-		(23,133)		(23,133)
Total governmental activities	23,206	21,547	-	(1,659)	-	(1,659)
BUSINESS-TYPE ACTIVITIES						
Total business-type activities	38,852	29,963	53,147		44,258	44,258
Total primary government	<u>\$ 62,058</u>	<u>\$ 51,510</u>	<u>\$ 53,147</u>	(1,659)	44,258	42,599
Transfers				(114,643)	-	(114,643)
Change in net position				(116,302)	44,258	(72,044)
Net position, beginning of year				(190,070)	596,018	405,948
Net position, ending				<u>\$ (306,372)</u>	<u>\$ 640,276</u>	<u>\$ 333,904</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
YEAR ENDED DECEMBER 31, 2022
(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	\$ 1,550	\$ 4,848	\$ -	\$ 3,298	\$ -	\$ 3,298
Interest on long term debt	15,515	-		(15,515)		(15,515)
Total governmental activities	17,065	4,848	-	(12,217)	-	(12,217)
BUSINESS-TYPE ACTIVITIES						
Total business-type activities	23,643	25,270	8,181	-	9,808	9,808
Total primary government	<u>\$ 40,708</u>	<u>\$ 30,118</u>	<u>\$ 8,181</u>	(12,217)	9,808	(2,409)
Transfers				(101,241)	-	(101,241)
Change in net position				(113,458)	9,808	(103,650)
Net position, beginning of year				(76,612)	586,210	509,598
Net position, ending				<u>\$ (190,070)</u>	<u>\$ 596,018</u>	<u>\$ 405,948</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
BALANCE SHEETS
SPECIAL REVENUE FUND
DECEMBER 31, 2023 AND 2022
(In Thousands)

	Legacy Bond Program	
	2023	2022
RESTRICTED ASSETS		
Cash and cash equivalents	\$ 8,382	\$ 42,407
Investments	367,421	478,256
Interest receivable - net	193	73
Total assets	<u>375,996</u>	<u>520,736</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	-	-
Total liabilities	<u>-</u>	<u>-</u>
FUND BALANCE		
Restricted for projects	286,996	504,259
Restricted for bonds payable	<u>89,000</u>	<u>16,477</u>
Total fund balance	<u>375,996</u>	<u>520,736</u>
Total liabilities and fund balance	<u>\$ 375,996</u>	<u>\$ 520,736</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
RECONCILIATIONS OF THE BALANCE SHEETS TO THE STATEMENTS OF NET POSITION
SPECIAL REVENUE FUND
DECEMBER 31, 2023 AND 2022
(In Thousands)

	Legacy Bond Program	
	2023	2022
Total fund balance-special revenue fund	\$ 375,996	\$ 520,736
Amounts reported for special revenue funds in the statement of net position are different because:		
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:		
Bonds payable	\$ (680,486)	\$ (708,880)
Accrued interest on long-term liabilities	(1,882)	(1,926)
Total long-term liabilities	<u>(682,368)</u>	<u>(710,806)</u>
Net position of governmental activities	<u>\$ (306,372)</u>	<u>\$ (190,070)</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands)

	Legacy Bond Program	
	2023	2022
REVENUES		
Interest and investment income	\$ 21,547	\$ 4,848
Total revenues	21,547	4,848
EXPENDITURES		
Administrative expenses	73	27
Debt service:		
Principal	28,460	-
Interest and other charges	23,111	13,821
Total expenditures	51,644	13,848
Excess (deficiency) of revenues over expenditures	(30,097)	(9,000)
OTHER FINANCE SOURCES (USES)		
Bonds and notes issued	-	319,038
Costs of issuance	-	(1,523)
Transfers in from other state agency	102,620	-
Transfers out to other state agency	(217,263)	(101,241)
Total other financing sources (uses)	(114,643)	216,274
Net change in fund balance	(144,740)	207,274
Fund balance, beginning of year	520,736	313,462
FUND BALANCE, ending	\$ 375,996	\$ 520,736

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, 2023 AND 2022
(In Thousands)

	Legacy Bond Program	
	2023	2022
Net change in fund balance-special revenue fund	\$ (144,740)	\$ 207,274
Amounts reported for special revenue funds in the statement of net position are different because:		
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	-	(319,038)
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:		
Bond principal retirement	28,460	-
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.	(22)	(1,694)
Change in net position of special revenue fund	<u>\$ (116,302)</u>	<u>\$ (113,458)</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2023 AND 2022
(In Thousands)

