

Financial Statements
June 30, 2025 and 2024
North Dakota Building Authority
(A Component Unit of the State of North Dakota)

NORTH DAKOTA BUILDING AUTHORITY

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Independent Auditor's Report

The Industrial Commission
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the North Dakota Building Authority, a component unit of the State of North Dakota ("Authority") as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the 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 North Dakota Building Authority, a component unit of the State of North Dakota as of June 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the North Dakota Building Authority Fund and do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2025 and 2024, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits 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 Building 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 Building 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 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 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 on pages 4-7 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

(continued on next page)

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2025 on our consideration of the 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 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 the Authority's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

August 14, 2025

NORTH DAKOTA BUILDING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025 and 2024
(In Thousands)

The discussion and analysis of the financial performance of the North Dakota Building Authority (Authority) that follows is meant to provide additional insight into the Authority's activities for the years ended June 30, 2025, 2024 and 2023. Please read it in conjunction with the Authority's financial statements and footnotes, which are presented within this report.

FINANCIAL HIGHLIGHTS:

The 2025 Legislature did not authorize any construction projects for the 2025-2027 biennium. The 2023 Legislature also did not authorize any construction projects for the 2023-2025 biennium.

Cash has decreased by \$29 to \$35 at June 30, 2025, because of payments to service vendors. The Authority's loan receivable decreased \$4,462 to \$96,902 at June 30, 2025 as loan payments are being made. There were no bonds issued in fiscal years 2025, 2024 and 2023.

Based on certain bond covenants, the Authority is required to establish and restrict prescribed amounts of resources for debt service reserves.

The State agencies pay the debt service on the related bonds. The loans also provide that the State agencies pay to the Authority reimbursement for trustee fees, paying agent fees, registrar fees, audit fees, arbitrage rebate payments and fees, and other reasonable and necessary expenses incurred by the Authority or the Trustee on behalf of the Authority.

REQUIRED FINANCIAL STATEMENTS:

The discussion and analysis are intended to serve as an introduction to the Authority's financial statements. The financial statements of the Authority provide accounting information similar to that of many other business entities. The Statement of Net Position summarizes the assets, deferred outflows of resources, and liabilities, with the difference reported as net position. It also serves as the basis for analysis of the soundness and liquidity of the Authority. The Statement of Revenues, Expenses and Changes in Net Position summarize the Authority's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Authority as it conducts its business.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands)

CONDENSED STATEMENT OF NET POSITION
JUNE 30, 2025, 2024 AND 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
ASSETS			
CURRENT ASSETS - RESTRICTED	\$ 5,186	\$ 5,044	\$ 10,248
NONCURRENT ASSETS - RESTRICTED	<u>92,285</u>	<u>96,902</u>	<u>99,911</u>
TOTAL ASSETS	<u>\$ 97,471</u>	<u>\$ 101,946</u>	<u>\$ 110,159</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178</u>
LIABILITIES			
CURRENT LIABILITIES	\$ 3,718	\$ 3,577	\$ 7,347
NONCURRENT LIABILITIES	<u>93,753</u>	<u>98,369</u>	<u>102,990</u>
TOTAL LIABILITIES	<u>\$ 97,471</u>	<u>\$ 101,946</u>	<u>\$ 110,337</u>
NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cash and Investments

Certain Authority cash and investments, which are included in the restricted current and noncurrent assets, are restricted for the debt service of bond issues or for construction. Additional discussion of cash and investments can be found at Note 2 to the financial statements.

Loans Receivable

Obligations of North Dakota agencies and university system are classified separately on the Statement of Net Position as "loans receivable" and included in the restricted current and noncurrent assets of the Statement of Net Position. These loans are pledged to the various bond issues. No losses for market value declines are anticipated and an allowance has not been provided. Note 3 to the financial statements contains further information regarding loans receivable.