	Business-Type Activities	
	2023	2022
ASSETS		
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	\$ 66,083	\$ 38,379
Interest receivable	5,528	5,599
Investments	33,095	65,878
Municipal securities	50,276	48,930
Total restricted current assets	154,982	158,786
Total current assets	154,982	158,786
NONCURRENT ASSETS - RESTRICTED		
Investments	8,713	16,723
Municipal securities	924,220	900,154
Total restricted noncurrent assets	932,933	916,877
Total assets	1,087,915	1,075,663
DEFERRED OUTFLOWS OF RESOURCES		
Derived from pension	252	394
Total deferred outflows of resources	252	394
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	40	65
Bonds payable	27,020	27,645
Interest payable	3,833	4,109
Total current liabilities	30,893	31,819
NONCURRENT LIABILITIES		
Bonds payable	412,797	443,620
Net pension liability	343	524
Total noncurrent liabilities	413,140	444,144
Total liabilities	444,033	475,963
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on bond refunding	3,581	3,857
Derived from pension	277	219
Total deferred inflows of resources	3,858	4,076
NET POSITION		
Unrestricted	2,170	2,152
Restricted for debt service	92,490	97,861
Restricted for loan purposes	545,616	496,005
Total net position	\$ 640,276	\$ 596,018

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands)

	Business-Type Activities	
	2023	2022
OPERATING REVENUES		
Investment income	\$ 20,335	\$ 20,564
Grant and set-asides	632	-
Administrative fees and other	4,629	4,459
	<u>25,596</u>	<u>25,023</u>
OPERATING EXPENSES		
Interest expense	15,539	17,112
State Revolving Fund loan forgiveness	18,600	2,909
State Revolving Fund administration	3,417	2,819
State Revolving Fund set-asides	795	153
Refund from IRS	-	(101)
Salaries and benefits	347	369
Bond issue costs	-	348
Operating	154	33
Paying agent fees	-	1
	<u>38,852</u>	<u>23,643</u>
OPERATING INCOME (LOSS)	<u>(13,256)</u>	<u>1,380</u>
NONOPERATING REVENUE		
Grant and set-asides	52,515	8,181
Investment income	4,999	247
	<u>57,514</u>	<u>8,428</u>
CHANGE IN NET POSITION	44,258	9,808
TOTAL NET POSITION, BEGINNING OF YEAR	<u>596,018</u>	<u>586,210</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 640,276</u>	<u>\$ 596,018</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands)

	Business-Type Activities	
	2023	2022
OPERATING ACTIVITIES		
Receipts of administrative fees from customers	\$ 4,629	\$ 4,459
Grant and set-asides	632	-
Payments to service providers	(4,391)	(3,401)
Payments to employees	(328)	(307)
NET CASH FROM OPERATING ACTIVITIES	542	751
NONCAPITAL FINANCING ACTIVITIES		
Grant and set-asides	52,515	8,181
Interest paid on bonds payable	(19,894)	(20,943)
Bond financing costs	-	(348)
Proceeds from bond premiums	-	17,557
Proceeds from issuance of bonds payable	-	85,330
Principal payments on bonds payable	(27,645)	(82,485)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	4,976	7,292
INVESTING ACTIVITIES		
Interest received on investments and municipal securities	24,970	21,860
Proceeds from maturities and sales of investments	106,894	86,154
Purchases of investments	(65,666)	(139,215)
Proceeds from maturities of municipal securities	55,622	57,191
Purchases of municipal securities	(99,634)	(80,377)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	22,186	(54,387)
NET CHANGE IN CASH AND CASH EQUIVALENTS	27,704	(46,344)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	38,379	84,723
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 66,083	\$ 38,379

STATEMENTS OF CASH FLOWS – CONTINUED
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2023 AND 2022
(In Thousands)

	<u>2023</u>	<u>2022</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO TO NET CASH FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ (13,256)	\$ 1,380
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Bond financing costs	-	348
Net amortization of premium on bonds payable	4,079	4,006
Reclassification of investment income and expense to other activities	9,725	(4,650)
Changes in assets, liabilities, deferred inflows/outflows:		
Pension Accruals	19	62
Accounts payable	<u>(25)</u>	<u>(395)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 542</u>	<u>\$ 751</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF APPROPRIATIONS
SPECIAL REVENUE FUND
TWO YEARS ENDED JUNE 30, 2023 AND SIX MONTHS ENDED DECEMBER 31, 2023
(In Thousands)

	2023-2025	7-1-2023	Unexpended
	Appropriations	12-31-2023	Appropriations
		Expenditures	12-31-2023
Legacy bond payments	\$ 102,620	\$ 40,044	\$ 62,576
Total expenditures	<u>\$ 102,620</u>	<u>\$ 40,044</u>	<u>\$ 62,576</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.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF APPROPRIATIONS
PROPRIETARY FUND
TWO YEARS ENDED JUNE 30, 2023 AND SIX MONTHS ENDED DECEMBER 31, 2023
(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, 2023 and 2022 Statements of Revenues, Expenses and Changes in Net Position follows:

	2021-2023	7-1-2021	1-1-2022	Unexpended	1-1-2023	Unexpended	2023-2025	7-1-2023	Unexpended
	Appropriations	12-31-2021	12-31-2022	Appropriations	6-30-2023	Appropriations	Appropriations	12-31-2023	Appropriations
		Expenditures	Expenditures	12-31-2022	Expenditures	at 6-30-23		Expenditures	12-31-2023
Salaries and wages	\$ 694	\$ 153	\$ 307	\$ 234	\$ 154	\$ 80	\$ 777	\$ 176	\$ 601
Operating expenses	182	21	33	128	62	66	233	92	141
Total expenditures	<u>\$ 876</u>	<u>\$ 174</u>	<u>\$ 340</u>	<u>\$ 362</u>	<u>\$ 216</u>	<u>\$ 146</u>	<u>\$ 1,010</u>	<u>\$ 268</u>	<u>\$ 742</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>2023</u>	<u>2022</u>
RECONCILIATION OF APPROPRIATION		
EXPENDITURES TO OPERATING EXPENSES		
Total appropriation expenditures for year		
ended December 31	\$ 484	\$ 340
GASB 68 Adjustment	17	62
Interest expense	15,539	17,112
State Revolving Fund administrative fees	22,812	5,881
Refund from IRS	-	(101)
Bond Issue Costs	-	348
Paying agent fees	-	1
Total operating expenses	<u>\$ 38,852</u>	<u>\$ 23,643</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(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 meet 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 result 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 do not meet the definition of the two preceding categories. Unrestricted net position often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often have 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 the following major governmental fund, 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 propriety fund. The proprietary fund makes fund available for borrowing by North Dakota political subdivisions through the issuance of bonds and the purchase 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

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, 2023 and 2022.

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 a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. In general, accrued annual

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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.

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 that 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, 2023 and 2022 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 and Non-operating Revenues

Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenue for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions and other miscellaneous revenue. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would not otherwise undertake.

All other revenues that do not meet the above criteria are classified as non-operating.

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 - 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 2023	Bank Balance 2022
Cash and cash equivalents		
Special Revenue Fund	\$ 8,382	\$ 42,407
Proprietary Fund	66,083	38,379
Total deposits	<u>\$ 74,465</u>	<u>\$ 80,786</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.

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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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, 2023 and 2022 (amounts are in thousands):

Investments	12/31/2023	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Special Revenue Fund				
US Treasuries	\$ 367,421	\$ 367,421	\$ -	\$ -
Proprietary Fund				
US Treasury notes	16,156	16,156	-	-
Certificates of deposit	2,301	-	2,301	-
Corporate Note	3,887	-	3,887	-
Federal agency notes	6,384	6,384	-	-
Commercial paper	13,080	-	13,080	-
Total Proprietary Fund	41,808	22,540	19,268	-
Total Investments at fair value	\$ 409,229	\$ 389,961	\$ 19,268	\$ -

Investments	12/31/2022	Fair Value Measurements Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt Securities				
Special Revenue Fund				
US Treasuries	\$ 473,614	\$ 473,614	\$ -	\$ -
Proprietary Fund				
US Treasury notes	20,481	20,481	-	-
Certificates of deposit	5,941	-	5,941	-
Corporate note	9,413	-	9,413	-
Federal agency notes	8,058	8,058	-	-
Commercial paper	38,708	-	38,708	-
Total Proprietary Fund	82,601	28,539	54,062	-
Total Investments at fair value	556,215	\$ 502,153	\$ 54,062	\$ -

Investments measured at cost:

Certificates of deposit - Bank of ND	
Special Revenue Fund	4,642
Total Investments	\$ 560,857

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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, 2023, 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	\$ 367,421	\$ 356,360	\$ 11,061	\$ -	\$ -
Proprietary Fund					
US Treasuries	16,156	14,288	1,868	-	-
Certificates of Deposit	2,301	2,301	-	-	-
Corporate Note	3,887	1,562	2,325	-	-
Agency Notes	6,384	1,864	4,520	-	-
Commercial Paper	13,080	13,080	-	-	-
Total Proprietary Fund	<u>41,808</u>	<u>\$ 33,095</u>	<u>\$ 8,713</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments at Fair Value	<u>\$ 409,229</u>				

As of December 31, 2022, 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	\$473,614	\$ 473,614	\$ -	\$ -	\$ -
Proprietary Fund					
US Treasuries	20,481	15,153	5,328	-	-
Certificates of Deposit	5,941	5,941	-	-	-
Corporate Note	9,413	4,935	4,478	-	-
Agency Notes	8,058	1,141	6,917	-	-
Commercial Paper	<u>38,708</u>	<u>38,708</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Proprietary Fund	<u>82,601</u>	<u>\$ 65,878</u>	<u>\$ 16,723</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments at Fair Value	556,215				
Certificates of deposit - Bank of ND					
Special Revenue Fund	<u>4,642</u>				
Total Investments	<u>\$560,857</u>				

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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, 2023, 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	\$ 2,301	\$ -	\$ -	\$ 2,301	\$ -
Corporate Note	3,887	-	733	2,562	592
Agency Notes	6,384	237	6,147	-	-
Commercial Paper	13,080	-	-	13,080	-
		<u>\$ 237</u>	<u>\$ 6,880</u>	<u>\$ 17,943</u>	<u>\$ 592</u>
US Government					
Special Revenue Fund	367,421				
Proprietary Fund	<u>16,156</u>				
Total Debt Securities	<u>\$409,229</u>				