Bonds Payable

In order to provide state agencies with funds to finance projects, the Authority has issued bonds to facilitate the purchase of the loan. The bonds payable are included in the restricted current and noncurrent liabilities of the preceding statement. The bonds are direct obligations of the Authority and are secured by loans 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
(In Thousands)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025, 2024 AND 2023

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPERATING REVENUES			
Loan interest	\$ 2,725	\$ 2,951	\$ 3,258
Other	68	68	66
	<u>2,793</u>	<u>3,019</u>	<u>3,324</u>
NONOPERATING REVENUE			
Investment interest	7	11	21
TOTAL REVENUE	<u>2,800</u>	<u>3,030</u>	<u>3,345</u>
OPERATING EXPENSES			
Interest expense	2,762	2,996	3,307
Operating	38	34	38
	<u>2,800</u>	<u>3,030</u>	<u>3,345</u>
CHANGE IN NET POSITION	-	-	-
TOTAL NET POSITION, BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Loan Interest

The state agencies agree to pay the debt service (principal and interest) on the related bonds, to the extent that the bond funds and earnings are used to pay construction and other eligible costs of the projects. See Note 3 to the financial statements for further details of the loans.

Economic and Budgetary Information

As discussed in financial statement Note 1, the Authority operates through a biennial appropriation provided by the State Legislature. The Authority prepares a biennial budget, which is included in the Governor's budget that is presented to the State Legislature at the beginning of each legislative session. The Authority has continuing appropriation from monies received from the sale of indebtedness, loan payments and revenues generated by projects authorized by the legislature for the acquisition of authorized projects and the loan payments for these projects.

The Authority has a bond rating of AA by Standard and Poor's and Aa2 from Moody's Investor's Service.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(In Thousands)

Contacting the North Dakota Building Authority's financial management

The information in this report is intended to provide the reader with an overview of the Authority's operations along with the Authority'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 Building Authority, PO Box 5509, Bismarck, ND 58506-5509.

NORTH DAKOTA BUILDING AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2025 and 2024
(In Thousands)

ASSETS	2025	2024
CURRENT ASSETS - RESTRICTED		
Cash and cash equivalents at the Bank of North Dakota	\$ 35	\$ 64
Investments at the Bank of North Dakota	235	235
Loans receivable	4,617	4,462
Loan interest receivable	299	283
Total restricted current assets	5,186	5,044
NONCURRENT ASSETS - RESTRICTED		
Loans receivable	92,285	96,902
Total restricted noncurrent assets	92,285	96,902
Total assets	\$ 97,471	\$ 101,946
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 6	\$ 6
Bonds payable	3,385	3,230
Interest payable	327	341
Total current liabilities	3,718	3,577
NONCURRENT LIABILITIES		
Bonds payable	93,753	98,369
Total liabilities	\$ 97,471	\$ 101,946
NET POSITION	\$ -	\$ -

NORTH DAKOTA BUILDING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Loan interest	\$ 2,725	\$ 2,951
Other	68	68
	<u>2,793</u>	<u>3,019</u>
OPERATING EXPENSES		
Interest expense	2,762	2,996
Operating	38	34
	<u>2,800</u>	<u>3,030</u>
OPERATING LOSS	(7)	(11)
NONOPERATING REVENUE		
Investment interest	7	11
CHANGE IN NET POSITION	-	-
TOTAL NET POSITION, BEGINNING OF YEAR	-	-
TOTAL NET POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

NORTH DAKOTA BUILDING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 and 2024
(In Thousands)

	<u>2025</u>	<u>2024</u>
OPERATING ACTIVITIES		
Receipts of loan payments	\$ 7,170	\$ 9,980
Receipts of additional payments and other	69	102
Payment to project vendors	-	(2,428)
Payments to service providers	(38)	(34)
Net cash from operating activities	<u>7,201</u>	<u>7,620</u>
NONCAPITAL FINANCING ACTIVITIES		
Principal payment on bonds payable	(3,230)	(5,795)
Interest paid on bonds payable	(4,007)	(4,233)
Net cash used for non-capital financing activities	<u>(7,237)</u>	<u>(10,028)</u>
INVESTING ACTIVITIES		
Interest received	7	11
Proceeds from sale and maturity of investment securities	235	235
Purchase of investment securities	(235)	(235)
Net cash from investing activities	<u>7</u>	<u>11</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(29)	(2,397)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>64</u>	<u>2,461</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 35</u>	<u>\$ 64</u>
RECONCILIATION OF OPERATING LOSS TO		
NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	\$ (7)	\$ (11)
Adjustments to reconcile operating loss:		
Net amortization of bond premium and deferred loss	1,231	1,213
Reclassification of interest income and expense to		
other activities	(1,224)	(1,202)
Changes in assets and liabilities:		
Loans receivable	7,201	6,439
Due to colleges, universities and state agencies	-	1,181
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 7,201</u>	<u>\$ 7,620</u>