As of December 31, 2022, 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	\$ 5,941	\$ -	\$ -	\$ 5,941	\$ -
Corporate Note	9,413	-	1,304	6,305	1,804
Agency Notes	8,058	228	7,830	-	-
Commercial Paper	38,708	-	-	38,708	-
		<u>\$ 228</u>	<u>\$ 9,134</u>	<u>\$ 50,954</u>	<u>\$ 1,804</u>
US Government					
Special Revenue Fund	473,614				
Proprietary Fund	<u>20,481</u>				
Total Debt Securities	<u>\$556,215</u>				

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - 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):

	2023	2022
Capital Financing Program	\$ 116,152	\$ 124,062
State Revolving Fund Program	858,344	825,022
	974,496	949,084
Less current portion	50,276	48,930
	<u>\$ 924,220</u>	<u>\$ 900,154</u>

NOTE 4 - BONDS PAYABLE

Changes in Bonds Payable

Activity for long-term liabilities for the year ended December 31, 2023 was as follows (amounts are in thousands):

	Balance 1/1/2023	Additions	Reductions	Net Accretion of Premiums and Discounts	Balance 12/31/2023	Amounts Due Within One Year
LONG-TERM LIABILITIES						
Bonds payable, Governmental Activities	\$ 708,880	\$ -	\$ 28,460	\$ 66	\$ 680,486	\$ 29,030
Bonds payable, Business-type Activities	471,265	-	27,645	(3,803)	439,817	27,020
Total Bonds Payable	<u>\$ 1,180,145</u>	<u>\$ -</u>	<u>\$ 56,105</u>	<u>\$ (3,737)</u>	<u>\$ 1,120,303</u>	<u>\$ 56,050</u>

Activity for long-term liabilities for the year ended December 31, 2022 was as follows (amounts are in thousands):

	Balance 1/1/2022	Additions	Reductions	Net Accretion of Premiums and Discounts	Balance 12/31/2022	Amounts Due Within One Year
LONG-TERM LIABILITIES						
Bonds payable, Governmental Activities	\$ 389,842	\$ 319,030	\$ -	\$ 8	\$ 708,880	\$ 28,460
Bonds payable, Business-type Activities	460,467	102,887	82,485	(9,604)	471,265	27,645
Total Bonds Payable	<u>\$ 850,309</u>	<u>\$ 421,917</u>	<u>\$ 82,485</u>	<u>\$ (9,596)</u>	<u>\$ 1,180,145</u>	<u>\$ 56,105</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.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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
2024	\$ 29,030	\$ 22,589	\$ 51,619
2025	29,680	21,971	51,651
2026	30,405	21,289	51,694
2027	31,205	20,526	51,731
2028	32,080	19,686	51,766
2029-2033	175,870	83,453	259,323
2034-2038	208,215	52,104	260,319
2039-2041	145,170	11,614	156,784
(Net Discount)	(1,169)	1,169	-
	<u>\$ 680,486</u>	<u>\$ 254,401</u>	<u>\$ 934,887</u>

The following summarizes the PFA's Governmental Activities bonds outstanding at December 31, 2023 and 2022 (amounts are in thousands):

Description and Due Date	Interest Rate	Original Value	2023	2022
<u>Special Revenue Fund</u>				
Series 2021-Legacy				
Serial Bonds 6/1/23-6/1/41	0.87 - 3.20	\$ 389,200	\$ 372,632	\$ 389,809
Series 2022-Legacy				
Serial Bonds 6/1/23-6/1/41	3.30 - 4.80	320,915	<u>307,854</u>	<u>319,071</u>
Total Special Revenue Fund			<u>\$ 680,486</u>	<u>\$ 708,880</u>

Maturities of Bonds Payable – Business-type Activities

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

Years Ending December 31,	Principal	Interest	Total Debt Service
2024	\$ 27,020	\$ 18,570	\$ 45,590
2025	27,795	17,587	45,382
2026	27,010	15,920	42,930
2027	28,285	14,635	42,920
2028	29,615	13,289	42,904
2029-2033	142,970	45,329	188,299
2034-2038	87,910	16,206	104,116
2039-2043	18,225	2,981	21,206
2044-2045	4,320	219	4,539
Net Premium	46,667	(46,667)	-
	<u>\$ 439,817</u>	<u>\$ 98,069</u>	<u>\$ 537,886</u>

The following summarizes the PFA's Business-type Activities bonds outstanding at December 31, 2023 and 2022 (amounts are in thousands):

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Description and Due Date	Interest Rate	Original Value	2023	2022
<u>Proprietary Fund</u>				
Series 2006-IDBP				
Serial Bonds 6/1/07-6/1/31	4.00 - 5.00	\$ 1,360	\$ 625	\$ 685
Series 2009-CFP				
Serial Bonds 6/1/10-6/1/34	2.00 - 4.88	2,125	440	465
Series 2012-SRF				
Serial Bonds 10/1/12-10/1/25 (net of premium)	0.24 - 5.00	37,605	4,848	8,991
Series 2012-CFP				
Serial Bonds 6/1/13-6/1/41	2.00 - 3.75	9,635	3,315	3,545
Series 2013-CFP				
Serial Bonds 6/1/14-6/1/33	3.00 - 4.00	51,375	30,615	33,055
Series 2014-CFP				
Serial Bonds 6/1/15-6/1/34	2.00 - 5.00	41,840	25,420	27,565
Series 2015-CFP				
Serial Bonds 6/1/15-6/1/45	2.00 - 5.00	65,845	50,745	52,890
Series 2015-SRF				
Serial Bonds 10/1/16-10/1/35 (net of premium)	3.00 - 5.00	119,195	96,305	102,340
Series 2016-SRF				
Serial Bonds 10/1/19-10/1/28 (net of premium)	4.00 - 5.00	16,405	10,734	12,635
Series 2018-CFP				
Serial Bonds 6/1/19-6/1/28	5.00	1,360	790	925
Series 2018-SRF				
Serial Bonds 10/1/19-10/1/38 (net of premium)	5.00	128,625	123,715	129,551
Series 2019-CFP				
Serial Bonds 11/1/20-11/1/24	1.75 - 4.00	2,515	535	1,060
Series 2021-CFP				
Serial Bonds 10/1/22-10/1/41	2.25 - 5.00	2,130	1,895	1,985
Series 2022-SRF				
Serial Bonds 10/1/22-10/1/41 (net of premium)	4.00 - 5.00	85,330	89,835	95,573
Total Proprietary Funds			<u>\$ 439,817</u>	<u>\$ 471,265</u>

NOTE 5 - 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. Member 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. The Main Plan will be closed to new employees with the passage of North Dakota House Bill 1040. The closure of the plan will be effective on January 1, 2025.

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 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation.

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

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

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

At December 31, 2023 and 2022, the Employer reported a liability of \$343 and \$524, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2023, the Employer's proportion was 0.017786 percent, which was a decrease of 0.000426 from its proportion measured as of June 30, 2022.

For the years ended December 31, 2023 and 2022, the Employer recognized pension expense of \$35 and \$78, respectively. At December 31, 2023, 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	\$ 11	\$2
Changes of assumptions	189	260
Net difference between projected and actual earnings on pension plan investments	9	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	29	15
Employer contributions subsequent to the measurement date (see below)	<u>14</u>	<u>-</u>
Total	<u>\$252</u>	<u>\$ 277</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

\$14 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, 2024.

At December 31, 2022, 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	\$ 3	\$ 10
Changes of assumptions	314	194
Net difference between projected and actual earnings on pension plan investments	19	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	45	15
Employer contributions subsequent to the measurement date	<u>13</u>	<u>-</u>
Total	<u>\$ 394</u>	<u>\$ 219</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:

2024	\$ 9
2025	(30)
2026	3
2027	(21)

Actuarial Assumptions

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

Inflation	2.25%
Salary 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-2019 scale.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

each major asset class included in the Fund's target asset allocation are summarized in the following table:

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

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 3.86%; 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	\$473	\$343	\$235

Pension plan fiduciary net position

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

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 1600 East Century Avenue, Suite 2; P.O. Box 1657; Bismarck, ND 58502-1657.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 - 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 bonds issued by the PFA.

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

	<u>2023</u>	<u>2022</u>
Municipal securities purchased	\$ 99,633	\$ 80,377
EPA grant funds received	53,147	8,181

NOTE 7 - 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 2012, 2015, 2016, 2018 and 2022 State Revolving Fund Bonds.

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

	<u>2023</u>	<u>2022</u>
Bank of North Dakota		
Cash and cash equivalents - restricted	\$ 13,902	\$ 42,524
Certificates of deposit recorded as investments (all current portion)	-	4,642
Treasury Securities recorded at Fair Value	368,594	474,551
Interest receivable	193	73
Expenses		
Registrar, paying agent and trustee fees	164	174
Treasury fees	6	13
Industrial Commission		
Administrative Fees	86	21
Information Technology Department		
Telecommunications and data	7	5

NOTE 8 - 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.

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 (in thousands) \$226,860 and \$157,082 as of December 31, 2023 and 2022, 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 in order to fund the reserves for the Capital Financing Program Bonds. As of December 31, 2023, \$27,278 (in thousands) of credit was available through these letters of credit and no funds have been advanced.

NOTE 9 - 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.