NORTH DAKOTA BUILDING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024
(In Thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The North Dakota Building Authority (Authority) was established July 1, 1985, by the North Dakota Legislature, as provided in Chapter 54-17.2 of the North Dakota Century Code, as a separate instrumentality of the State of North Dakota. The purpose of the Authority is to promote the general welfare of the citizens of the State by providing projects for use by the State in providing public services by altering, repairing, maintaining or constructing buildings primarily for use by the State and making any improvements connected to those buildings or pertaining to those buildings and necessary to the use of those buildings in providing services to the public.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB), the financial reporting entity of North Dakota Building Authority should include all component units over which North Dakota Building Authority 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 burdens on North Dakota Building Authority. GASB further defined component units as reporting units that are 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 North Dakota Building Authority or its constituents, and
- North Dakota Building Authority 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 North Dakota Building Authority is entitled to, or can otherwise access, are significant to North Dakota Building Authority.

Based upon criteria set forth by GASB, no organizations were determined to be part of the reporting entity. North Dakota Building Authority is included as part of the primary government of the State of North Dakota's reporting entity.

Budgetary Process

The Authority operates through a biennial appropriation provided by the State Legislature. The Authority prepares a biennial budget, which is included in the Governor's budget that is presented to the State Legislature at the beginning of each legislative session. The State Legislature 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 Authority's financial plan for the next two years. The Authority has continuing appropriation for monies received from the sale of indebtedness, loan payments and revenues generated by projects authorized by the legislature for the acquisition of authorized projects and the loan payments for these projects.

NOTES TO FINANCIAL STATEMENTS

(In Thousands)

Basis of Accounting and Measurement Focus

The North Dakota Building Authority is presented in the accompanying financial statements as a proprietary fund type – an enterprise fund.

An enterprise fund is 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 Authority recovers its costs through administrative charges to agencies and earnings on funds.

As a proprietary fund type, the Authority accounts for its transactions using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

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

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred inflows or outflows of resources, and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Authority considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Authority's investments consist entirely of certificates of deposit and are reported at amortized cost.

Funds held by trustee under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the Authority. 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.

Loans Receivable

Loan payments are due upon receipt. In the event of non-payment, the item or installment so in default shall continue as an obligation of the agency until the amount in default has been fully paid. The agency agrees to pay interest on any default at the rate or rates of interest payable on the Bonds as specified in the Indenture. The agency agrees to pay interest on Additional Payments in default at the rate or rates of interest equal to the Bank of North Dakota Base Rate.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Restricted Assets

The Authority, based on certain bond covenants, is required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Other restricted assets can only be used for construction projects financed by related bonds.

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.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The North Dakota Building Authority is required to maintain its deposits at the Bank of North Dakota. As of June 30, 2025, the Building Authority had the following deposits (amount in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Current assets - restricted	\$ 35	\$ 235	\$ 270
	<u>\$ 35</u>	<u>\$ 235</u>	<u>\$ 270</u>

The North Dakota Building Authority is required to maintain its deposits at the Bank of North Dakota. As of June 30, 2024, the Building Authority had the following deposits (amount in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Current assets - restricted	\$ 64	\$ 235	\$ 299
	<u>\$ 64</u>	<u>\$ 235</u>	<u>\$ 299</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Custodial and Concentration of Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Building Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Building Authority does not have a formal policy that limits custodial credit risk for deposits. None of the Building Authority's deposits are covered by depository insurance. The Building Authority's deposits are uncollateralized and all of the funds are held on deposit at the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

Cash is restricted for the following purposes:

	<u>2025</u>	<u>2024</u>
Debt service	<u>\$ 35</u>	<u>\$ 64</u>
	<u><u>\$ 35</u></u>	<u><u>\$ 64</u></u>

Investments

The Building Authority has their moneys invested in certificates of deposit with the Bank of North Dakota as allowed by the Trust Indenture. Funds held by trustees or the Authority under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the Authority. 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 monies in the funds or accounts for which the investments were made will be required. The investments are restricted for debt service.

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.

As of June 30, 2025, the Authority held certificates of deposit with the following maturity dates (amounts are in thousands):

<u>Investment Type</u>	<u>Less Than 1</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Total</u>
Certificates of Deposit	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235</u>

As of June 30, 2024, the Authority held certificates of deposit with the following maturity dates (amounts are in thousands):

<u>Investment Type</u>	<u>Less Than 1</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	<u>Total</u>
Certificates of Deposit	<u>\$ 235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235</u>

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

NOTE 3 - LOANS RECEIVABLE

After receiving Legislative authority, the Authority issues bonds and lends the proceeds to the authorized State agencies to pay for the purchases or constructions of various facilities.

Under the loan agreements, the State agencies have agreed to pay the debt service on the related bonds from funds appropriated by the Legislature from the General Fund or other special funds, which may include federal funds.

At June 30, 2025, future loan payments under agreements are as follows:

	Total Loan Payment	Interest Income	Loan Receivable
2026	\$ 8,457	\$ 3,840	\$ 4,617
2027	8,457	3,665	4,792
2028	8,461	3,480	4,981
2029	8,447	3,286	5,161
2030	8,443	3,082	5,361
2031-2035	41,171	12,074	29,097
2036-3040	41,189	5,541	35,648
2041	7,416	171	7,245
	<u>\$ 132,041</u>	<u>\$ 35,139</u>	<u>\$ 96,902</u>

The loans also provide that the State agencies pay as additional payments to the Authority for trustee fees, paying agent fees, registrar fees, letter of credit fees, audit fees and other reasonable and necessary expenses incurred by the Authority or the Trustee on behalf of the Authority.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

NOTE 4 - LONG-TERM DEBT

Changes in Bonds Payable

The following is a summary of changes in bonds payable for the years ended June 30, 2025 and 2024:

	Bonds payable
Balance, June 30, 2023	\$ 108,785
Additions	-
Retirements	(5,795)
Amortization of bond premium	(1,391)
Balance, June 30, 2024	101,599
Additions	-
Retirements	(3,230)
Amortization of bond premium	(1,231)
Balance, June 30, 2025	\$ 97,138

Maturities of Bonds Payable

Maturities of principal and interest on all bonds are as follows:

	Principal	Interest	Total Debt Service
Year Ending June 30,			
2026	\$ 3,385	\$ 3,840	\$ 7,225
2027	3,560	3,665	7,225
2028	3,750	3,480	7,230
2029	3,930	3,286	7,216
2030	4,130	3,082	7,212
2031-2035	23,175	12,074	35,249
2036-2040	29,490	5,541	35,031
2041	6,835	171	7,006
	78,255	35,139	113,394
Unamortized bond premium	18,883	(18,883)	-
	\$ 97,138	\$ 16,256	\$ 113,394

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

The following summarizes the Authority's bonds outstanding at June 30, 2025 and 2024:

<u>Description and Due Date</u>	<u>Interest Rate</u>	<u>Original Value</u>	<u>2025</u>	<u>2024</u>
Series 10A Bonds 12/1/16-12/1/30	3.50 - 6.25	\$ 2,355	\$ 1,075	\$ 1,235
Series 20A Bonds 12/1/21-12/1/40	5.00	112,858	96,063	100,364
Total bonds payable			97,138	101,599
Less current portion			3,385	3,230
Long-term portion			\$ 93,753	\$ 98,369

2010 Series A

Interest on the 2010 Series A Bonds is payable semi-annually on June 1 and December 1 of each year. Bonds maturing on or after December 1, 2016 are subject to optional redemption in whole or in part. The bonds are secured by the funds, user charges and all rights, titles and interests of the Authority as lender, including all basic loan payments, investment earnings on the funds and any other income derived by the Authority with respect to the loan.