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 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, 2023 AND 2022
(In Thousands)

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
1. Employer's proportion of the net pension liability (asset)	0.01779%	0.01821%	0.01825%	0.01370%	0.01631%	0.01655%	0.01652%	0.01635%	0.01789%	0.01765%
2. Employer's proportionate share of the net pension liability (asset)	\$343	\$524	\$190	\$431	\$191	\$279	\$266	\$159	\$122	\$112
3. Employer's covered payroll	\$218	\$211	\$207	\$151	\$170	\$170	\$169	\$165	\$159	\$149
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.68%	248.10%	92.04%	285.19%	112.68%	164.27%	157.40%	96.36%	76.33%	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability	65.31%	54.47%	78.26%	48.91%	71.66%	62.80%	61.98%	70.46%	77.15%	77.70%

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*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$16	\$16	\$15	\$11	\$12	\$13	\$12	\$12	\$12	\$19
Contributions in relation to the statutorily required contribution	(\$16)	(\$15)	(\$13)	(\$10)	(\$12)	(\$11)	(\$12)	(\$12)	(\$12)	(\$10)
Contribution deficiency (excess)	\$0	\$1	\$2	\$0	\$0	\$1	\$0	\$0	\$0	(\$8)
Agency's covered payroll	\$218	\$211	\$207	\$151	\$170	\$170	\$169	\$165	\$159	\$153
Contributions as a percentage of covered payroll	7.31%	7.31%	6.36%	6.82%	7.12%	6.73%	7.12%	7.27%	7.60%	6.80%

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

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023 AND 2022
(In Thousands)

Notes to Required Supplementary Information
For the Year Ended December 31, 2023

Changes of benefit terms.

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

Changes of assumptions

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

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
SUPPLEMENTARY INFORMATION

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2023
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
ASSETS				
CURRENT ASSETS				
Restricted				
Restricted cash and cash equivalents	\$ 32,047	\$ 33,946	\$ 90	\$ 66,083
Interest receivable	2,806	2,293	429	5,528
Investments	2,880	29,042	1,173	33,095
Municipal securities	22,732	19,371	8,173	50,276
Total restricted current assets	60,465	84,652	9,865	154,982
Total current assets	60,465	84,652	9,865	154,982
NONCURRENT ASSETS - RESTRICTED				
Investments	4,152	4,561	-	8,713
Municipal securities	452,932	363,309	107,979	924,220
Total restricted noncurrent assets	457,084	367,870	107,979	932,933
Total assets	517,549	452,522	117,844	1,087,915
DEFERRED OUTFLOWS OF RESOURCES				
Derived from pension	-	-	252	252
Total deferred outflows of resources	-	-	252	252
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	5	35	40
Bonds payable	9,888	9,007	8,125	27,020
Interest payable	1,924	1,483	426	3,833
Total current liabilities	11,812	10,495	8,586	30,893
NONCURRENT LIABILITIES				
Bonds payable	171,891	134,651	106,255	412,797
Net pension liability	-	-	343	343
Total noncurrent liabilities	171,891	134,651	106,598	413,140
Total liabilities	183,703	145,146	115,184	444,033
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on bond refunding	2,018	1,563	-	3,581
Derived from pension	-	-	277	277
Total deferred inflows of resources	2,018	1,563	277	3,858
NET POSITION				
Unrestricted	-	-	2,170	2,170
Restricted for debt service	33,275	58,750	465	92,490
Restricted for loan purposes	298,553	247,063	-	545,616
Total net position	\$ 331,828	\$ 305,813	\$ 2,635	\$ 640,276

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2022
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
ASSETS				
CURRENT ASSETS				
Restricted				
Restricted cash and cash equivalents	\$ 16,683	\$ 21,541	\$ 155	\$ 38,379
Interest receivable	2,861	2,282	456	5,599
Investments	38,559	26,382	937	65,878
Municipal securities	21,662	19,371	7,897	48,930
Total restricted current assets	79,765	69,576	9,445	158,786
Total current assets	79,765	69,576	9,445	158,786
NONCURRENT ASSETS - RESTRICTED				
Investments	7,765	8,958	-	16,723
Municipal securities	420,401	363,588	116,165	900,154
Total restricted noncurrent assets	428,166	372,546	116,165	916,877
Total assets	507,931	442,122	125,610	1,075,663
DEFERRED OUTFLOWS OF RESOURCES				
Derived from pension	-	-	394	394
Total deferred outflows of resources	-	-	394	394
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	-	37	28	65
Bonds payable	9,685	10,165	7,795	27,645
Interest payable	2,045	1,610	454	4,109
Total current liabilities	11,730	11,812	8,277	31,819
NONCURRENT LIABILITIES				
Bonds payable	183,669	145,571	114,380	443,620
Net pension liability	-	-	524	524
Total noncurrent liabilities	183,669	145,571	114,904	444,144
Total liabilities	195,399	157,383	123,181	475,963
DEFERRED INFLOWS OF RESOURCES				
Deferred gain on bond refunding	2,244	1,613	-	3,857
Derived from pension	-	-	219	219
Total deferred inflows of resources	2,244	1,613	219	4,076
NET POSITION				
Unrestricted	-	-	2,152	2,152
Restricted for debt service	52,245	45,164	452	97,861
Restricted for loan purposes	258,043	237,962	-	496,005
Total net position	\$ 310,288	\$ 283,126	\$ 2,604	\$ 596,018

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
OPERATING REVENUES				
Investment income	\$ 8,421	\$ 6,667	\$ 5,247	\$ 20,335
Grant and set-asides	-	632	-	632
Administrative fees and other	2,266	1,923	440	4,629
	<u>10,687</u>	<u>9,222</u>	<u>5,687</u>	<u>25,596</u>
OPERATING EXPENSES				
Interest expense	5,942	4,350	5,247	15,539
State Revolving Fund loan forgiveness	7,155	11,445	-	18,600
State Revolving Fund administration	1,349	2,068	-	3,417
State Revolving Fund set-asides	-	795	-	795
Salaries and benefits	-	-	347	347
Operating	-	-	154	154
	<u>14,446</u>	<u>18,658</u>	<u>5,748</u>	<u>38,852</u>
OPERATING LOSS	<u>(3,759)</u>	<u>(9,436)</u>	<u>(61)</u>	<u>(13,256)</u>
NONOPERATING REVENUE				
Grant and set-asides	22,073	30,442	-	52,515
Investment income	2,226	2,681	92	4,999
	<u>24,299</u>	<u>33,123</u>	<u>92</u>	<u>57,514</u>
INCOME BEFORE TRANSFERS	20,540	23,687	31	44,258
TRANSFERS	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	21,540	22,687	31	44,258
TOTAL NET POSITION, BEGINNING OF YEAR,	<u>310,288</u>	<u>283,126</u>	<u>2,604</u>	<u>596,018</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 331,828</u>	<u>\$ 305,813</u>	<u>\$ 2,635</u>	<u>\$ 640,276</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
OPERATING REVENUES				
Investment income	\$ 8,036	\$ 6,881	\$ 5,647	\$ 20,564
Administrative fees and other	2,089	1,919	451	4,459
	<u>10,125</u>	<u>8,800</u>	<u>6,098</u>	<u>25,023</u>
OPERATING EXPENSES				
Interest expense	6,516	4,949	5,647	17,112
State Revolving Fund loan forgiveness	991	1,918	-	2,909
State Revolving Fund administration	763	2,056	-	2,819
State Revolving Fund set-asides	-	153	-	153
Refund due to IRS	-	(101)	-	(101)
Salaries and benefits	-	-	369	369
Bond Issue Costs	181	167	-	348
Operating	-	-	33	33
Paying agent fees	-	-	1	1
	<u>8,451</u>	<u>9,142</u>	<u>6,050</u>	<u>23,643</u>
OPERATING GAIN (LOSS)	<u>1,674</u>	<u>(342)</u>	<u>48</u>	<u>1,380</u>
NONOPERATING REVENUE				
Grant and set-asides	6,262	1,919	-	8,181
Investment income	148	48	51	247
	<u>6,410</u>	<u>1,967</u>	<u>51</u>	<u>8,428</u>
INCOME BEFORE TRANSFERS	8,084	1,625	99	9,808
TRANSFERS	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	9,084	625	99	9,808
TOTAL NET POSITION, BEGINNING OF YEAR	<u>301,204</u>	<u>282,501</u>	<u>2,505</u>	<u>586,210</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 310,288</u>	<u>\$ 283,126</u>	<u>\$ 2,604</u>	<u>\$ 596,018</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
OPERATING ACTIVITIES				
Receipts of administrative fees from customers	\$ 2,266	\$ 1,923	\$ 440	\$ 4,629
Grant and set-asides	-	632	-	632
Payments to service providers	(1,349)	(2,895)	(147)	(4,391)
Payments to employees	-	-	(328)	(328)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	917	(340)	(35)	542
NONCAPITAL FINANCING ACTIVITIES				
Grant and set-asides	22,073	30,442	-	52,515
Transfers	1,000	(1,000)	-	-
Interest paid on bonds payable	(8,179)	(6,440)	(5,275)	(19,894)
Principal payments on bonds payable	(9,685)	(10,165)	(7,795)	(27,645)
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	5,209	12,837	(13,070)	4,976
INVESTING ACTIVITIES				
Interest received on investments and municipal securities	10,487	9,118	5,365	24,970
Proceeds from maturities and sales of investments	46,346	57,452	3,096	106,894
Purchases of investments	(6,839)	(55,496)	(3,331)	(65,666)
Proceeds from maturities of municipal securities	24,220	23,492	7,910	55,622
Purchases of municipal securities	(64,976)	(34,658)	-	(99,634)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	9,238	(92)	13,040	22,186
NET CHANGE IN CASH AND CASH EQUIVALENTS	15,364	12,405	(65)	27,704
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	16,683	21,541	155	38,379
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 32,047	\$ 33,946	\$ 90	\$ 66,083

COMBINING STATEMENT OF CASH FLOWS – CONTINUED
YEAR ENDED DECEMBER 31, 2023
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES				
Operating loss	\$ (3,759)	\$ (9,436)	\$ (61)	\$ (13,256)
Adjustments to reconcile operating loss to net cash from operating activities				
Net amortization of premium on bonds payable	2,116	1,963	-	4,079
Reclassification of operating income and expense to other activities	2,560	7,165	-	9,725
Changes in assets, liabilities, deferred inflows/outflows				
Pension Accruals			19	19
Accounts payable	-	(32)	7	(25)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	<u>\$ 917</u>	<u>\$ (340)</u>	<u>\$ (35)</u>	<u>\$ 542</u>