2020 Series A

Interest on the 2020 Series A Bonds is payable semi-annually on June 1 and December 1 of each year. The bonds are not subject to optional redemption prior to maturity except under extraordinary circumstances. The bonds are secured by the funds, user charges and all rights, titles and interests of the Authority as lender, including all basic loan payments, investment earnings on the funds and any other income derived by the Authority with respect to the loan.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

Listing of Projects

2010A	\$2,355	Veteran's Home	New Facility
2020A	88,585	University System	DSU - Pulver Hall
		University System	NDSU - Sugihara Hall
		University System	UND - Gamble Hall
		University System	VCSU - Communication & Fine Arts Center
		University System	UND - Deferred Maintenance

Reserve Funds

	2025		2024	
	Required Reserve Balance	Reserve Balance	Required Reserve Balance	Reserve Balance
2010A	\$ 235	\$ 235	\$ 235	\$ 235
	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ 235</u>	<u>\$ 235</u>

The 2010 bond agreements require the establishment and maintenance of reserve funds to be used for debt service payments if amounts in the bond funds are insufficient to make the payments.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

NOTE 5 - PROJECT FINANCING

Cumulative amount paid from the respective Series 2020A project funds to pay project costs as of June 30:

	<u>2025</u>	<u>2024</u>
Construction Funding		
University System		
Dickinson State University	\$ 4,000	\$ 4,000
North Dakota State University	40,000	40,000
University of North Dakota - Nistler College of Business	6,000	6,000
University of North Dakota - Deferred Maintenance	30,000	30,000
Valley City State University	30,000	30,000
	<u>\$ 110,000</u>	<u>\$ 110,000</u>

Amount of Principal, interest and administrative fees paid by the borrower as of June 30:

	<u>2025</u>	<u>2024</u>
Loan Receipts		
NDUS Office/Campuses	\$ 13,551	\$ 8,469
State Penitentiary	144	144
Soldiers Improvement	186	186
Attorney General	330	330
OMB	284	284
Parks and Recreation	31	31
Historical Society	593	593
	<u>\$ 15,119</u>	<u>\$ 10,037</u>

NOTE 6 - RELATED PARTY

The North Dakota Building Authority is related to the Bank of North Dakota through common management under the Industrial Commission of North Dakota. The Authority's deposits and investments are held by the Bank of North Dakota.

The Bank of North Dakota acts as the trustee for the bondholders having been duly appointed by the Authority. The Bank also acts as the paying agent, registrar, and escrow agent for the bonds issued and defeased by the Authority. Fees paid by the Authority to the Bank of North Dakota for these services for the years ending June 30, 2025, and 2024, were \$9 and \$11, respectively.

The Authority also obtains accounting services from the North Dakota Public Finance Authority. Fees paid for these services for the years ended June 30, 2025, and 2024, were \$4 and \$3, respectively.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, theft of, and damage to assets and errors and omissions. These risks of loss are covered under the insurance policies owned by the North Dakota Industrial Commission, North Dakota Public Finance Authority and North Dakota Office of Management and Budget. The State Bonding Fund currently provides the agencies 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.

There have been no significant reductions in insurance coverage from the prior year. In addition, there have been no claims filed or settled in the past three fiscal years.

NOTE 8 – ECONOMIC DEPENDENCIES AND CONCENTRATIONS

The Authority is economically dependent on the North Dakota University System and agencies of the State of North Dakota

NOTE 9 - SUBSEQUENT EVENTS

No significant events occurred subsequent to the Authority's year end. Subsequent events have been evaluated through August 14, 2025, which is the date these financial statements were available to be issued.

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

The Industrial Commission
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 North Dakota Building Authority, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 14, 2025.

Report On Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

August 14, 2025

**SUMMARY OF NORTH DAKOTA
BUILDING AUTHORITY AUDIT
FOR FISCAL YEAR ENDED JUNE 30, 2025
PREPARED BY BRADY, MARTZ & ASSOCIATES, P.C.
AUGUST 14, 2025**

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 \$16,989

Prior audit \$14,225

Independent Auditor's Communication to the Industrial Commission of North Dakota

The Industrial Commission
The Legislative Assembly
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of the North Dakota Building Authority ("Authority") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you on July 28, 2025. 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 the 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 2025. We noted no transactions entered into by the 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 are no significant 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. No such misstatements were detected as a result of our audit procedures.

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 August 14, 2025.

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 the 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 the 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 the management's discussion and analysis which is 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.

Restriction on Use

This information is intended solely for the use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, and management of the North Dakota Building 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

August 14, 2025