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
OPERATING ACTIVITIES				
Receipts of administrative fees from customers	\$ 2,089	\$ 1,919	\$ 451	\$ 4,459
Payments to service providers	(763)	(2,600)	(38)	(3,401)
Payments to employees	-	-	(307)	(307)
NET CASH FROM (USED FOR)				
OPERATING ACTIVITIES	1,326	(681)	106	751
NONCAPITAL FINANCING ACTIVITIES				
Grant and set-asides	6,262	1,919	-	8,181
Transfers	1,000	(1,000)	-	-
Interest paid on bonds payable	(8,538)	(6,721)	(5,684)	(20,943)
Bond financing costs	(181)	(167)	-	(348)
Proceeds from bond premiums	8,768	8,789	-	17,557
Proceeds from issuance of bonds payable	42,230	43,100	-	85,330
Principal payments on bonds payable	(35,458)	(36,752)	(10,275)	(82,485)
NET CASH FROM (USED FOR)				
NONCAPITAL FINANCING ACTIVITIES	14,083	9,168	(15,959)	7,292
INVESTING ACTIVITIES				
Interest received on				
investments and municipal securities	8,630	7,504	5,726	21,860
Proceeds from maturities				
and sales of investments	47,729	37,125	1,300	86,154
Purchases of investments	(76,197)	(61,389)	(1,629)	(139,215)
Proceeds from maturities				
of municipal securities	23,167	23,510	10,514	57,191
Purchases of municipal securities	(52,737)	(27,640)	-	(80,377)
NET CASH FROM (USED FOR)				
INVESTING ACTIVITIES	(49,408)	(20,890)	15,911	(54,387)
NET CHANGE IN CASH				
AND CASH EQUIVALENTS	(33,999)	(12,403)	58	(46,344)
CASH AND CASH				
EQUIVALENTS AT BEGINNING OF YEAR	50,682	33,944	97	84,723
CASH AND CASH				
EQUIVALENTS AT END OF YEAR	\$ 16,683	\$ 21,541	\$ 155	\$ 38,379

COMBINING STATEMENT OF CASH FLOWS – CONTINUED
YEAR ENDED DECEMBER 31, 2022
(In Thousands)

	Proprietary Fund			
	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH FROM OPERATING ACTIVITIES				
Operating gain (loss)	\$ 1,674	\$ (342)	\$ 48	\$ 1,380
Adjustments to reconcile operating loss to net cash used for operating activities				
Bond financing costs	181	167	-	348
Net amortization of premium on bonds payable	2,080	1,926	-	4,006
Reclassification of operating income and expense to other activities	(2,609)	(2,041)	-	(4,650)
Changes in assets, liabilities, deferred inflows/outflows:				
Pension Accruals			62	62
Accounts payable	-	(391)	(4)	(395)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	<u>\$ 1,326</u>	<u>\$ (681)</u>	<u>\$ 106</u>	<u>\$ 751</u>

**SUMMARY OF NORTH DAKOTA
PUBLIC FINANCE AUTHORITY AUDIT
FOR FISCAL YEAR ENDED DECEMBER 31, 2023
PREPARED BY BRADY, MARTZ & ASSOCIATES, P.C.
MARCH 8, 2024**

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 \$23,425

Prior audit \$22,605

**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 Doug Burgum
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, 2023, 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 8, 2024.

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 & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

March 8, 2024

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

Governor Doug Burgum
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, 2023. 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 programs for the year ended December 31, 2023.

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 & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

March 8, 2024

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023
(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			
Clean Water State Revolving Funds cluster:			
Capitalization grants for Clean Water State Revolving Funds	66.458	\$ 3,683	\$ 3,683
IIJA grants for Clean Water State Revolving Funds	66.458	18,390	18,390
Total Clean Water State Revolving Funds cluster:		<u>22,073</u>	<u>22,073</u>
Drinking Water State Revolving Funds cluster:			
Capitalization grants for Drinking Water State Revolving Funds	66.468	7,107	7,107
IIJA Supplemental grants for Drinking Water State Revolving Funds	66.468	15,330	15,330
IIJA Emerging Contaminants grants for Drinking Water State Revolving Funds	66.468	7,800	7,800
IIJA Lead Service Line Replacement grants for Drinking Water State Revolving Funds	66.468	837	205
Total Drinking Water State Revolving Funds cluster:		<u>31,074</u>	<u>30,442</u>
Total Environmental Protection Agency		<u>\$ 53,147</u>	<u>\$ 52,515</u>

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 10% 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 and 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, 2023. 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.

**NORTH DAKOTA PUBLIC FINANCE AUTHORITY
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2023**

EXHIBIT A-5

A. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023

EXHIBIT A-6

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 Cluster	66.468
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
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 8, 2024

Governor Doug Burgum
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, 2023. 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 letter to you dated December 21, 2023. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2023. 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 8, 2024.

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 & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA