



# INDUSTRIAL COMMISSION OF NORTH DAKOTA

Kelly Armstrong  
Governor

Drew H. Wrigley  
Attorney General

Doug Goehring  
Agriculture Commissioner

Tuesday, January 20, 2026

Governor's Conference Room or Microsoft Teams – 9:00 am

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## **I. Roll Call and Pledge of Allegiance**

(approximately 9:00 am)

## **II. Department of Mineral Resources – Nathan Anderson, Mark Bohrer, David Garner**

### **A. Consideration of approval of the following orders:**

- i. Case No. 30774/Order No. 33433** -regarding a petition by Phoenix Operating to authorize the recovery of a risk penalty from a nonparticipating owner and other such relief as appropriate (Attachment 1)
- ii. Case No. 32303/Order No. 35058** – regarding the confiscation of all production related equipment and salable oil at the Peterson 43-4R well operated by James M Peterson LLC or any working interest owner (Attachment 2)
- iii. Case No. 32304/Order No. 35059** – regarding the confiscation of all plant related equipment and salable oil at the Bullinger Treatment Plant facility operated by TD Services LLC or any working interest owner (Attachment 3)
- iv. Case No. 32442/Order No. 35213** – regarding the confiscation of all production related equipment and salable oil at the J. W. Law 2 well operated by Rocky Top Energy LLC or any working interest owner (Attachment 4)
- v. Case No. 32443/Order No. 35214** – regarding the confiscation of all production related equipment and salable oil at the MOI Squaw

Gap 22-9H well operated by Rocky Top Energy LLC or any working interest owner (Attachment 5)

**vi. Case No. 32444/Order No. 35215** -regarding the confiscation of all production related equipment and salable oil at the Cinnamon Creek 12-15H well operated by Rocky Top Energy LLC or any working interest owner (Attachment 6)

**vii. Case No. 32445/Order No. 35216** – regarding the confiscation of all production related equipment and salable oil at the Federal 12-15 well operated by Rocky Top Energy LLC or any working interest owner (Attachment 7)

**viii. Case No. 32446/Order No. 35217** – regarding the confiscation of all production related equipment and salable oil at the Davis Federal 1-31H well operated by Rocky Top Energy LLC or any working interest owner (Attachment 8)

**ix. Case No. 32447/Order No. 35218** – regarding the confiscation of all production related equipment and salable oil at the Cameron Frye 2-36-25H well operated by Rocky Top Energy LLC or any working interest owner (Attachment 9)

**x. Case No. 32341/Order No. 35096** – regarding the temporarily abandoned status of the Storm Federal 24-30H well operated by White Rock Oil & Gas LLC and other such relief as appropriate (Attachment 10)

B. Director's Update

C. Other DMR Business

(approximately 9:30 am)

### **III. Legal Update – Phil Axt, Matt Sagsveen**

A. Defenses of State Law

**i.** Pore Space Amalgamation

B. Defenses of Federal Actions:

**i.** DAPL Operation

C. Challenges to Federal Actions:

**i.** EPA - Mercury and Air Toxics Rule

**ii.** EPA - Carbon Rule

**iii.** EPA - WOTUS Rule

**iv.** EPA – Methane Rule

D. Challenges to Other States' Laws

**i.** MN Carbon-Free Power Law

## **Meeting Closed to the Public for Executive Session Pursuant to NDCC 6-09-35, 44-04-18.4, 44-04-19.1, and 44-04-19.2**

(approximately 9:45 am)

### **IV. Attorney Consultation Related to Litigation – Phil Axt, Matt Sagsveen**

(approximately 10:00 am)

### **V. Bank of North Dakota Executive Session – Don Morgan, Kirby Evanger**

- A. Confidential CEO Report – Don Morgan (Confidential Attachment 11)
- B. **Consideration of Approval of Loan Charge Offs and Recoveries YTD 12/31/2025 and 10 Year Summary** – Kirby Evanger (Confidential Attachment 12)
- C. **Consideration of Approval of Determination of Uncollectable Loans** – Kirby Evanger (Confidential Attachment 13)
- D. Report on Problem Loans Adversely Classified – (Confidential Attachment 14)
- E. Report on Non-Accrual Loans – (Confidential Attachment 15)
- F. Report on Off-Balance Sheet Risk – (Confidential Attachment 16)
- G. Presentation of November 19 and 20, 2025 Confidential Advisory Board and Committee Minutes (Confidential Attachment 17)
- H. Other BND Confidential Business

## **Meeting Returns to Public Session**

(approximately 10:15 am)

### **VI. Bank of North Dakota – Don Morgan, Rob Pfennig, Jared Mack, Christy Steffenhagen, Alison Anderson, Kirby Evanger, Bob Baier**

- A. Presentation of North Dakota Student Loan Trust Audit – Jared Mack, Eide Bailly (Attachment 18)
- B. CEO Report – Don Morgan (Attachment 19)
  - i. Strategic Discussion
    - 1. Traction EOS Update
  - ii. Financial
    - 1. Presentation of Q4 2025 Performance Highlights (Attachment 20)
  - iii. Risk

1. Problem Loans, Non-Accruals, Off-Balance Sheet Loans  
General Discussion
- iv. Policy and Programs
  1. 2026 Farm Financial Stability and Grain Inventory Dashboard
- C. **Consideration of Approval of New Model Risk Management Policy** – Don Morgan (Attachment 21)
- D. **Consideration of Approval to Rescind Student Loan Claims Policy** – Kirby Evanger (Attachment 23)
- E. **Consideration of Approval to Rescind School Eligibility for DEAL Guarantee Policy** – Kirby Evanger (Attachment 24)
- F. Presentation of November 19 and 20, 2025 Nonconfidential Advisory Board and Committee Minutes (Attachment 25)
- G. Other BND Business

(approximately 10:45 am)

**VII. North Dakota Housing Finance Agency – Brandon Dettlaff, Kayla Axtman, Mindy Piatz**

- A. Presentation of 2025 Housing Finance Agency and Housing Incentive Fund Financial Audits – Mindy Piatz, Brady Martz (Attachment 26, 27, 28)
- B. Presentation of Report on Housing Finance Agency Home Mortgage Program Bond Issuance, Series 2025C \$185 million Tax-Exempt Bonds – Kayla Axtman (Attachment 29)
- C. Other Housing Finance Agency Business

(approximately 11:00 am)

**VIII. North Dakota Mill and Elevator – Vance Taylor, Cathy Dub**

- A. **Consideration of Approval of Proposed Capital Projects** (Attachment 30)
- B. Other North Dakota Mill business

(approximately 11:15 pm)

**IX. Industrial Commission Administrative Office – Karen Tyler, Jordan Kannianen**

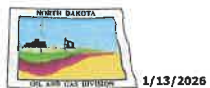
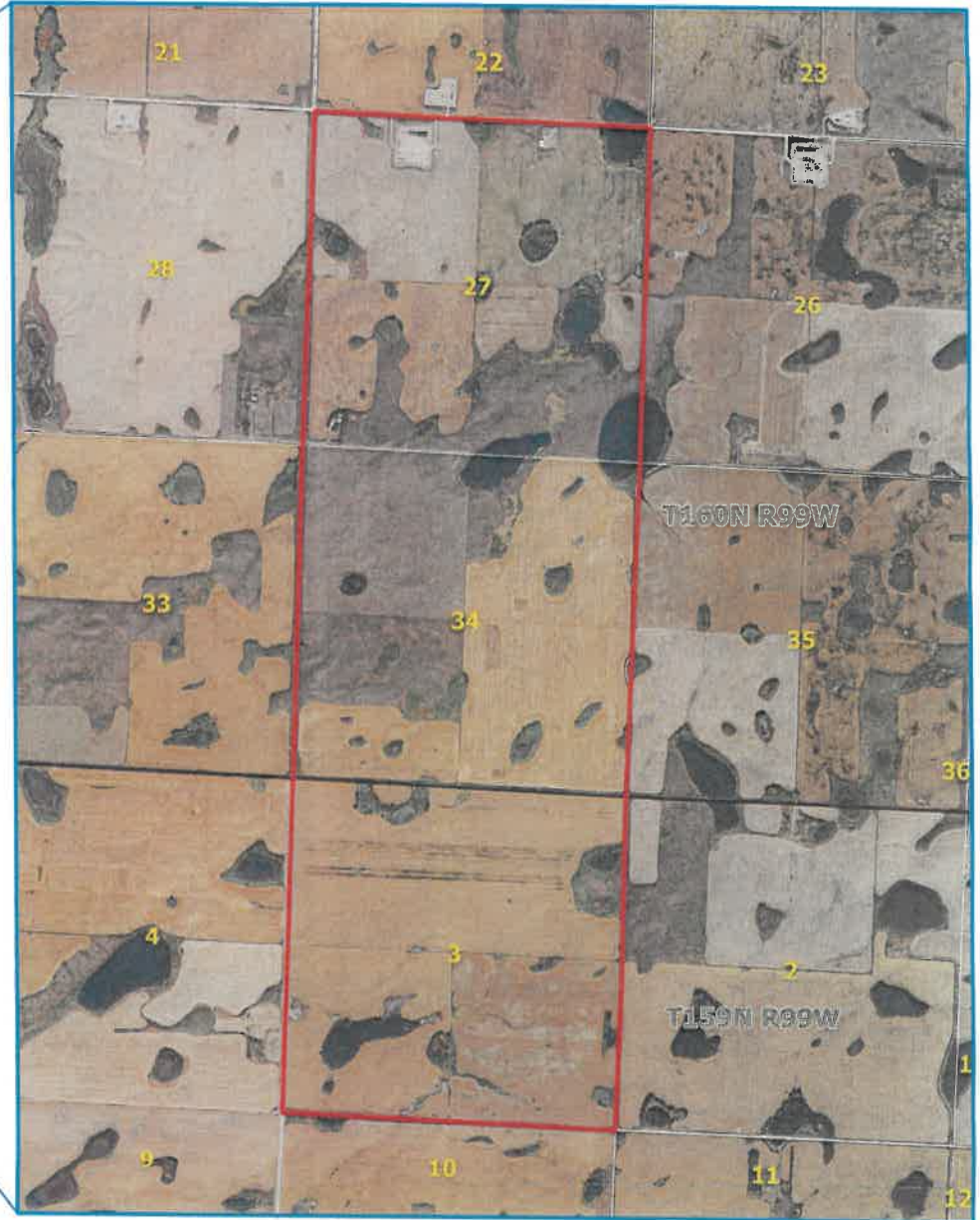
- A. **Consideration of Approval of January 6, 2026, Special Industrial Commission Meeting Minutes** (Attachment 31)
- B. **Consideration of Approval of Resolution Regarding 2025 Private Activity Bond Volume Cap Carryforward** (Attachment 32)
- C. Other Administrative Office Business



**X. Adjournment**

Next Regular Industrial Commission Meeting – Tuesday, February 24, 2026  
9:00 am – 12:30 pm  
Governor's Conference Room

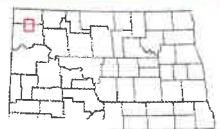
# Industrial Commission c30774



Sections  
Townships

City Boundary  
Surface Trust Land

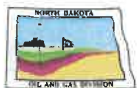
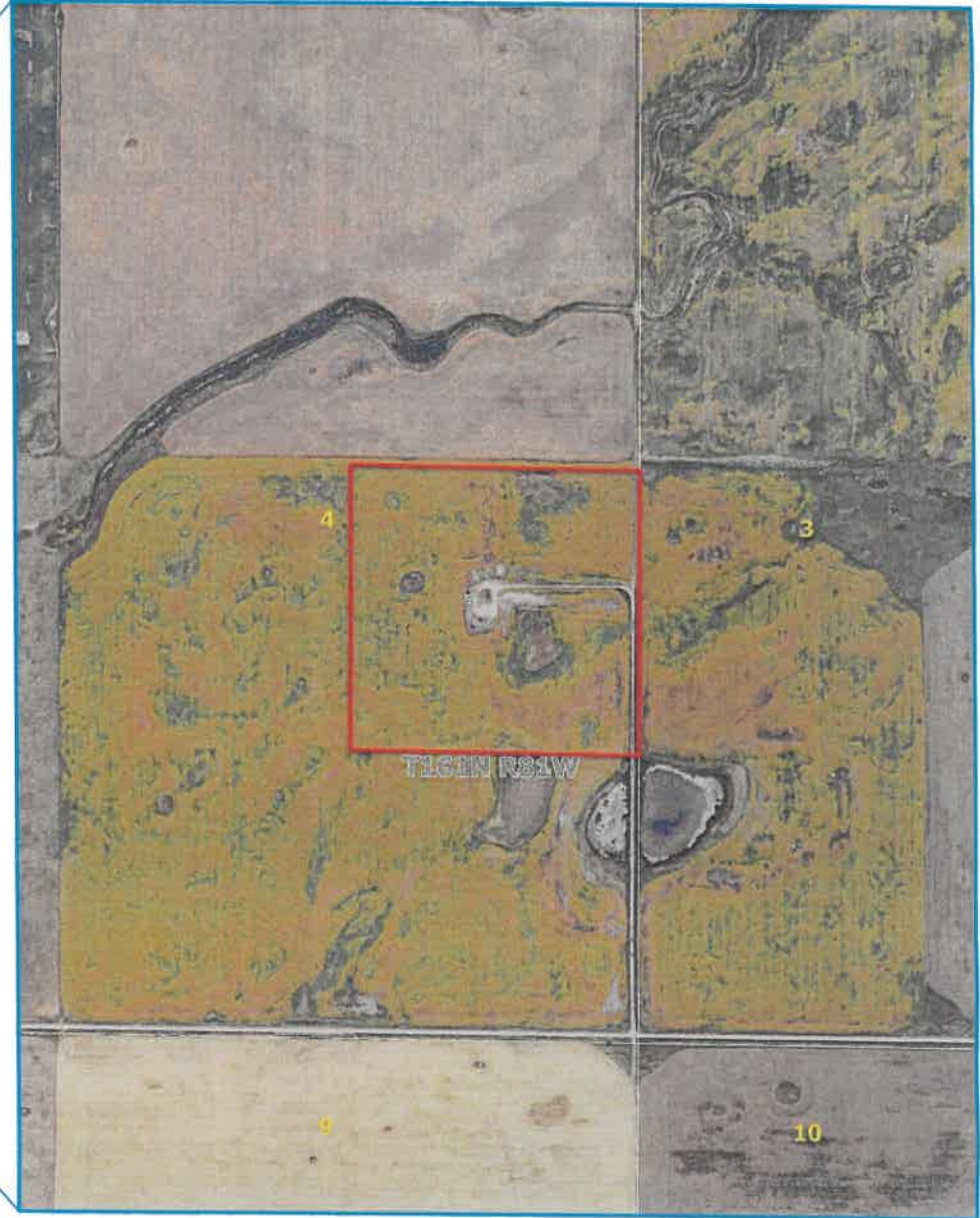
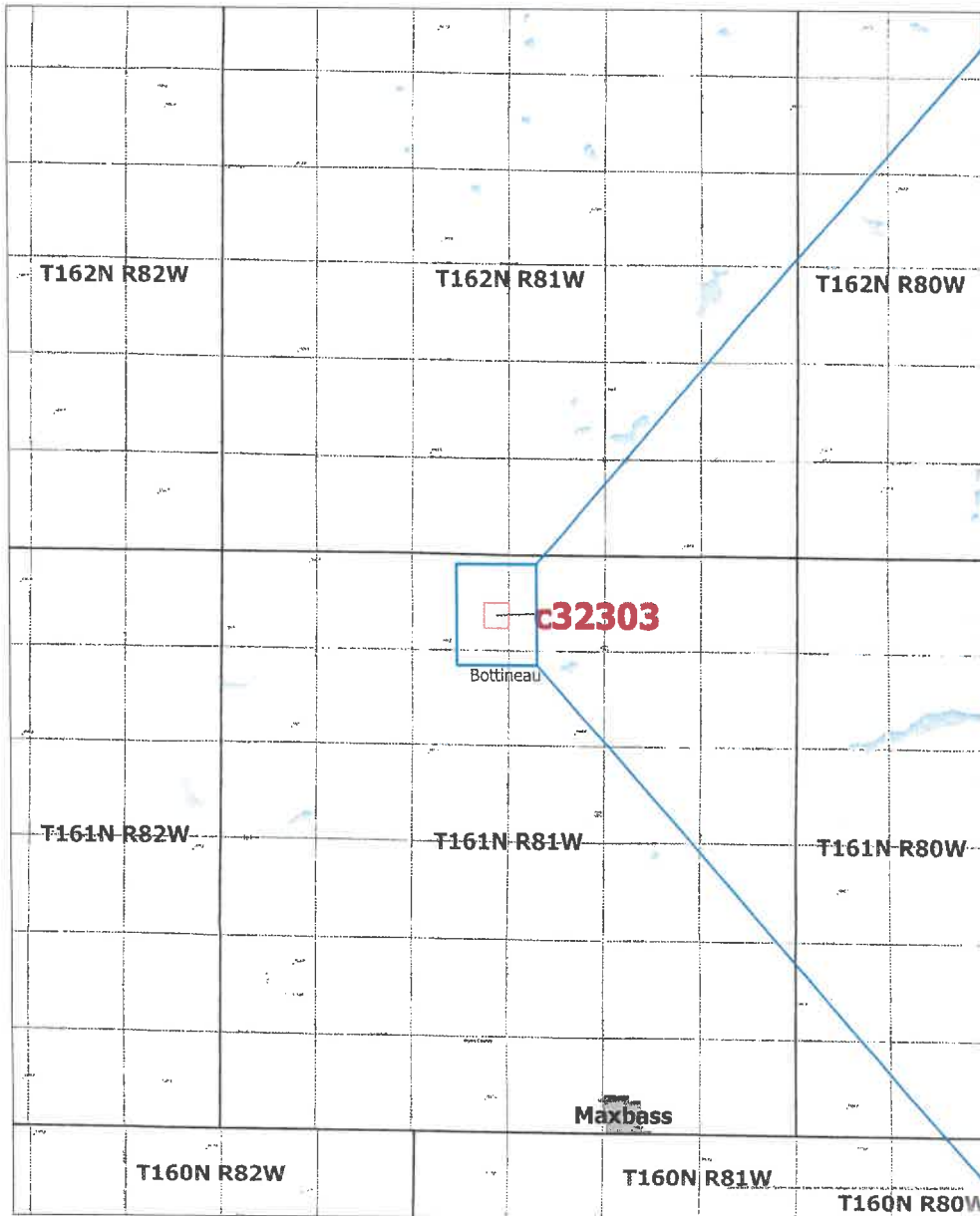
Bureau of Land Management





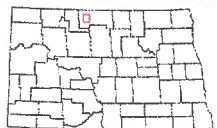


Industrial Commission c32303



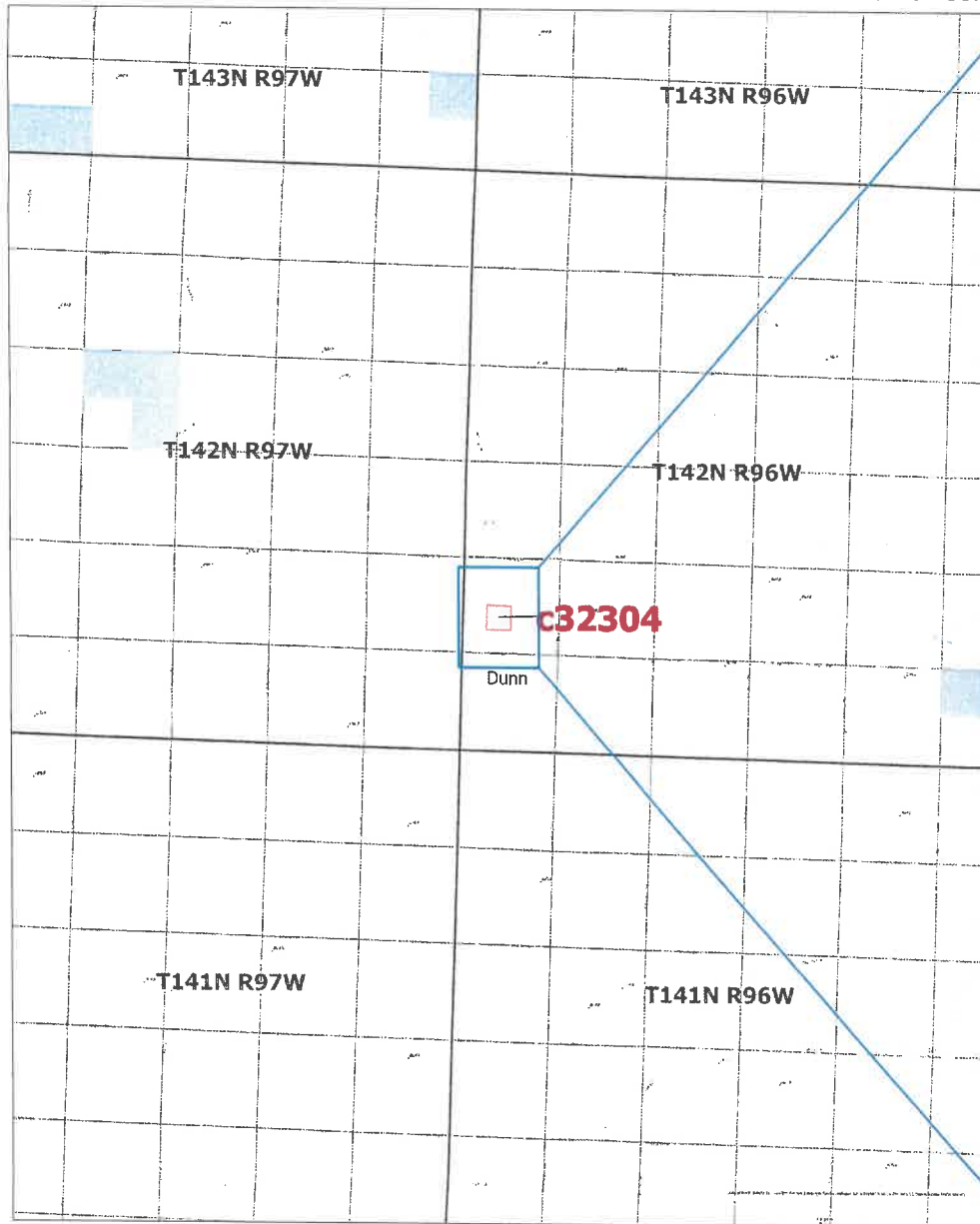
1/14/2026

Sections Townships City Boundary



Attachment 2

Industrial Commission c32304



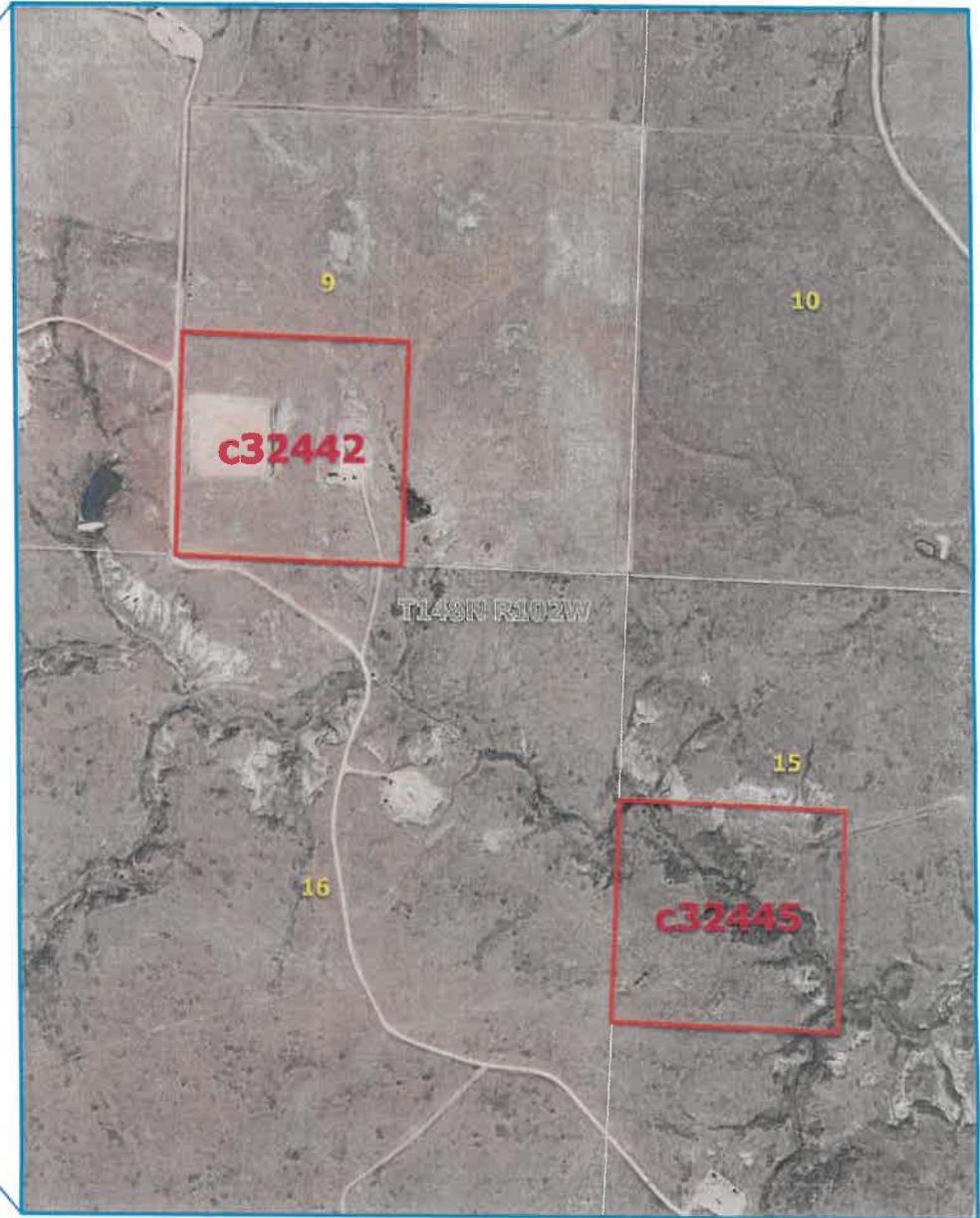
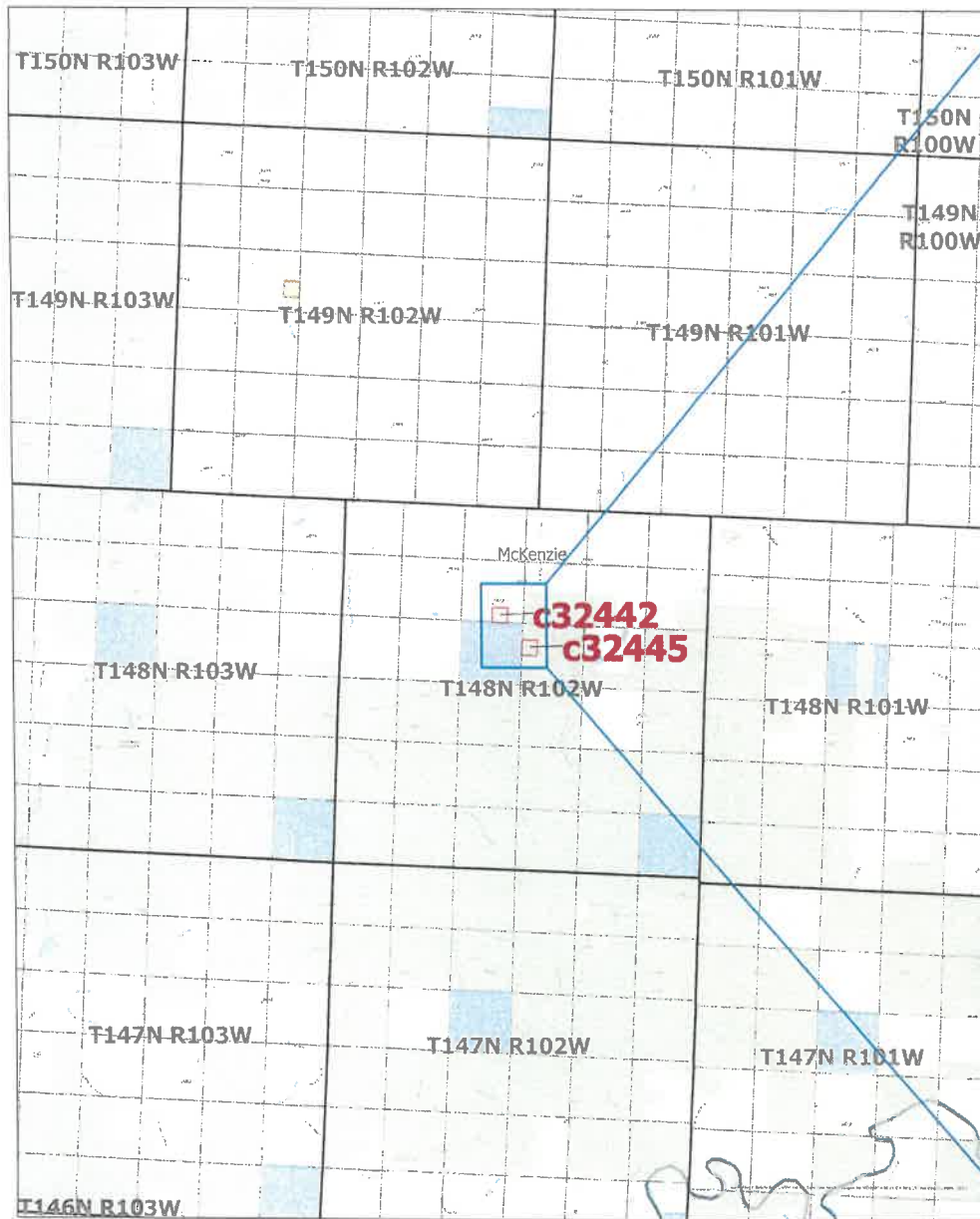
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☐ Sections ☐ Townships ☒ Surface Trust Land



Attachment 3





1/13/2026

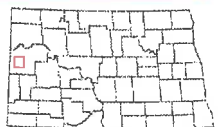


**Sections**  
**Townships**

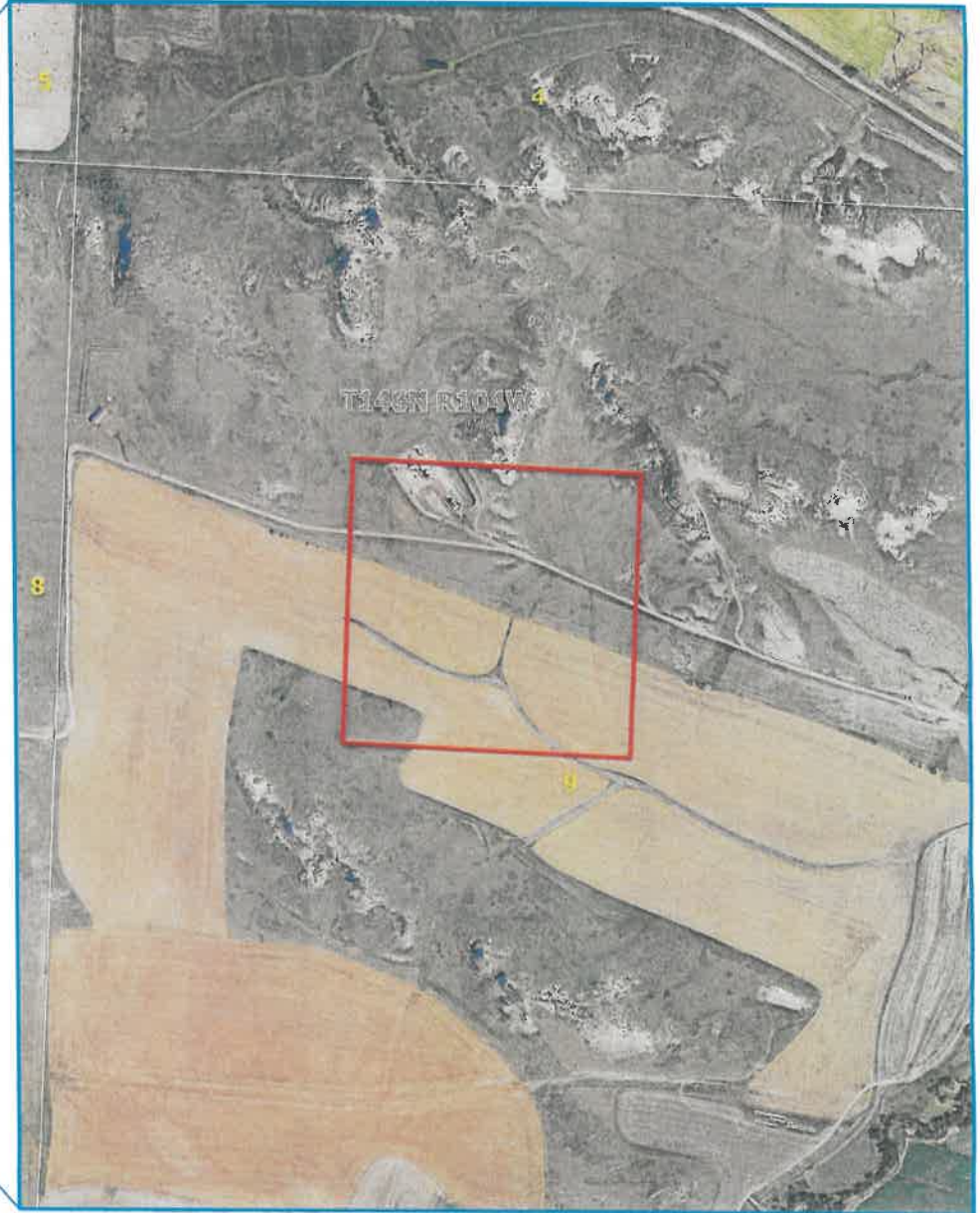
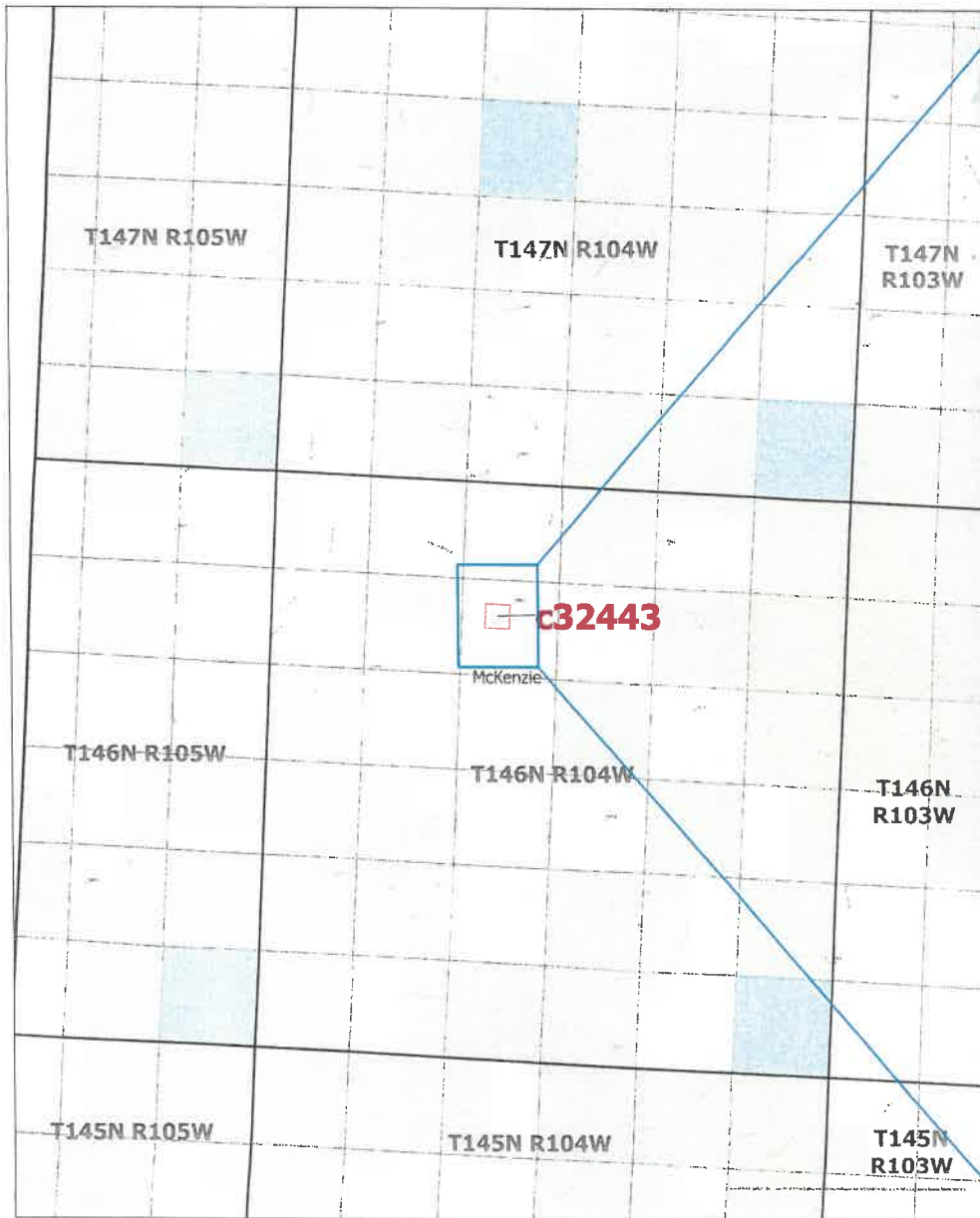


**Surface Trust Land**  
**Bureau of Land Management**

**National Grasslands**



Industrial Commission c32443



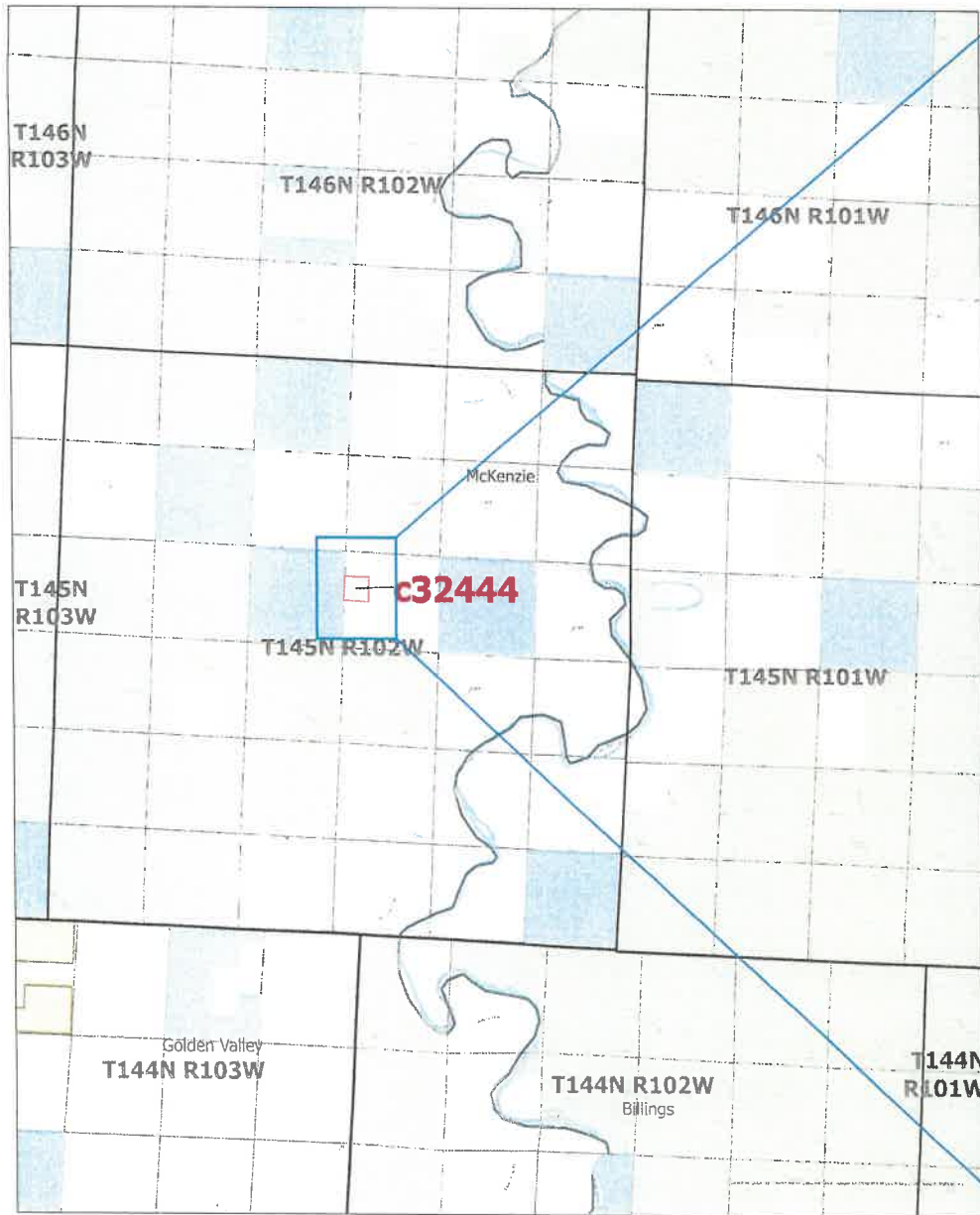
1/13/2026

Sections  
Townships

Surface Trust Land  
National Grasslands







1/13/2026



**Sections**  
**Townships**

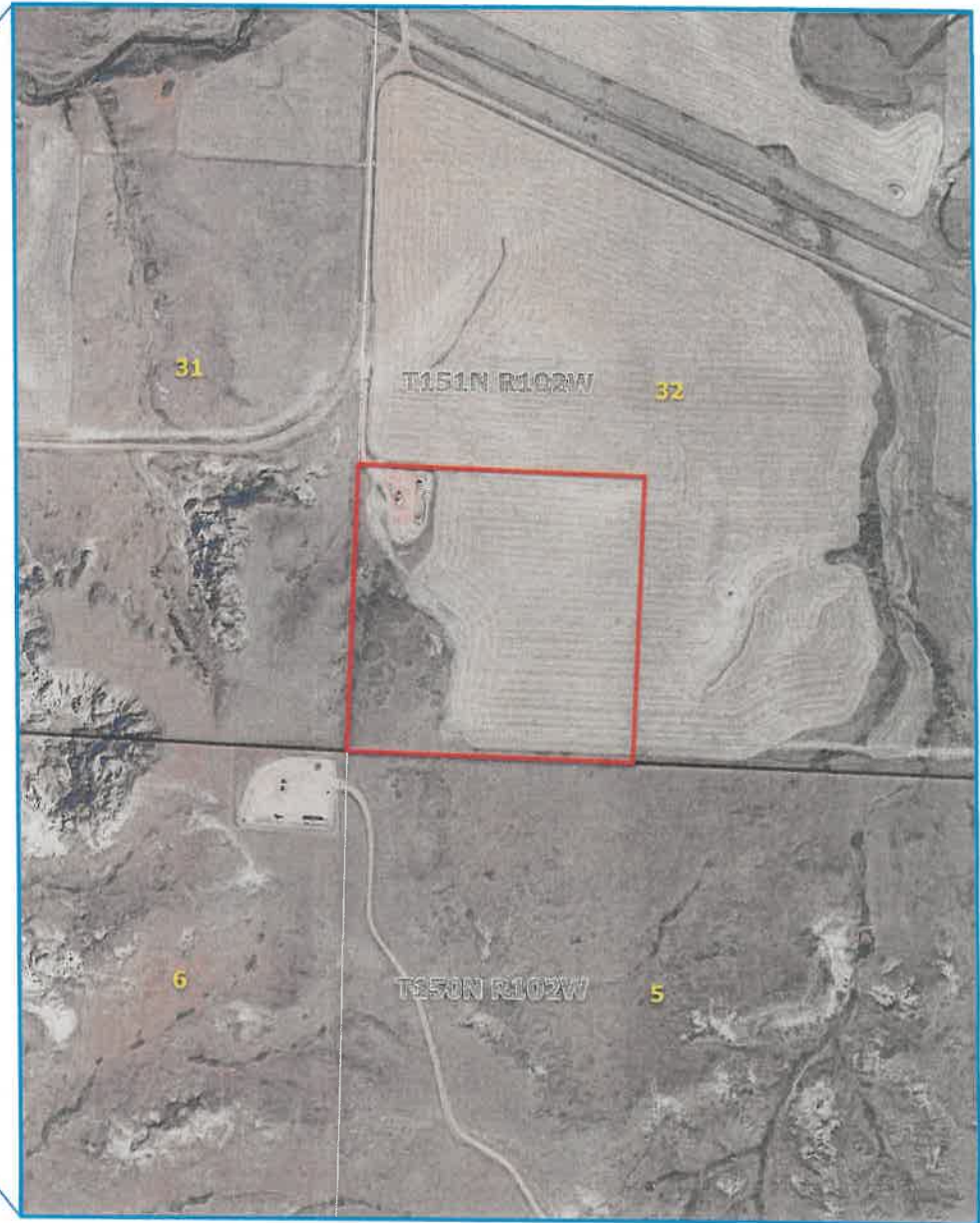
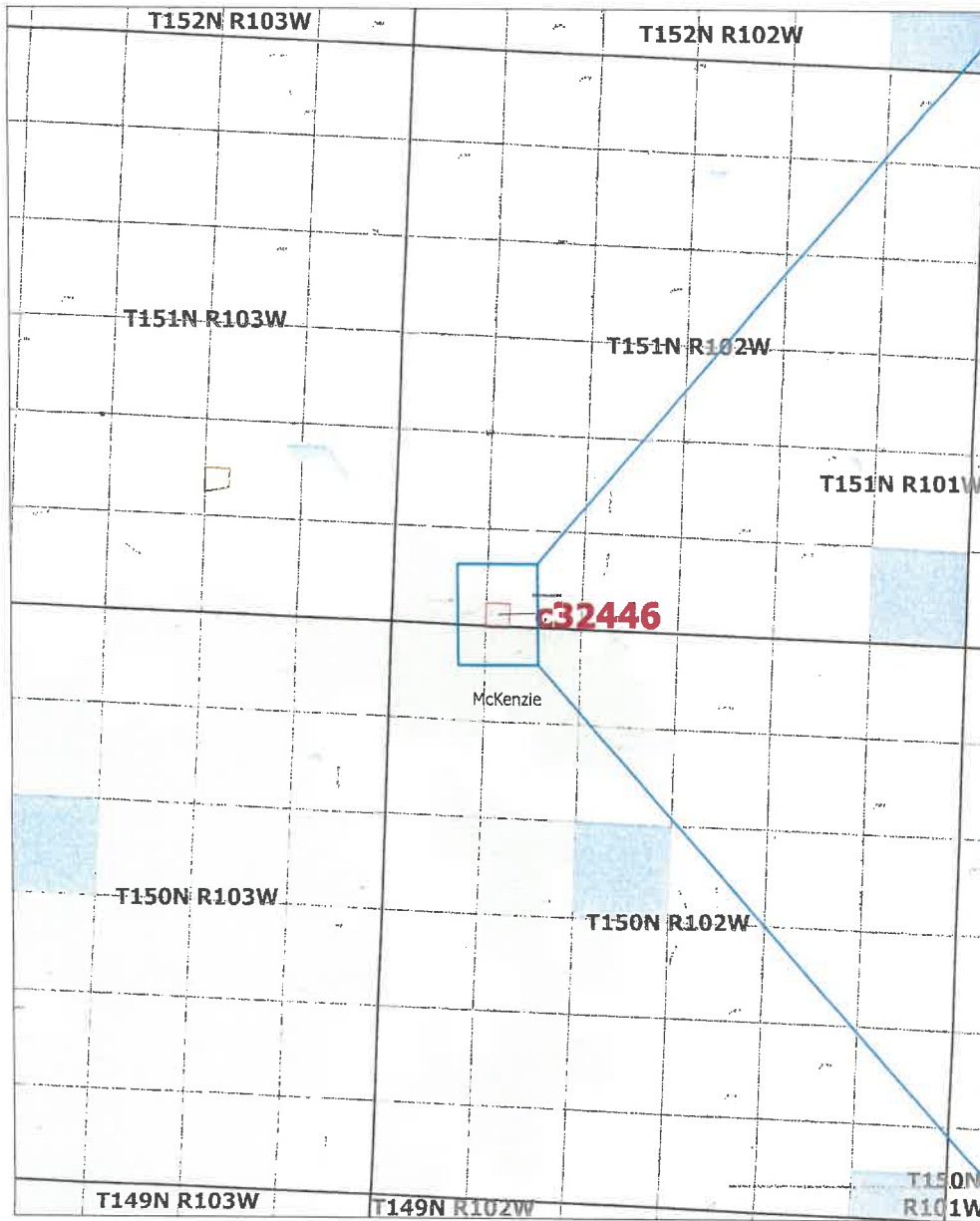


**Surface Trust Land**  
**Bureau of Land Management**

**National Grasslands**







1/13/2026



**Sections**



**Townships**

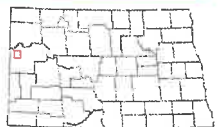


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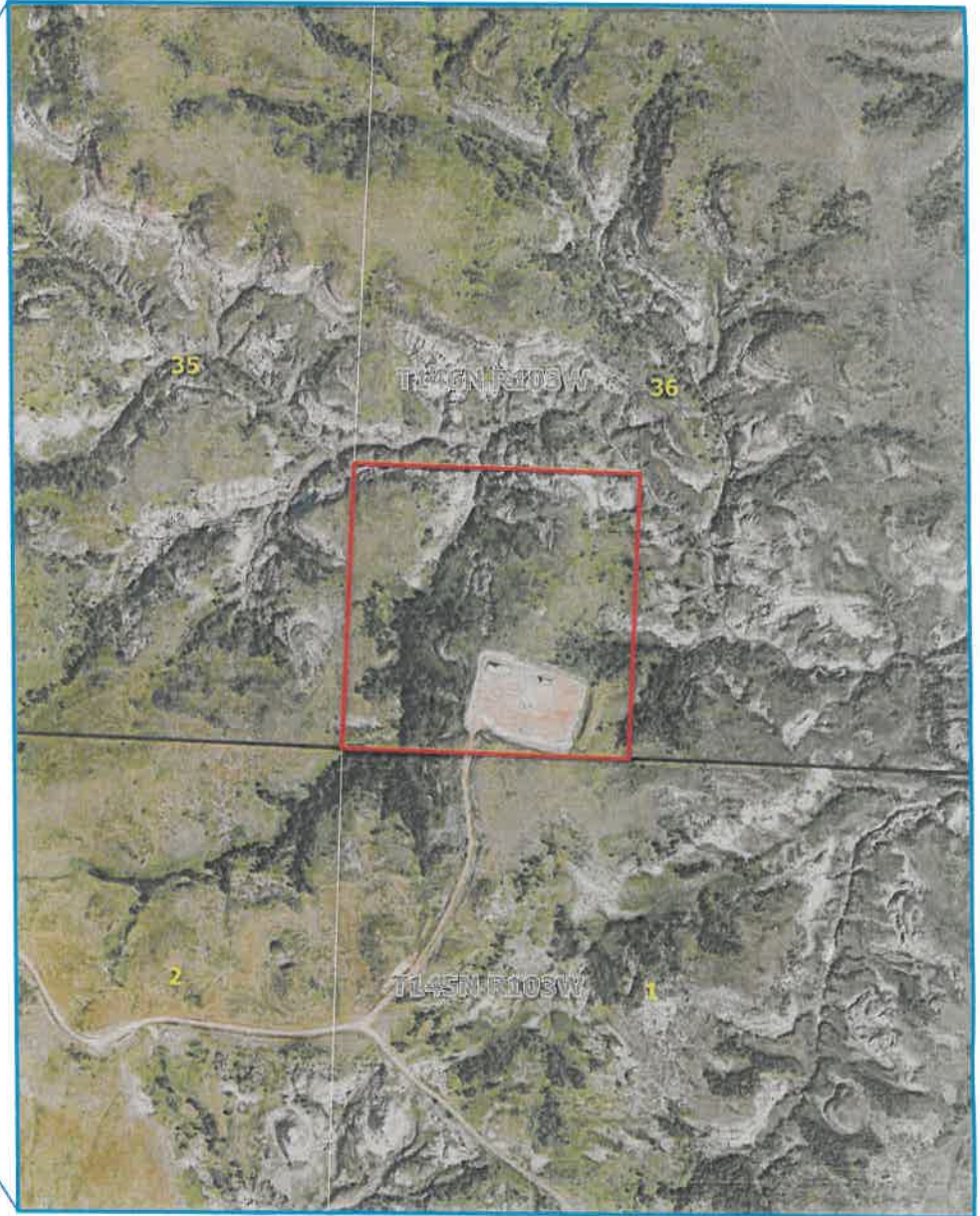
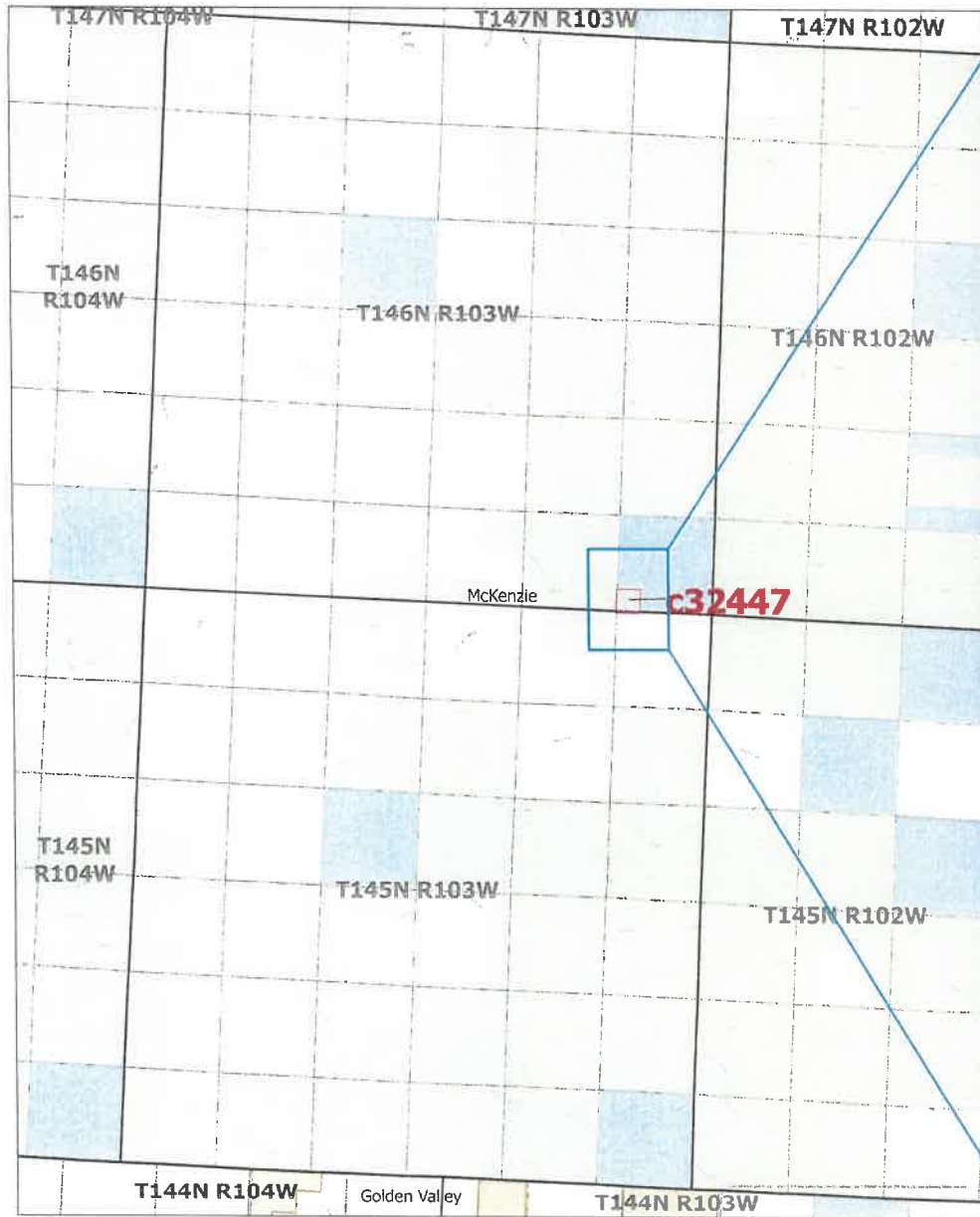


**Bureau of Land Management**

**National Grasslands**



Industrial Commission c32447



1/13/2026



Sections



Townships

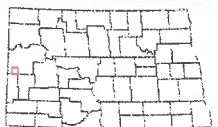


Surface Trust Land



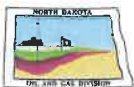
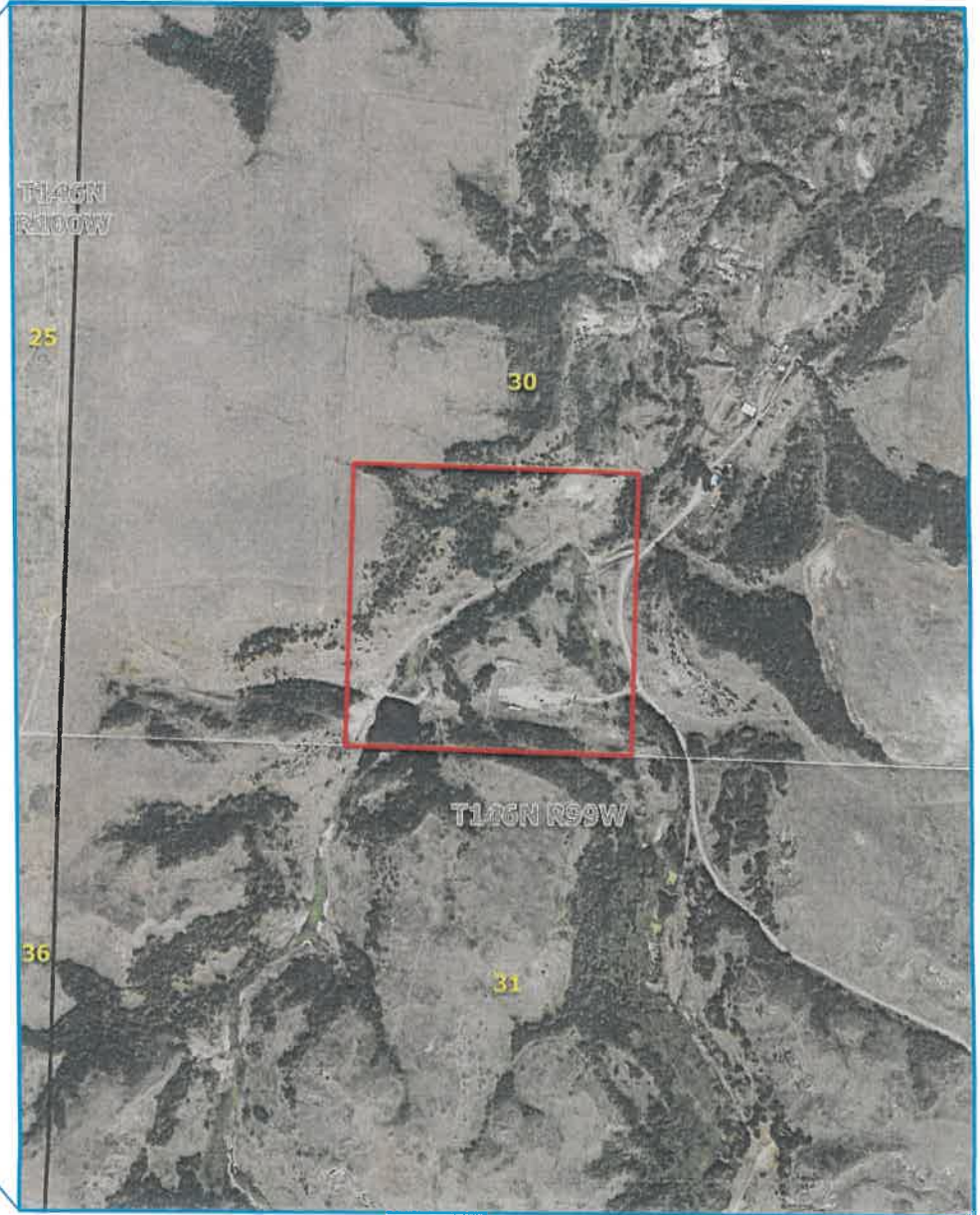
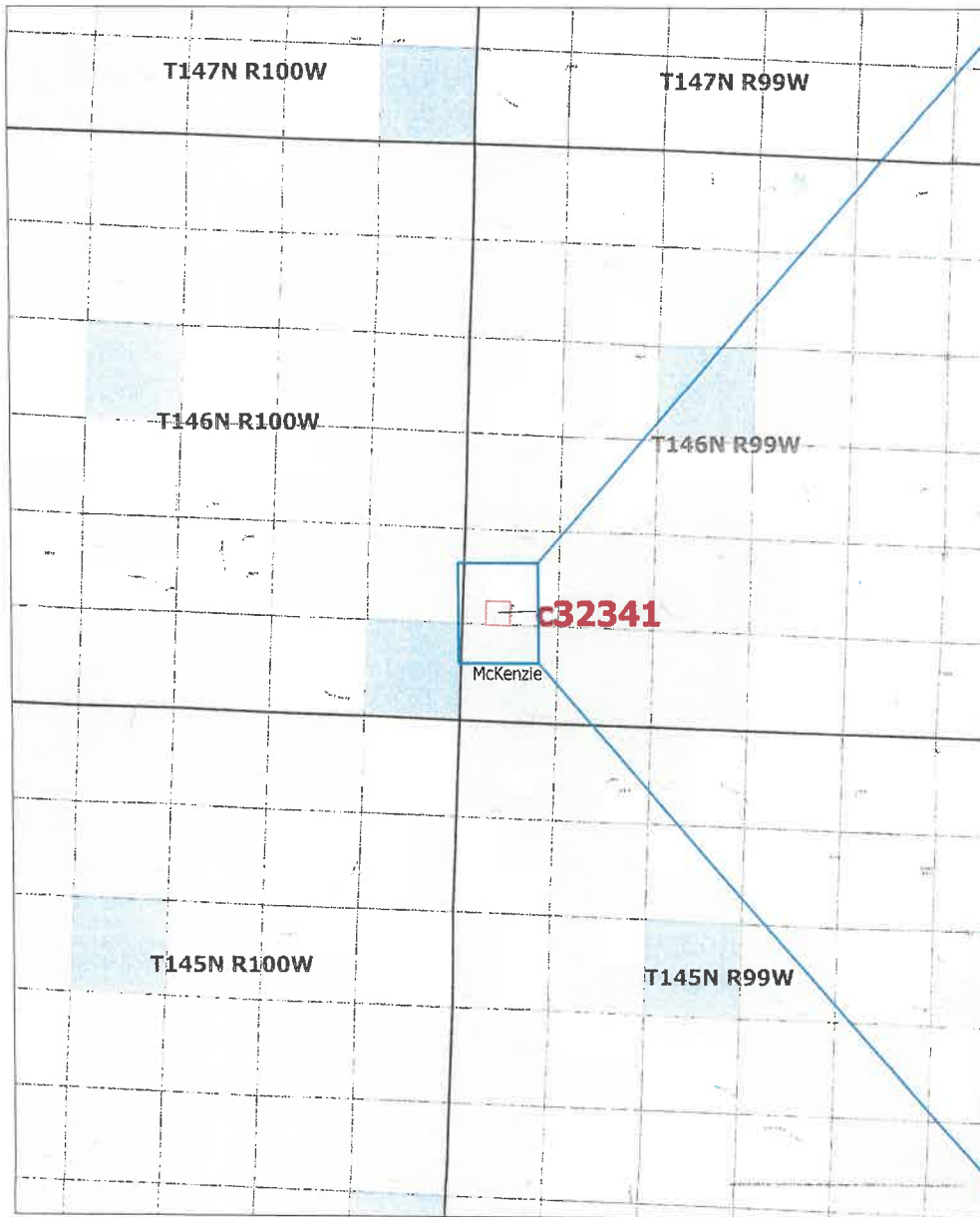
Bureau of Land Management

National Grasslands





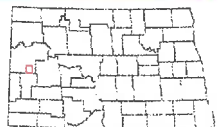
Industrial Commission c32341



1/13/2026

Sections  
Townships

Surface Trust Land  
National Grasslands





INDUSTRIAL COMMISSION  
STATE OF NORTH DAKOTA  
DATE 12/18/25 CASE NO. 32341  
Introduced By White Rock  
Exhibit L-1  
Identified By Bonini

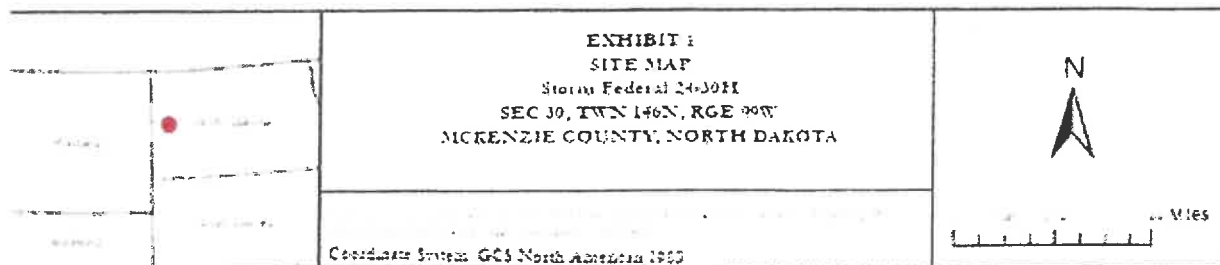
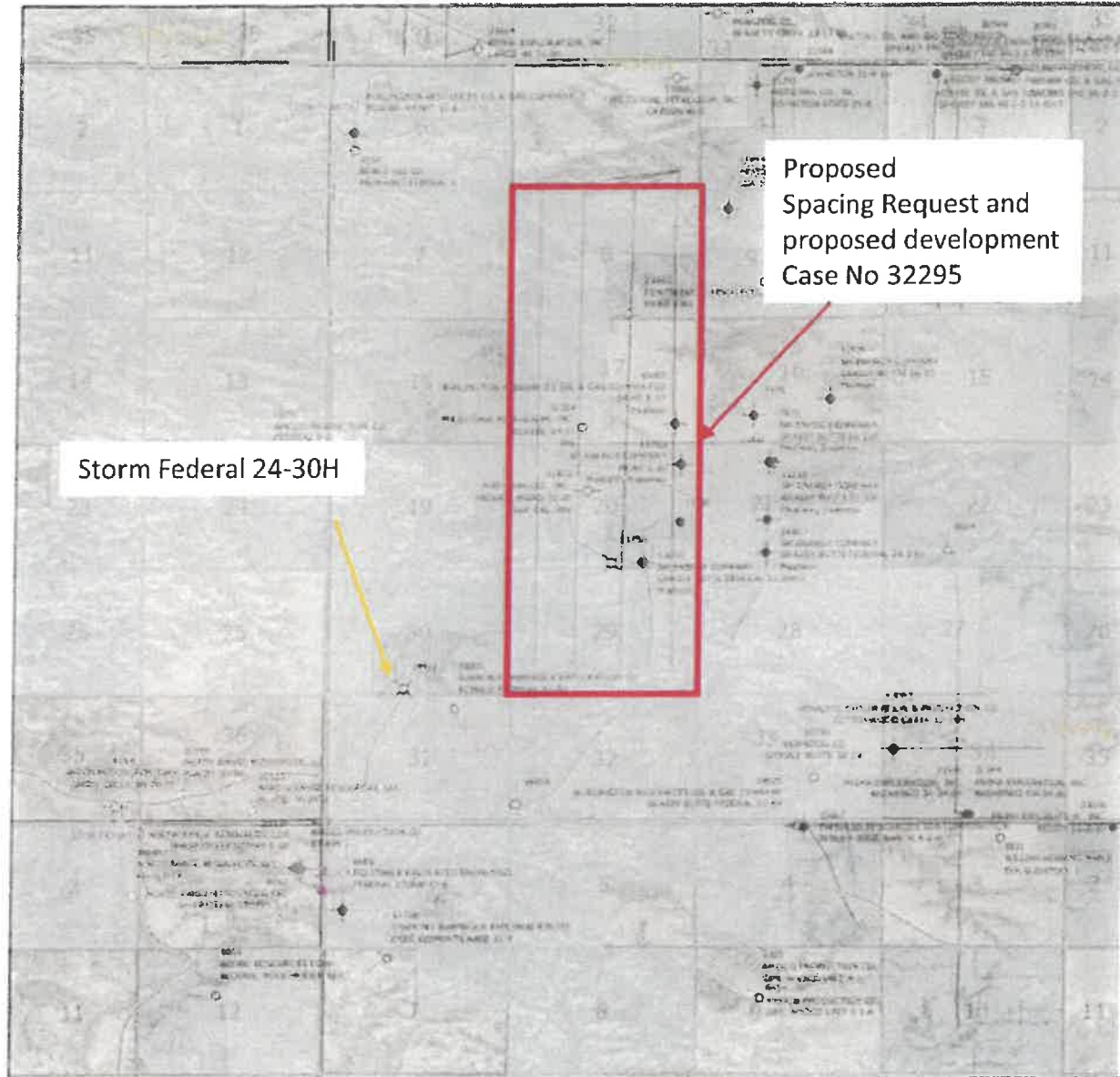


Exhibit L-1  
Case No. 32341



Financial Statements  
June 30, 2025 and 2024

# North Dakota Student Loan Trust

# NORTH DAKOTA STUDENT LOAN TRUST

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## Independent Auditor's Report

Governor of North Dakota  
and the Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the North Dakota Student Loan Trust (the Trust), an enterprise fund of the State of North Dakota, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust, as of June 30, 2025 and 2024, and the respective changes in its financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Trust, 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 opinion.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements of the Trust are intended to present the financial position, the changes in financial position and cash flows of only that portion of the State of North Dakota that is attributable to the transactions of the Trust. They 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, and the changes in its financial position, or, where applicable, its cash flows 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.



### ***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.

### ***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 opinion. 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 GAAS 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 GAAS 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 Trust'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.

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 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 GAAS, 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 an opinion on the financial statements that collectively comprise the Trust. The combining statements of net position and combining statements of revenues, expenses, and changes in net position 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 statements of net position and combining statements of revenues, expenses, and changes in net position 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 August 18, 2025, on our consideration of the Trust'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 Trust'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 Trust's internal control over financial reporting and compliance.



Bismarck, North Dakota  
August 18, 2025

**NORTH DAKOTA STUDENT LOAN TRUST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025, 2024, and 2023**  
**(In Thousands)**

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

**FINANCIAL HIGHLIGHTS:**

Section 54-17-24 of the North Dakota Century Code authorized the establishment of the North Dakota Student Loan Trust. On June 27, 1979, the Commission adopted the North Dakota Student Loan Revenue Bonds General Bond Resolution establishing the North Dakota Student Loan Trust fund. On June 19, 1996, the Commission adopted the Second General Bond Resolution and the First Supplemental Resolution to the North Dakota Student Loan Revenue Bonds - Second General Bond Resolution. The purpose of the Trust is to provide loans to students in post-secondary education. The Trust acquires eligible loans insured or guaranteed, respectively, by the United States government or the North Dakota Guaranteed Student Loan Program. All guaranteed loans and the collections and earnings therefrom are pledged as collateral to the outstanding bonds of the respective trusts.

DEAL loans are available at either a fixed rate or a variable rate with the rates being adjusted quarterly. As of June 30, 2025, the fixed rate was 6.59% and the variable rate was 5.75%. As of June 30, 2024, the fixed rate was 6.66% and the variable rate was 6.83%. As of June 30, 2023, the fixed rate was 6.29% and the variable rate was 6.44%.

The Trust 2025 statement of net position indicates that the Trust continues to have adequate resources to provide for bond repayment and continuing operations. There are \$1,840 of current assets available to meet the next fiscal year's obligations of approximately \$5. The net loss in the statement of revenues, expenses, and changes in net position is a result of the changing rate environment.

**REQUIRED FINANCIAL STATEMENTS:**

The management discussion and analysis is intended to serve as an introduction to the Trust's financial statements. The Trust is accounted for utilizing fund accounting and includes the requirements of 1) the General Bond Resolution Fund and 2) the Second General Bond Resolution Fund. Note 1 to the financial statements provides a description of the organization, funds and significant accounting policies. The financial statements of the Trust provide accounting information similar to that of many other business entities. The Statement of Net Position summarizes the assets and liabilities, with the difference between the two reported as net position. It also serves as the basis for analysis of the soundness and liquidity of the Trust. The Statement of Revenues, Expenses and Changes in Net Position summarizes the Trust's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Trust as it conducts its business.

**NORTH DAKOTA STUDENT LOAN TRUST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025, 2024, and 2023**  
**(In Thousands)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>			
CURRENT ASSETS - UNRESTRICTED	\$ 8	\$ 7	\$ 8
CURRENT ASSETS - RESTRICTED	1,832	1,796	1,772
NONCURRENT ASSETS - UNRESTRICTED	<u>334</u>	<u>388</u>	<u>434</u>
TOTAL ASSETS	<u>\$ 2,174</u>	<u>\$ 2,191</u>	<u>\$ 2,214</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES	5	6	6
NONCURRENT LIABILITIES	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
TOTAL LIABILITIES	<u>1,005</u>	<u>1,006</u>	<u>1,006</u>
<b>NET POSITION</b>			
RESTRICTED FOR DEBT SERVICE	832	796	772
UNRESTRICTED	<u>337</u>	<u>389</u>	<u>436</u>
TOTAL NET POSITION	<u>1,169</u>	<u>1,185</u>	<u>1,208</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,174</u>	<u>\$ 2,191</u>	<u>\$ 2,214</u>

**NORTH DAKOTA STUDENT LOAN TRUST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025, 2024, and 2023**  
**(In Thousands)**

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*Significant Statement of Net Position Changes*

Total assets of the Trust decreased (\$17) in 2025, decreased (\$23) in 2024, and decreased (\$20) in 2023, primarily due to the decrease in loans receivable year over year.

There were no new bonds issued in 2025, 2024, or 2023. No principal payments were made during the fiscal years ended June 30, 2025, 2024, or 2023.

*Cash, Cash Equivalents and Investments*

Trust cash, cash equivalents and investments, which are included in restricted assets, are restricted for the debt service of bond issues for the General Bond Resolution and Second General Bond Resolution purposes listed in Note 1 to the financial statements.

Trust cash, cash equivalents and investments, which are included in unrestricted assets, are unrestricted within the Trust for the overall uses of the General Bond Resolution and Second General Bond Resolution purposes listed in Note 1 to the financial statements.

*Student Loans Receivable*

The student loans receivable are included in current and noncurrent assets of the statement of net position. As of June 30, 2025, all student loans are insured by the North Dakota Guaranteed Student Loan Program (GSL). All guaranteed loans and the collections and earnings therefrom are pledged as collateral to the outstanding bonds of the respective trusts. Additional discussion can be found in Notes 1 and 4 to the financial statements.

*Appropriation Payable*

North Dakota Legislature did not pass any legislation impacting the Trust in the 2023 or 2025 sessions.

*Bonds Payable*

The Trust has issued bonds in order to facilitate the purchase of student loans. The bonds payable are included in the current and noncurrent liabilities of the preceding statement. The bonds are direct obligations of the Trust and are secured by student loans purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions. Note 5 to the financial statements provides a detailed listing of all the bonds outstanding.

*Net Position*

The Restricted Net Position of the North Dakota Student Loan Trust is restricted by bond resolutions for the repayment of bond interest and principal. Monies held in surplus accounts can be used to redeem or purchase bonds, finance student loans, or upon certification from the Industrial Commission of North Dakota, fund a guarantee agency's guarantee program.

**NORTH DAKOTA STUDENT LOAN TRUST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025, 2024, and 2023**  
**(In Thousands)**

**CONDENSED 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			
Interest on student loans	<u>\$ 24</u>	<u>\$ 27</u>	<u>\$ 30</u>
Total operating revenues	<u>24</u>	<u>27</u>	<u>30</u>
OPERATING EXPENSES			
Interest	54	61	46
Service fees	4	4	4
Other	<u>11</u>	<u>10</u>	<u>10</u>
Total operating expenses	<u>69</u>	<u>75</u>	<u>60</u>
OPERATING INCOME (LOSS)	(45)	(48)	(30)
NONOPERATING REVENUE	<u>29</u>	<u>25</u>	<u>7</u>
CHANGE IN NET POSITION	(16)	(23)	(23)
NET POSITION, BEGINNING OF YEAR	<u>1,185</u>	<u>1,208</u>	<u>1,231</u>
NET POSITION, END OF YEAR	<u>\$ 1,169</u>	<u>\$ 1,185</u>	<u>\$ 1,208</u>

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

*Transfers*

No transfers were made during the fiscal years 2025, 2024, and 2023.

**NORTH DAKOTA STUDENT LOAN TRUST**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025, 2024, and 2023**  
**(In Thousands)**

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**ECONOMIC FACTORS AND FUTURE OUTLOOK**

There was no legislation impacting the Trust during the 2023 or 2025 Legislative Sessions. The Trust continues to have adequate cashflow from student loan repayments to meet its future obligations.

**CONTACTING THE NORTH DAKOTA STUDENT LOAN TRUST'S FINANCIAL MANAGEMENT**

The information in this report is intended to provide the reader with an overview of the Trust's operations along with the Trust'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 Industrial Commission, North Dakota Student Loan Trust, 600 East Boulevard Avenue, Department 405, Bismarck, ND 58505-0840.

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**NORTH DAKOTA STUDENT LOAN TRUST**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS - UNRESTRICTED</b>		
Due from other state agencies	\$ 6	\$ 5
Interest receivable	<u>2</u>	<u>2</u>
Total unrestricted current assets	<u>8</u>	<u>7</u>
<b>CURRENT ASSETS - RESTRICTED</b>		
Cash and cash equivalents	784	743
Investments	1,000	1,000
Student loans receivable	<u>48</u>	<u>53</u>
Total restricted current assets	<u>1,832</u>	<u>1,796</u>
<b>NONCURRENT ASSETS - UNRESTRICTED</b>		
Student loans receivable	<u>334</u>	<u>388</u>
Total assets	<u><u>\$ 2,174</u></u>	<u><u>\$ 2,191</u></u>



**NORTH DAKOTA STUDENT LOAN TRUST**  
**STATEMENTS OF NET POSITION – Page 2**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Due to other state agencies	\$ 4	\$ 5
Accrued fees payable - related party	<u>1</u>	<u>1</u>
Total current liabilities	<u>5</u>	<u>6</u>
<b>NONCURRENT LIABILITIES</b>		
Bonds payable	<u>1,000</u>	<u>1,000</u>
Total noncurrent liabilities	<u>1,000</u>	<u>1,000</u>
Total liabilities	<u>1,005</u>	<u>1,006</u>
<b>NET POSITION</b>		
Restricted for debt service	832	796
Unrestricted	<u>337</u>	<u>389</u>
Total net position	<u>1,169</u>	<u>1,185</u>
Total liabilities and net position	<u><u>\$ 2,174</u></u>	<u><u>\$ 2,191</u></u>

**NORTH DAKOTA STUDENT LOAN TRUST**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2025 and 2024**  
**(In Thousands)**

	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUES</b>		
Interest on student loans	\$ 24	\$ 27
Total operating revenues	<u>24</u>	<u>27</u>
<b>OPERATING EXPENSES</b>		
Interest	54	61
Service fees	4	4
Bond related expenses	<u>11</u>	<u>10</u>
Total operating expenses	<u>69</u>	<u>75</u>
<b>OPERATING (LOSS)</b>	(45)	(48)
<b>NONOPERATING REVENUE</b>		
Investment income	<u>29</u>	<u>25</u>
<b>CHANGE IN NET POSITION</b>	(16)	(23)
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>1,185</u>	<u>1,208</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 1,169</u></u>	<u><u>\$ 1,185</u></u>

**NORTH DAKOTA STUDENT LOAN TRUST**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2025 and 2024**  
**(In Thousands)**

	<u>2025</u>	<u>2024</u>
<b>OPERATING ACTIVITIES</b>		
Receipts of student loan repayments	\$ 69	\$ 75
Payments to state agency service providers	(4)	(5)
Payments to other service providers	<u>(11)</u>	<u>(10)</u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>54</u>	<u>60</u>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>		
Bond interest payments	<u>(55)</u>	<u>(61)</u>
<b>NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES</b>	<u>(55)</u>	<u>(61)</u>
<b>INVESTING ACTIVITIES</b>		
Investment interest received	30	25
Purchase of investment securities	(2,000)	(2,000)
Proceeds from sale of loans	12	6
Proceeds from sale and maturity of investment securities	<u>2,000</u>	<u>2,000</u>
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<u>42</u>	<u>31</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	41	30
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>743</u>	<u>713</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 784</u></u>	<u><u>\$ 743</u></u>

**NORTH DAKOTA STUDENT LOAN TRUST**  
**STATEMENTS OF CASH FLOWS – Page 2**  
**YEARS ENDED JUNE 30, 2025 and 2024**  
**(In Thousands)**

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM/USED FOR OPERATING ACTIVITIES		
Operating (loss)	\$ (45)	\$ (48)
Reclassification of interest expense to other activities	54	61
Changes in assets and liabilities		
Student loans receivable	47	46
Due from other state agencies	(1)	2
Interest receivable	-	(1)
Due to other state agencies	<u>(1)</u>	<u>-</u>
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 54</u>	<u>\$ 60</u>

**NORTH DAKOTA STUDENT LOAN TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Operations*

Section 54-17-24 of the North Dakota Century Code authorized the establishment of the North Dakota Student Loan Trust (Trust). On June 27, 1979, the Commission adopted the North Dakota Student Loan Revenue Bonds General Bond Resolution establishing the North Dakota Student Loan Trust fund. On June 19, 1996, the Commission adopted the Second General Bond Resolution and the First Supplemental Resolution to the North Dakota Student Loan Revenue Bonds - Second General Bond Resolution. The purpose of the Trust is to provide loans to students in post-secondary education. The Trust acquires eligible loans insured or guaranteed, respectively, by the United States government or the North Dakota Guaranteed Student Loan Program. All guaranteed loans and the collections and earnings therefrom are pledged as collateral to the outstanding bonds of the respective trusts.

*Reporting Entity*

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Trust should include all component units over which the Trust 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 Trust.

Based on that criteria, no organizations were determined to be part of the reporting entity. The Trust is included as part of the primary government in the State of North Dakota's reporting entity as an enterprise fund.

*Accounting Standards and Adoptions of Accounting Policies*

The Trust follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities.

*Fund Accounting*

The North Dakota Student Loan Trust is accounted for as an enterprise fund and uses the accrual basis of accounting. The fund is set up in accordance with the authorizing act, the bond resolutions and indenture. The fund consists of the First General Bond Resolution Fund, which includes the 2004 A student loan revenue bonds and the Second General Bond Resolution Fund. Proceeds of bonds are recorded in the fund and used to provide student loans to eligible students. The bond resolutions require the establishment of certain accounts and sub-accounts. Bond proceeds that are deposited in these accounts are invested in qualifying investments. Interest income, interest expense, special allowance and interest subsidy, and gain on redemption of bonds are recorded in this fund in accordance with the bond resolutions.

**NORTH DAKOTA STUDENT LOAN TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

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*Basis of Accounting and Measurement Focus*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the Trust are included on the statement of net position. Net position is segregated into restricted and unrestricted components. The statement of revenues, expenses and changes in net position present increases (e.g. revenues) and decreases (e.g. expenses) in net total position. The statement of cash flows presents the cash flows for operating activities, non-capital financing activities, and investing activities.

*Use of Estimates*

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Significant Group Concentrations of Credit Risk*

Most of the Trust's activities are with student loan borrowers in the State of North Dakota.

*Cash*

The Trust considers all cash and time deposit accounts with original maturities of three months or less to be cash for purposes of reporting cash flows.

*Deposits and Investments*

Time deposit investments are carried at cost, as they are nonnegotiable certificates of deposits with redemption terms that do not consider market rates.

*Restricted Assets and Restricted Net Position*

The assets and net position of the North Dakota Student Loan Trust are restricted by bond resolutions for the repayment of bond interest and principal.

Moneys held in surplus accounts (which are classified as unrestricted on the statement of net position) can be used to redeem or purchase bonds, finance student loans, or upon certification from the Industrial Commission of North Dakota (the Commission), fund a guarantee agency's guarantee program.

Expenses of the Trust are paid in accordance with the provisions of the General and Second General Bond Resolutions and the Series Resolutions. Expenses related to a specific bond series are paid from funds available within that particular resolution. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the Trust considers restricted funds to have been spent first.

**NORTH DAKOTA STUDENT LOAN TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

*Operating and Non-Operating Revenues*

Operating revenues consist of interest income on loans. All other revenues that do not meet the above criteria are classified as non-operating.

**NOTE 2 - UNRESTRICTED NET POSITION**

The assets and net position of the North Dakota Student Loan Trust are restricted by bond resolutions for the repayment of bond interest and principal.

As of June 30, 2025 and 2024, the surplus accounts consist of the following:

	2025	2024
Due from other state agencies	\$ 6	\$ 5
Interest receivable	2	2
Accrued fees payable - related party	(1)	(1)
Due to other state agencies	(4)	(5)
Student loans receivable	334	388
	<u>\$ 337</u>	<u>\$ 389</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS**

All funds have their monies invested in securities or deposits allowed by the General Bond Resolution establishing the Trust and the Second General Bond Resolution. Such moneys may be invested in: (1) direct obligations of or obligations guaranteed by the United States of America, (2) deposits of the Bank of North Dakota which are guaranteed as provided in North Dakota Century Code Section 6-09-10, (3) demand deposits and time deposits issued by banks, which are members of the Federal Deposit Insurance Corporation, (4) bonds, debentures, or notes or other evidences of indebtedness issued or guaranteed by any agency or instrumentality of the United States of America, (5) repurchase agreements or reverse repurchase agreements with banks, which are secured by securities which are obligations described in item (1) above, and (6) banker's acceptances of banks described in items (2) and (3) above.

*Deposits*

As of June 30, 2025 and 2024, the Trust had cash deposits of \$784 and \$743, respectively, with the Bank of North Dakota. The Trust also had time deposit investments of \$1,000 and \$1,000, respectively, with the Bank. For classification purposes on the Statement of Net Position, cash and cash equivalents were \$784 and \$743, respectively, and investments were \$1,000 and \$1,000 as of June 30, 2025 and 2024, respectively.

**NORTH DAKOTA STUDENT LOAN TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

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*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of the investments.

*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 Trust 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 Trust does not have a formal policy that limits custodial credit risk for deposits. None of the Trust's deposits are covered by depository insurance. The Trust's deposits are uncollateralized and all of the deposits are deposited in the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

**NOTE 4 - STUDENT LOANS RECEIVABLE**

The Trust has outstanding loans with annual fixed and variable interest rates. DEAL student loans are fully guaranteed by the North Dakota Guaranteed Student Loan Program, so there is no allowance for loan loss. Loan balances as of June 30, 2025 and 2024 total \$382 and \$441, respectively, with \$48 and \$53 designated as current assets. The loans are expected to be collected through July 2045.

Student loans are classified as student, deferred, repayment or claim status. The student status represents the period from the date the loan is made until a student is out of school, plus an authorized grace period. Deferred status represents a loan that has an authorized deferment of payment period. Repayment status indicates the loan is in repayment. Claim status represents those loans that have a claim filed with the guarantor.

As of June 30, 2025, there were \$27 in deferred status and \$355 in repayment status. As of June 30, 2024, there were \$34 in deferred status and \$407 in repayment status

**NOTE 5 - BONDS PAYABLE**

*Changes in Bonds Payable*

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

	2025	2024
Balance, beginning of year	\$ 1,000	\$ 1,000
Principal payments on bonds	-	-
Balance, end of year	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Amounts due within one year	<u>\$ -</u>	<u>\$ -</u>



**NORTH DAKOTA STUDENT LOAN TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

*Maturities of Bonds Payable*

The combined aggregate of future maturities and sinking fund requirements for all bonds is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	-	50	50
2027	-	50	50
2028	-	50	50
2029	1,000	51	1,051
	<u>\$ 1,000</u>	<u>\$ 201</u>	<u>\$ 1,201</u>

The following is a more detailed description of the individual bond issue that remains outstanding as of June 30, 2025 and 2024.

	<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>2025</u>	<u>2024</u>
General Bond Resolution Fund 2004 Series A	June 1, 2029	5.02% (1)	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Less current portion			<u>-</u>	<u>-</u>
Noncurrent portion			<u>\$ 1,000</u>	<u>\$ 1,000</u>

(1) Variable on June 30, 2025.

**2004 SERIES A BONDS**

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on one-month SOFR plus 0.7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. Section 2.2 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution has deemed these to be Federally Taxable Bonds. The Series 2004 Bonds are subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

**NORTH DAKOTA STUDENT LOAN TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025 and 2024**  
**(In Thousands)**

**NOTE 6 - INTERFUND AND RELATED PARTY TRANSACTIONS**

The North Dakota Student Loan Trust is related to the Bank of North Dakota through common management under the Industrial Commission of North Dakota. All cash and time deposit investments are deposited in the Bank of North Dakota. Interest receivable from the Bank of North Dakota totaled \$6 and \$5 as of June 30, 2025 and 2024 and is reflected as due from other state agencies on the statement of net position. Investment securities are held in safekeeping and all student loans are purchased from the Bank of North Dakota. The Bank of North Dakota also acts as the paying agent for the 2004 Series A Bonds. In addition, the Bank services the student loans held by the Trust, and maintains the accounting and other records for the Trust.

Fees expensed to the Bank of North Dakota for the following services included in the accompanying financial statements were as follows:

	2025	2024
Service fees	\$ 4	\$ 4

Payables to the Bank of North Dakota for such fees amounting to \$1 and \$1 as of June 30, 2025 and 2024 are included in “accrued fees payable – related party” on the statement of net position.

The North Dakota Student Loan Trust is related to the North Dakota Guaranteed Student Loan Program through common management under the Industrial Commission of North Dakota. Proceeds on defaulted loans sold to the North Dakota Guaranteed Student Loan Program were \$12 and \$6 for the years ended June 30, 2025 and June 30, 2024, respectively.

**NOTE 7 - RISK MANAGEMENT**

The North Dakota Student Loan Trust is exposed to various risks of loss related to torts and errors and omissions. The North Dakota Student Loan Trust is administered by the North Dakota Industrial Commission and, therefore, is eligible to the same funds/pools established by the State for risk management issues. These include:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund of the State of North Dakota, 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 participating 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 \$468,750 per person and \$1,875,000 per occurrence. The State Bonding Fund currently provides the Fund with blanket employee fidelity bond coverage in the amount of \$750,000. 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 and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.



Supplementary Information  
June 30, 2025 and 2024

# North Dakota Student Loan Trust

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**NORTH DAKOTA STUDENT LOAN TRUST**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2025**  
(In Thousands)

	General Bond Resolution Fund	Second General Bond Resolution Fund	Combined
<b>ASSETS</b>			
<b>CURRENT ASSETS - UNRESTRICTED</b>			
Interest receivable	\$ 2	\$ -	\$ 2
Due from other state agencies	-	6	6
Total unrestricted current assets	2	6	8
<b>CURRENT ASSETS - RESTRICTED</b>			
Cash and cash equivalents	58	726	784
Investments	1,000	-	1,000
Student loans receivable	-	48	48
Total restricted current assets	1,058	774	1,832
<b>NONCURRENT ASSETS - UNRESTRICTED</b>			
Student loans receivable	-	334	334
Total assets	\$ 1,060	\$ 1,114	\$ 2,174

**NORTH DAKOTA STUDENT LOAN TRUST**  
**COMBINING STATEMENT OF NET POSITION – Page 2**  
**JUNE 30, 2025**  
(In Thousands)

	General Bond Resolution Fund	Second General Bond Resolution Fund	Combined
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Due to other state agencies	\$ 4	\$ -	\$ 4
Accrued fees payable - related party	-	1	1
Total current liabilities	4	1	5
<b>NONCURRENT LIABILITIES</b>			
Bonds payable	1,000	-	1,000
Total noncurrent liabilities	1,000	-	1,000
Total liabilities	1,004	1	1,005
<b>NET POSITION</b>			
Restricted for debt service	58	774	832
Unrestricted	(2)	339	337
Total net position	56	1,113	1,169
Total liabilities and net position	\$ 1,060	\$ 1,114	\$ 2,174

**NORTH DAKOTA STUDENT LOAN TRUST**  
**COMBINING STATEMENT OF NET POSITION**  
**JUNE 30, 2024**  
(In Thousands)

	General Bond Resolution Fund	Second General Bond Resolution Fund	Combined
<b>ASSETS</b>			
<b>CURRENT ASSETS - UNRESTRICTED</b>			
Interest receivable	\$ 2	\$ -	\$ 2
Due from other state agencies	-	5	5
Total unrestricted current assets	2	5	7
<b>CURRENT ASSETS - RESTRICTED</b>			
Cash and cash equivalents	33	710	743
Investments	1,000	-	1,000
Student loans receivable	-	53	53
Total restricted current assets	1,033	763	1,796
<b>NONCURRENT ASSETS - UNRESTRICTED</b>			
Student loans receivable	-	388	388
Total assets	\$ 1,035	\$ 1,156	\$ 2,191

**NORTH DAKOTA STUDENT LOAN TRUST**  
**COMBINING STATEMENT OF NET POSITION – Page 2**  
**JUNE 30, 2024**  
(In Thousands)

	General Bond Resolution Fund	Second General Bond Resolution Fund	Combined
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Due to other state agencies	\$ 5	\$ -	\$ 5
Accrued fees payable - related party	-	1	1
Total current liabilities	5	1	6
<b>NONCURRENT LIABILITIES</b>			
Bonds payable	1,000	-	1,000
Total noncurrent liabilities	1,000	-	1,000
Total liabilities	1,005	1	1,006
<b>NET POSITION</b>			
Restricted for debt service	33	763	796
Unrestricted	(3)	392	389
Total net position	30	1,155	1,185
Total liabilities and net position	\$ 1,035	\$ 1,156	\$ 2,191



**NORTH DAKOTA STUDENT LOAN TRUST**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2025**  
(In Thousands)

	General Bond Resolution Fund	Second General Bond Resolution Fund	Combined
<b>OPERATING REVENUES</b>			
Interest on student loans	\$ -	\$ 24	\$ 24
Total operating revenues	-	24	24
<b>OPERATING EXPENSES</b>			
Interest	54	-	54
Service fees	-	4	4
Bond related expenses	-	11	11
Total operating expenses	54	15	69
<b>OPERATING INCOME/(LOSS)</b>	(54)	9	(45)
<b>NONOPERATING REVENUE</b>			
Investment income	25	4	29
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(29)	13	(16)
<b>TRANSFERS</b>			
Interfund	55	(55)	-
<b>CHANGE IN NET POSITION</b>	26	(42)	(16)
<b>NET POSITION, BEGINNING OF YEAR</b>	30	1,155	1,185
<b>NET POSITION, END OF YEAR</b>	\$ 56	\$ 1,113	\$ 1,169

**NORTH DAKOTA STUDENT LOAN TRUST**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2024**  
(In Thousands)

	General Bond Resolution Fund	Second General Bond Resolution Fund	Combined
<b>OPERATING REVENUES</b>			
Interest on student loans	\$ -	\$ 27	\$ 27
Total operating revenues	-	27	27
<b>OPERATING EXPENSES</b>			
Interest	61	-	61
Service fees	-	4	4
Bond related expenses	-	10	10
Total operating expenses	61	14	75
<b>OPERATING INCOME/(LOSS)</b>	(61)	13	(48)
<b>NONOPERATING REVENUE</b>			
Investment income	21	4	25
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(40)	17	(23)
<b>TRANSFERS</b>			
Interfund	61	(61)	-
<b>CHANGE IN NET POSITION</b>	21	(44)	(23)
<b>NET POSITION, BEGINNING OF YEAR</b>	9	1,199	1,208
<b>NET POSITION, END OF YEAR</b>	\$ 30	\$ 1,155	\$ 1,185

**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 of North Dakota  
and the Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

We have audited, 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 (*Government Auditing Standards*), the financial statements of the North Dakota Student Loan Trust (the Trust), an enterprise fund of the State of North Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated August 18, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust'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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eide Bailly LLP*

Bismarck, North Dakota  
August 18, 2025

**North Dakota Student Loan Trust  
Auditor's Specific Comments Requested by the North Dakota Legislative Audit and Fiscal Review  
Committee  
Year Ended June 30, 2025**

Governor of North Dakota  
and the Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

The Legislative Audit and Fiscal Review Committee requires a separate audit summary from certified public accountants performing audits of state agencies. The separate audit summary regarding the June 30, 2025 audit of North Dakota Student Loan Trust is as follows:

**Purpose of the Audit**

North Dakota Student Loan Trust is an enterprise fund of the financial statements of the state of North Dakota. The purpose of the audit of North Dakota Student Loan Trust is to express an opinion on the financial statements of North Dakota Student Loan Trust.

The objectives of our audit of the financial statements 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 opinion. 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 auditing standards generally accepted in the United States of America (GAAS) and in accordance with Government Auditing Standards, will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually and in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Type of Audit Opinion**

We issued an unmodified opinion on the financial statements of North Dakota Student Loan Trust.

**Findings and Recommendations**

We have no findings or recommendations to communicate as a result of the audit.

**Status of Prior Recommendations**

There were no findings or recommendations communicated in the prior audit.

**Explanations of Significant Audit Adjustments and Misstatements**

There were no significant audit adjustments or uncorrected misstatements that were identified as a result of our audit procedures.

**Disagreements with Management or Difficulties Encountered during the Audit**

No disagreements with management arose during the course of the audit.

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Other Audit Report Highlights**

None

**Cost of the Audit Compared to the Prior Audit**

The cost of the 2025 North Dakota Student Loan Trust audit was \$11,000.

The cost of the 2024 North Dakota Student Loan Trust audit was \$10,200.

This report is intended solely for the information and use of the Governor of North Dakota, Legislative Assembly, North Dakota Industrial Commission, Bank of North Dakota Advisory Board and management of the Program, and is not intended to be and should not be used by anyone other than these specified parties.

*Eide Bailly LLP*

Bismarck, North Dakota  
August 18, 2025

August 18, 2025

Governor of North Dakota  
and the Legislative Assembly  
State of North Dakota  
Bismarck, North Dakota

We have audited the financial statements of the North Dakota Student Loan Trust (the Trust) as of and for the year ended June 30, 2025, and have issued our report thereon dated August 18, 2025. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards***

As communicated in our letter dated May 28, 2025 our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Trust solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our 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 dated August 18, 2025.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Trust is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments. No such sensitive accounting estimates were identified.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Trust's financial statements relate to Note 6 – Interfund and Related Party Transactions.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit. There were no uncorrected or corrected misstatements identified as a result of our audit procedures.



**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Trust's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report.

We have made the following modification to our auditor's report to add an Emphasis of Matter paragraph.

As discussed in Note 1, the financial statements of the Trust are intended to present the financial position, the changes in financial position and cash flows of only that portion of the State of North Dakota that is attributable to the transactions of the Trust. They 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, and the changes in its financial position, and, where applicable, 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.

**Representations Requested from Management**

We have requested certain written representations from management that are included in the management representation letter dated August 18, 2025.

**Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Trust, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Trust's auditors.

This report is intended solely for the information and use of the Governor of North Dakota, Legislative Assembly, North Dakota Industrial Commission, Bank of North Dakota Advisory Board, and management of the Trust and is not intended to be, and should not be, used by anyone other than these specified parties.

*Eide Bailly LLP*

Bismarck, North Dakota  
August 18, 2025

December 31, 2025



Bank *of* North Dakota

**Performance Highlights**

**BANK OF NORTH DAKOTA**  
**BALANCE SHEET - COMPARATIVE DATA**  
**DECEMBER 31, 2025 - UNAUDITED**

	(In Thousands)				
	12/31/2025	Budget	Difference	% Change	12/31/2024
Cash	\$ 305,155	\$ -	\$ 305,155	-	\$ 75,422
Due from Banks	293,039	225,000	68,039	30.24%	314,773
Federal funds sold	11,245	55,000	(43,755)	-79.55%	16,540
Securities	3,904,164	4,155,943	(251,779)	-6.06%	4,230,188
Loans					
Commercial	4,037,514	4,304,987	(267,473)	-6.21%	4,049,998
Agriculture	862,398	760,683	101,715	13.37%	794,512
Residential	259,258	250,521	8,737	3.49%	286,938
Student Loans	951,120	952,712	(1,592)	-0.17%	1,011,506
	6,110,290	6,268,903	(158,613)	-2.53%	6,142,954
Less allow for credit loss	(113,858)	(108,883)	(4,975)	-4.57%	(106,535)
	5,996,432	6,160,020	(163,588)	-2.66%	6,036,419
Other assets	147,898	186,089	(38,191)	-20.52%	163,136
<b>Total assets</b>	<b>\$ 10,657,933</b>	<b>\$ 10,782,052</b>	<b>\$ (124,119)</b>	<b>-1.15%</b>	<b>\$ 10,836,478</b>
Deposits -					
Non-interest bearing	\$ 615,002	\$ 475,000	\$ 140,002	29.47%	\$ 615,171
Interest bearing	8,123,327	7,435,345	687,982	9.25%	8,074,996
	8,738,329	7,910,345	827,984	10.47%	8,690,167
Federal funds purchased and repurchase agreements	398,035	375,000	23,035	6.14%	370,327
Short term borrowings	150,000	1,176,654	(1,026,654)	-87.25%	480,000
Off Balance Sheet Reserve Allowance	7,313	14,875	(7,562)	-50.84%	10,568
Other Liabilities	16,077	11,908	4,169	35.01%	14,506
<b>Total Liabilities</b>	<b>9,309,754</b>	<b>9,488,782</b>	<b>(179,028)</b>	<b>-1.89%</b>	<b>9,565,568</b>
Equity	1,348,179	1,293,270	54,909	4.25%	1,270,910
<b>Total Liabilities and Equity</b>	<b>\$ 10,657,933</b>	<b>\$ 10,782,052</b>	<b>\$ (124,119)</b>	<b>-1.15%</b>	<b>\$ 10,836,478</b>

BND's primary financial objective is to maintain the strength and integrity of the Bank while generating a consistent financial return to the State.

- BND ended 2025 with assets of \$10.7 billion.
- The \$3.9 billion securities portfolio is primarily a source of liquidity. As the Bank identifies excess funds and the portfolio runs off, maturities can be reinvested, utilized to fund new loans, or reduce short and long-term borrowings.
- The loan portfolio balance is \$6.1 billion. Commercial participation and State institution loan volumes are below budget. Activity in the Farm Disaster program drove the ag portfolio over budget. The balance of the residential loan portfolio continues to decline due to normal loan runoff. The student loan portfolio continues to focus on state-sponsored DEAL loans.
- Changes in the Bank's Equity position are a result of net income, changes in unrealized gain/loss positions, allocations of capital to various legislative programs, and distributions to the State's General Fund. For the twelve months ended December 31, 2025, the Bank transferred \$210.0 million to the General Fund, \$31.0 million to buydown programs and \$17.3 million to other state programs. During 2024, the Bank transferred \$20.0 million to the Statewide Interoperable Radio Network, \$26.5 million to buydown programs and \$4.8 million to other state programs.

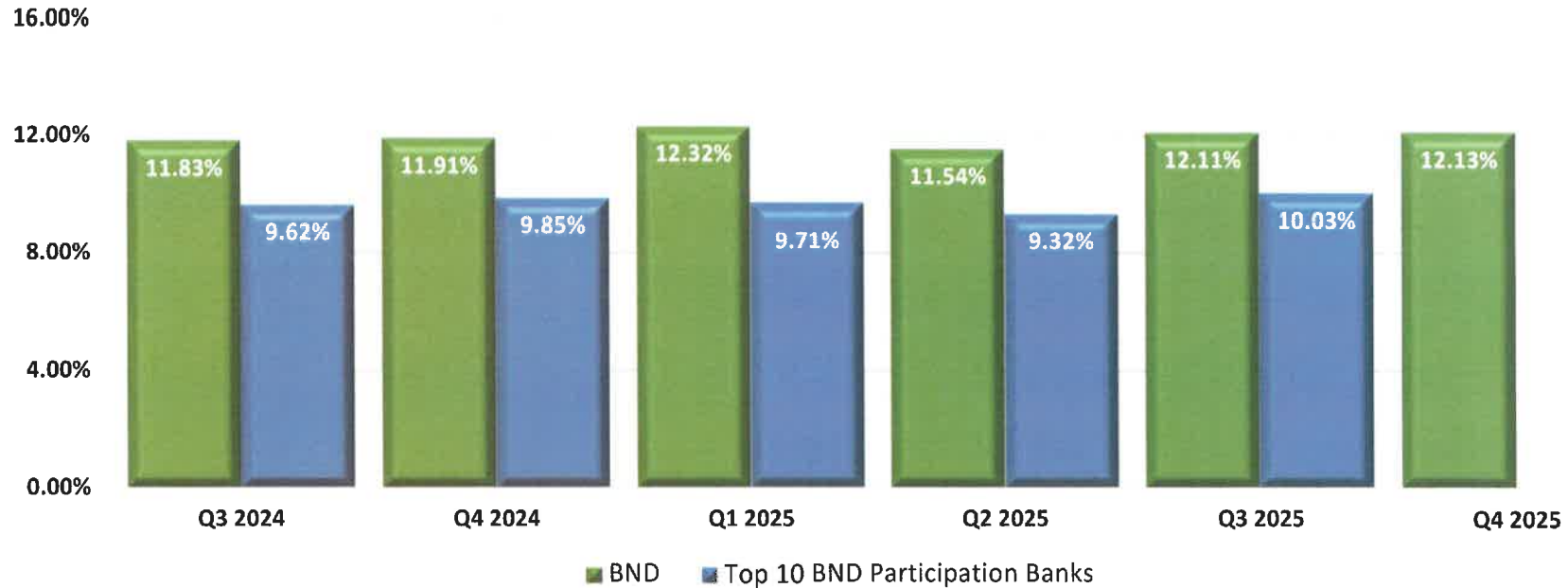
**BANK OF NORTH DAKOTA**  
**INCOME STATEMENT - COMPARATIVE DATA**  
**DECEMBER 31, 2025 - UNAUDITED**

	(In Thousands)				
	12/31/2025	Budget	Difference	% Change	12/31/2024
Interest Income	\$ 498,147	\$ 483,476	\$ 14,671	3.0%	\$ 450,043
Interest Expense	206,056	215,477	(9,421)	4.4%	209,994
Net Interest Income	292,091	267,999	24,092	9.0%	240,049
Provision for Credit Losses	9,426	12,000	(2,574)	21.5%	10,703
Net Interest Income After Provision	282,665	255,999	26,666	10.4%	229,346
Non-Interest Income	(8,562)	(994)	(7,568)	761.4%	8,714
Non-Interest Expense					
Salaries and benefits	24,553	24,608	(55)	0.2%	21,749
Occupancy and equipment	868	965	(97)	10.1%	857
IT & System Costs	9,246	11,342	(2,096)	18.5%	7,766
Other Operating Expenses	7,672	8,582	(910)	10.6%	7,253
	42,339	45,497	(3,158)	6.9%	37,625
Net Income	\$ 231,764	\$ 209,508	\$ 22,256	10.6%	\$ 200,435

BND's primary financial objective is to maintain the strength and integrity of the Bank while generating a consistent financial return to the State.

- BND reported earnings of \$231.8 million for 2025 with a total return to the state of 4.69% which includes interest paid to state agencies of \$121.5 million.
- Interest income exceeded budget by \$14.7 million primarily due to higher yields on securities and increased agricultural loan volumes.
- Interest expense was \$9.4 million below budget, as 2025 borrowing was lower than anticipated for the year due to higher average deposit balances and lower loan volumes.
- Provision expense for 2025 was \$9.4 million. The Bank continues to evaluate its loan portfolio and adequacy of the allowance for credit loss.
- Non-interest income was negative \$8.6 million. This includes a \$16.8 million loss on the sale of short duration, low yielding securities earlier in the year. The Bank utilized the proceeds from the sales to purchase longer duration, higher yielding securities for its portfolio.
- Non-interest expense was \$3.2 million under budget, driven by timing differences with IT projects and service-related expenses.

## Leverage Ratio



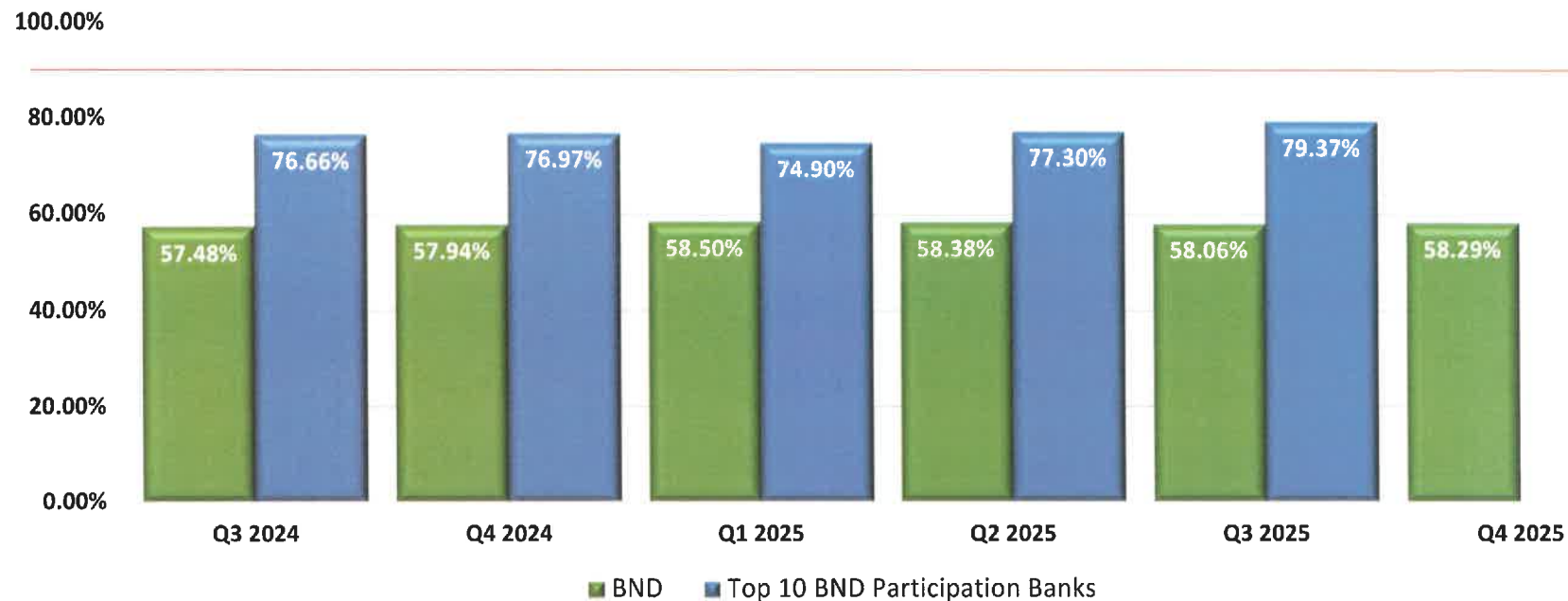
- Leverage ratio is a measure of financial strength. It is calculated by dividing Tier One Capital by average assets for the quarter. As of December 31, 2025, average asset size was \$10.4 billion compared to \$10.8 billion one year ago. Tier One Capital was \$1.3 billion. Fluctuating quarterly ratios are the result of the Bank's quarterly earnings offset by capital transfers.
- As of December 31, 2025, the Bank's leverage ratio increased to 12.13%.
- As of September 30, 2025, the leverage ratio for BND's top 10 participation Banks was 10.03%.

The Top 10 participation banks for the Bank of North Dakota are ranked by loan volume, based on Call Report data compiled by S&P Capital IQ Pro.

Note: The top 10 participation banks' average for the current quarter has not yet been determined, as Call Report data was not available as of this document's publication date.



## Net Loans to Earning Assets



- Net Loans to Earning Assets is a ratio used to measure the liquidity of a financial institution.
- BND has established an internal guideline for the Net Loans to Earning Assets Ratio to be 90% or lower (red line).
- As shown above, BND was well within this limit at 58.29%.
- As of September 30, 2025, the ratio for BND's top 10 participation Banks was in the state is 79.37%.

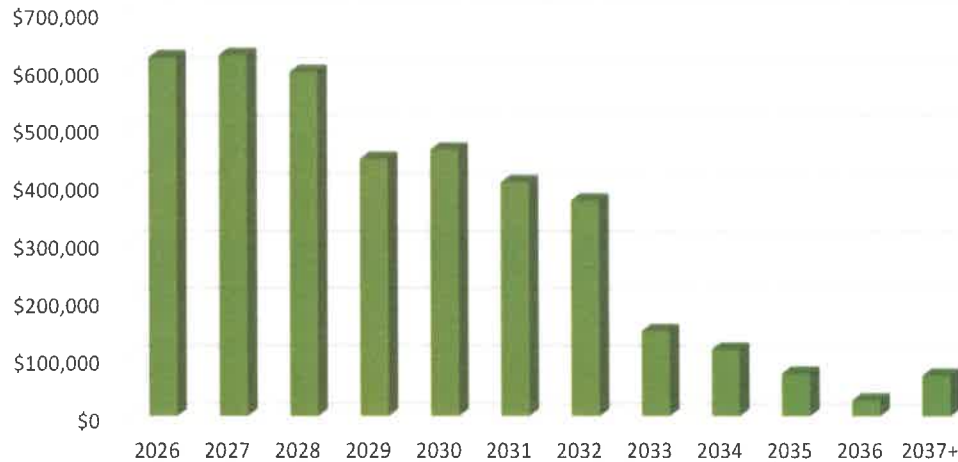
The Top 10 participation banks for the Bank of North Dakota are ranked by loan volume, based on Call Report data compiled by S&P Capital IQ Pro.

Note: The top 10 participation banks' average for the current quarter has not yet been determined, as Call Report data was not available as of this document's publication date.

## Security Portfolio / Trends

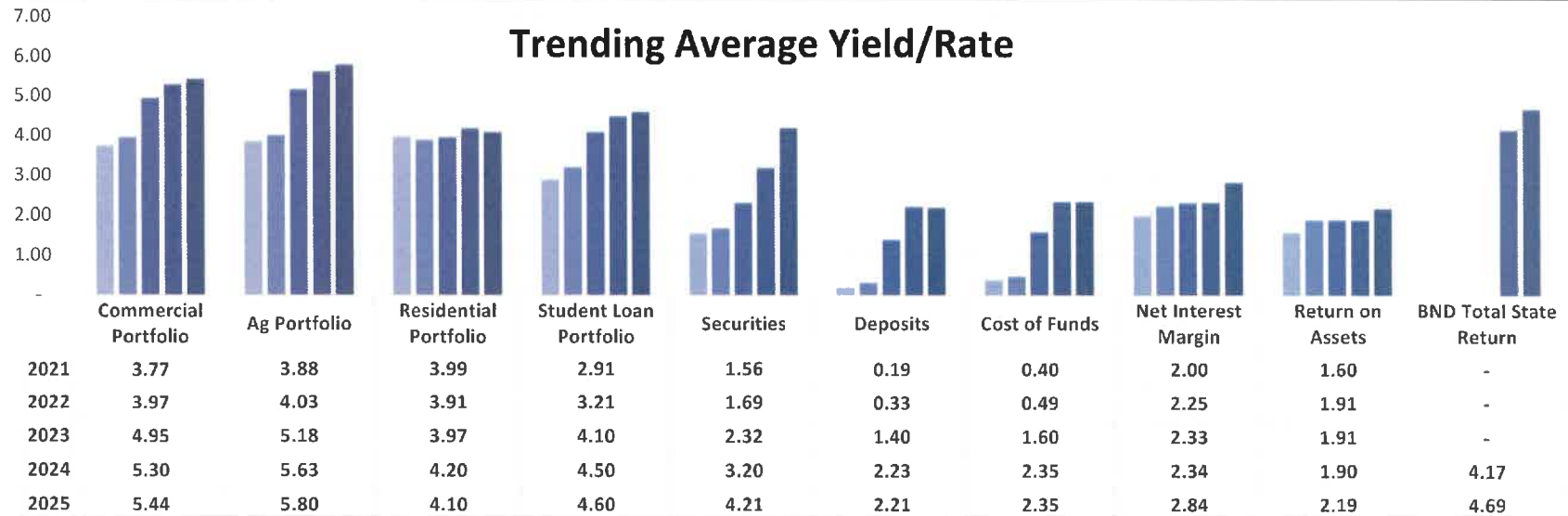
(in thousands)

### BND Security Portfolio Balance: \$3.9 Billion Principal Cash flow Projections



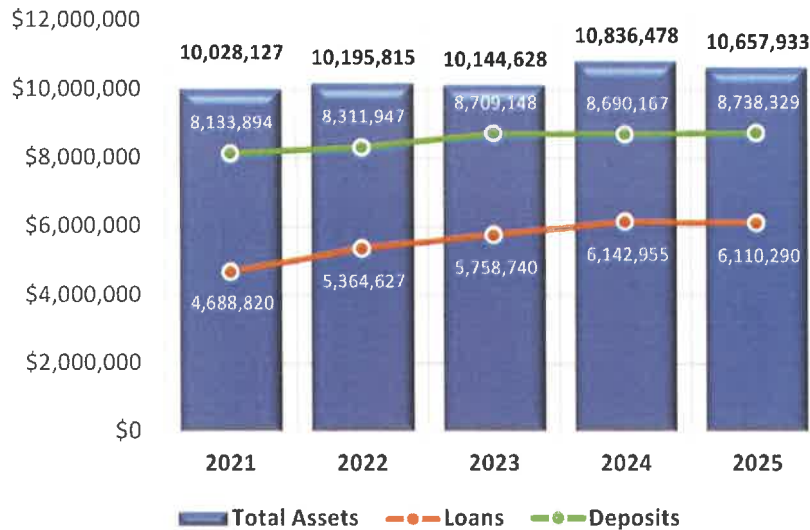
- The Security Portfolio provides Bank of North Dakota with a source of liquidity, interest rate risk management as well as earnings.
- The duration of the portfolio as of December 31, 2025 was 3.8 years.
- The average yield on the Securities portfolio for December 31, 2025 was 4.21%.

### Trending Average Yield/Rate



## Five-Year History

(In Thousands)



- Between 2020 and 2021 the state received \$1.25 billion in Federal CARES ACT dollars and \$1.0 billion in American Rescue Plan Funds. As of December 31st, approximately \$100 million of these funds remain at the Bank waiting for projects to be finalized.
- The Bank assets were \$10.7 billion for 2025. Adequate liquidity has allowed the Bank to continue to grow its loan portfolio and reinvest in its securities portfolio as securities mature.
- The loan portfolio has grown 30% from \$4.7 billion in 2021 to \$6.1 billion as of December 31, 2025, continuing the Bank's mission to deliver quality, sound financial services that promote agriculture, commerce, and industry in North Dakota.

## Bank of North Dakota Peer Group Comparison

Bank of North Dakota Peer Group Comparison				
As of 09/30/2025	BND	Banker's Bank Peer Composite	ND Bank's Peer Composite	Top 10 Participation Banks
NPLs/Loans	1.24	0.98	1.31	1.35
ROAA	2.08	0.94	1.02	1.24
ROAE	16.55	7.32	10.46	12.89
Tier 1 Lev. Capital	12.11	13.60	9.84	10.09
Net Interest Margin	2.82	2.80	3.03	3.47
Ave. Cost of Funds	2.10			2.32

### Banker's Bank Peer Group

Banker's Bank  
First National Banker's Bank  
Pacific Coast Bankers' Bank  
TIB, National Association  
United Bankers Bank

### ND Bank's Peer Group

Bell Bank  
First International Bank  
Alerus Financial  
Choice Financial Group

- BND established a peer group for the purpose of measuring performance. Though a pure-play peer group does not exist, BND selected five national banker's banks with assets greater than \$1.0 billion and four North Dakota banks with assets greater than \$3.0 billion. The top 10 participation banks is based on volume of loans BND participates with financial institutions in the state at the time of reporting.
- The Bank's profits are utilized in 4 ways: appropriated through the State Legislature to fund the General Fund, mission driven programs, retained in BND Capital and interest paid on state deposits. BND's ratios will fluctuate as the organization maintains a balance between adequate liquidity and capital while managing the volatility of its deposit base.

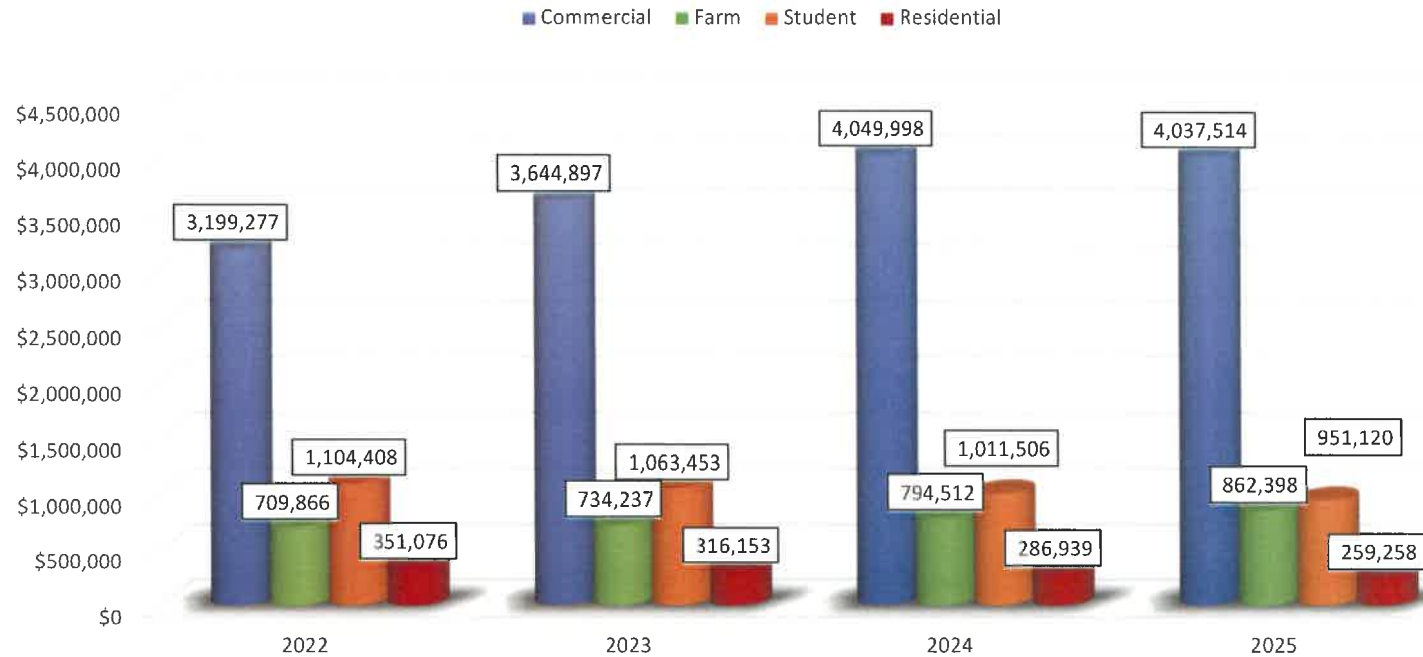
## Loan Originations

(includes renewals)  
Year to Date

	December 31, 2025		December 31, 2024		Variance	
	###	\$\$\$	###	\$\$\$	###	\$\$\$
Bank Participations - Commercial	271	1,129,088,922	265	1,196,156,379	6	(67,067,457)
State Institution	6	237,800,000	5	190,992,000	1	46,808,000
Bank Stock	23	202,093,675	33	176,110,530	(10)	25,983,145
Flex PACE	202	71,719,862	230	97,898,455	(28)	(26,178,593)
PACE	12	27,108,706	9	39,977,364	3	(12,868,658)
Business Development	54	16,502,805	58	19,230,635	(4)	(2,727,830)
PACE w/ADD buydown	2	5,992,882	3	12,352,270	(1)	(6,359,388)
Accelerated Growth	3	3,500,000	2	2,250,000	1	1,250,000
Affordable Housing Flex PACE	4	3,339,617	2	4,974,253	2	(1,634,636)
COVID-19 PACE Recovery	8	1,611,984	3	5,842,277	5	(4,230,293)
Biofuels PACE	10	1,182,267	8	1,282,880	2	(100,613)
Match	0	0	1	60,000,000	(1)	(60,000,000)
Flex PACE w/ADD buydown	0	0	2	3,825,000	(2)	(3,825,000)
Biofuels PACE w/Add buydown	0	0	1	5,765,357	(1)	(5,765,357)
Bank Participations - Commercial w/ADD buydown	0	0	1	3,000,000	(1)	(3,000,000)
<b>Total Commercial Loans</b>	<b>595</b>	<b>1,699,940,720</b>	<b>623</b>	<b>1,819,657,400</b>	<b>(28)</b>	<b>(119,716,680)</b>
Farm & Ranch	107	156,306,171	145	182,820,669	(38)	(26,514,498)
Farm Disaster Programs	257	93,258,205	1	432,312	256	92,825,893
Established Farmer	45	25,747,579	30	23,572,082	15	2,175,497
Beginning Farmer Real Estate	53	20,878,825	34	16,817,278	19	4,061,547
Farm Service Agency	13	9,337,201	8	3,260,153	5	6,077,048
Ag Pace	98	9,112,946	121	10,742,414	(23)	(1,629,468)
Beginning Farmer Chattel	79	4,835,948	87	5,184,878	(8)	(348,930)
Farm Operating	20	2,787,350	13	1,254,000	7	1,533,350
Family Farm	8	2,007,721	1	234,191	7	1,773,530
<b>Total Agricultural Loans</b>	<b>680</b>	<b>324,271,946</b>	<b>440</b>	<b>244,317,977</b>	<b>240</b>	<b>79,953,969</b>
DEAL Loans	6,444	46,260,573	7,550	50,727,411	(1,106)	(4,466,838)
DEAL One	101	5,407,833	84	3,325,386	17	2,082,447
DEAL Consolidation	0	0	17	722,324	(17)	(722,324)
Purchased Student Loans	1	48,021	12	259,914	(11)	(211,893)
<b>Total Student Loans</b>	<b>6,546</b>	<b>51,716,427</b>	<b>7,663</b>	<b>55,035,035</b>	<b>(1,117)</b>	<b>(3,318,608)</b>
<b>Total Bank of North Dakota Loans</b>	<b>7,821</b>	<b>2,075,929,093</b>	<b>8,726</b>	<b>2,119,010,412</b>	<b>(905)</b>	<b>(43,081,319)</b>
<b>Legislature-Directed Programs</b>						
Department of Water Resources RLF	3	53,802,440	1	1,700,000	2	52,102,440
Infrastructure RLF	18	37,142,753	25	101,926,606	(7)	(64,783,853)
Clean Sustainable Energy	1	30,000,000	2	25,500,000	(1)	4,500,000
Disaster Ag Facility Repair and Replacement	71	22,485,510	0	0	71	22,485,510
Rail Revolving Loan Fund	7	16,967,785	0	0	7	16,967,785
School Construction	4	10,332,346	3	32,085,000	1	(21,752,654)
Medical Facility Infrastructure	1	5,450,000	1	3,300,000	0	2,150,000
Disaster Temporary Grain Storage Support	40	3,650,202	0	0	40	3,650,202
R WISH (Rural Workforce Housing Initiative Program)	1	3,078,000	1	1,670,000	0	1,408,000
Legacy Investment Technology Loan Fund	4	1,747,500	13	6,882,600	(9)	(5,135,100)
Beginning Entrepreneur Loan Guarantee	29	1,680,024	32	2,196,820	(3)	(516,796)
Furloughed Federal Employee Relief Program	115	1,469,999	0	0	115	1,469,999
Bulk Propane Storage Tank RLF	0	0	3	461,298	(3)	(461,298)
Fuel Production Facility/Value Add Guarantee	0	0	2	5,800,000	(2)	(5,800,000)
<b>Legislature-Directed</b>	<b>294</b>	<b>187,806,559</b>	<b>83</b>	<b>181,522,324</b>	<b>211</b>	<b>6,284,235</b>

## Consolidated Loan Portfolio

(In Thousands)



**COMMERCIAL** - The commercial loan portfolio decreased by \$12 million in 2025 with BND funding and renewing \$1.7 billion of loans. The largest area of activity was in commercial participations with BND funding and renewing \$1.1 billion.

**AGRICULTURE** - The farm loan portfolio increased by \$68 million in 2025 with BND funding and renewing \$324 million of loans. Farm and Ranch loans led the way with \$156 million, followed by Farm Disaster Programs which funded \$93 million in loans.

**STUDENT** - The student loan portfolio decreased by \$60 million in 2025. BND disbursed \$52 million in DEAL loans in 2025.

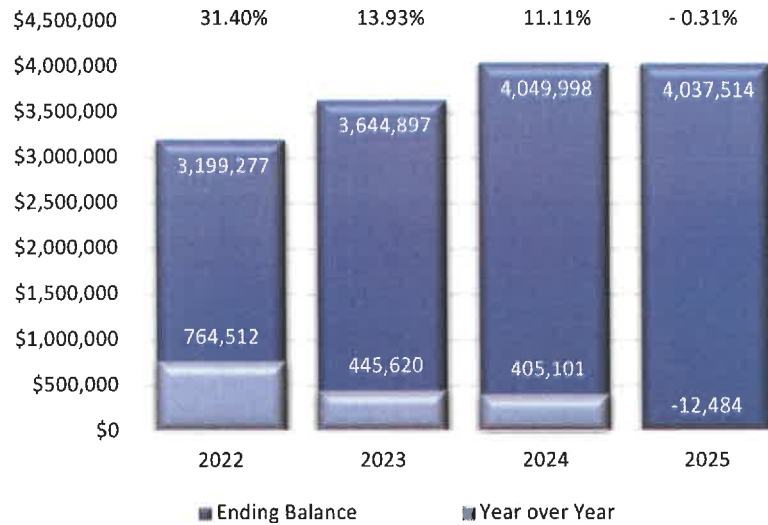
**RESIDENTIAL** - Transition of all residential originations to Housing Finance Agency occurred on August 1, 2021, and the transition of nearly all residential servicing and collections to Housing Finance Agency occurred on October 1, 2021. As a result, the residential loan portfolio decreased by \$147 million since year end 2021.

## Commercial Loan Portfolio

(In Thousands)

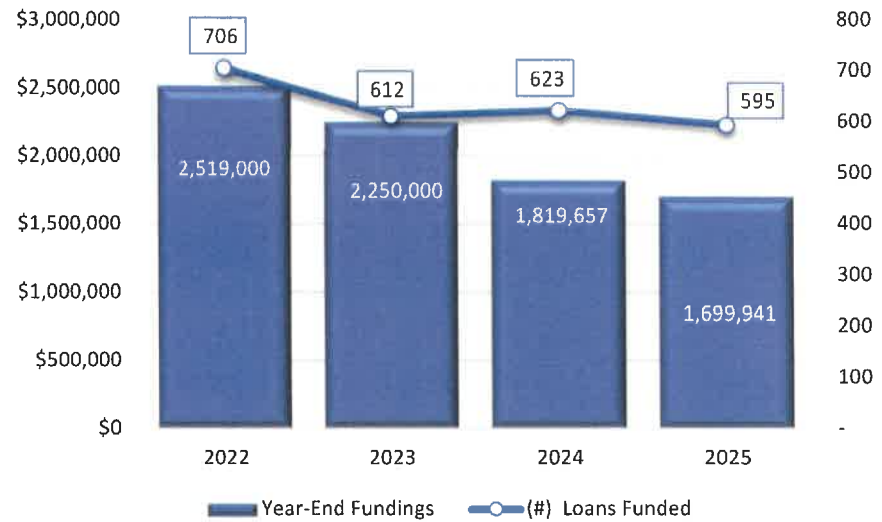
### Total Commercial Portfolio

Year over Year



### Loans Funded

Year-End



Portfolio Composition				
Loan Type	2022	2023	2024	2025
Bank Participation	55%	60%	61%	61%
PACE Loans	13%	14%	15%	16%
Bank Stock	11%	11%	10%	9%
State & Pol. Subs	8%	4%	3%	5%
Other	13%	11%	11%	9%

- The commercial loan portfolio decreased by \$12 million with BND funding and renewing \$1.7 billion of loans in 2025.
- The largest areas of activity were in commercial participations funding and renewing \$1.1 billion, state institutions \$238 million followed by bank stock funding and renewing \$202 million in loans.

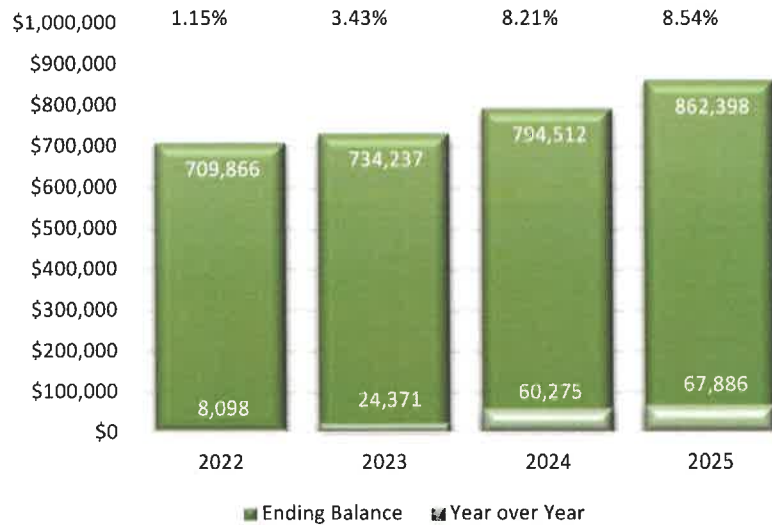


## Agriculture Loan Portfolio

(In Thousands)

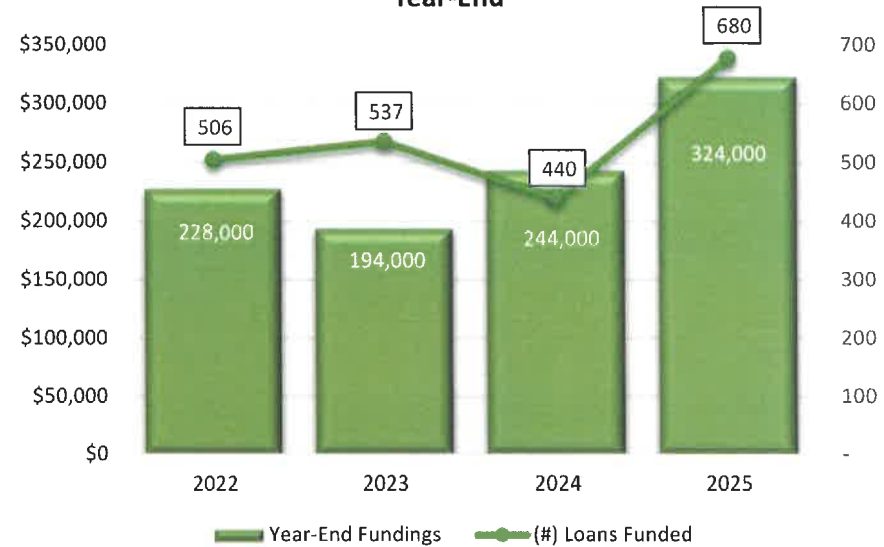
### Total Agriculture Portfolio

Year over Year



### Loans Funded

Year-End



Portfolio Composition				
Loan Type	2022	2023	2024	2025
Farm & Ranch	19%	22%	26%	27%
Beginning Farmer	32%	30%	27%	26%
Established Farmer	26%	25%	24%	23%
Farm Financial Stability/Farm Disaster Loans	19%	13%	11%	12%
Other	4%	5%	12%	12%

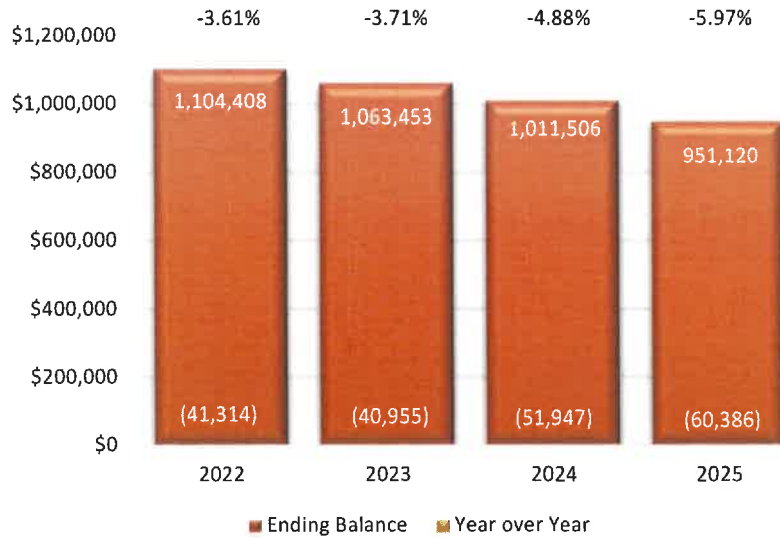
- The agriculture portfolio increased by \$68 million with BND funding and renewing \$324 million of loans in 2025.
- The largest areas of activity were Farm and Ranch loans with \$156 million and \$93 million in Farmer Disaster Programs of which \$4.1 million is Farm Financial Stability 2026 and \$450 thousand in grain inventory.
- BND also funded 71 loans for \$22.5 million in Disaster Ag Facility Repair and Replacement and 40 loans for \$3.7 million in the Disaster Temporary Grain Storage Support, both off balance sheet disaster programs.

## Student Loan Portfolio

(In Thousands)

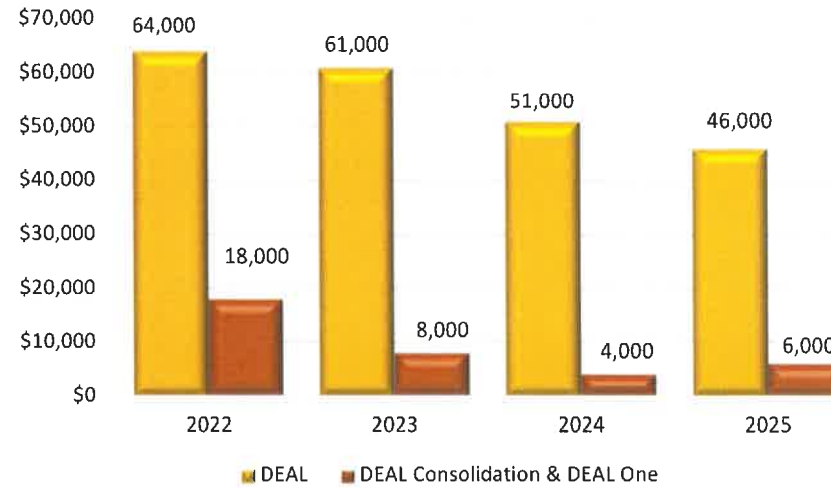
### Total Student Portfolio

Year over Year



### DEAL Loans Funded

Year-End



Portfolio Composition				
Loan Type	2022	2023	2024	2025
DEAL	56%	57%	58%	59%
DEAL One	39%	38%	37%	36%
DEAL Consolidation	5%	5%	5%	5%

History of DEAL Rates (In-State)				
Interest Rate	2022	2023	2024	2025
Fixed	6.46%	6.43%	6.62%	6.39%
Variable	6.24%	6.86%	5.85%	5.21%

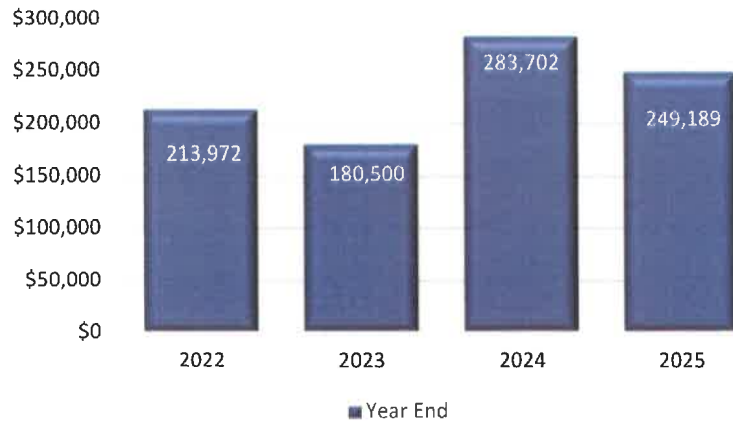
- The student loan portfolio decreased by \$42 million in 2025, with BND disbursing \$52 million in DEAL loans.

## Commercial PACE

(In Thousands)

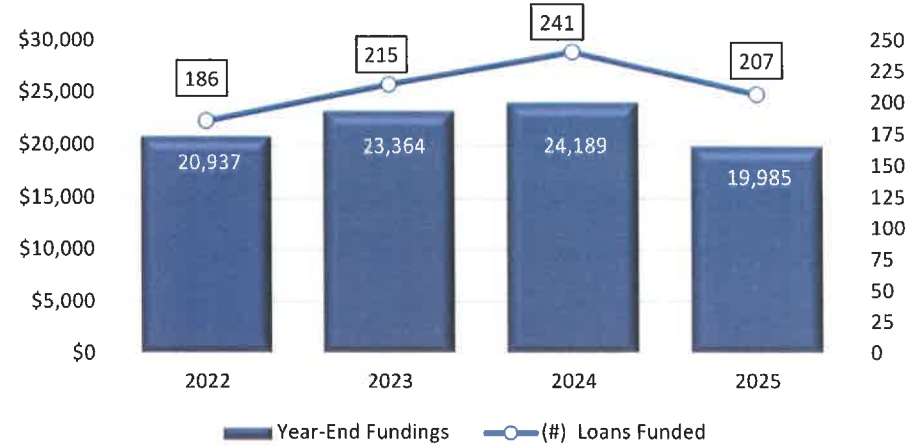
### PACE Loan Amounts

Year-End



### PACE Buydown Funded

Year-End



Loan Type	2022	2023	2024	2025
Pace	19%	26%	25%	22%
Flex Pace	53%	56%	60%	67%
Affordable Housing	15%	12%	9%	6%
Biofuels	9%	3%	3%	3%
Medical Pace	4%	4%	3%	2%

- A total of 187 Flex PACE loans were funded in 2025 for a total of \$198 million compared to 210 in 2024. Flex PACE buydown demand continues due to the financing of essential community services and community approved businesses throughout North Dakota.
- A total of 11 PACE loans were funded in 2025 for a total of \$60 million compared to 12 in 2024. Additional PACE loans funded were 9 biofuels for \$2 million.

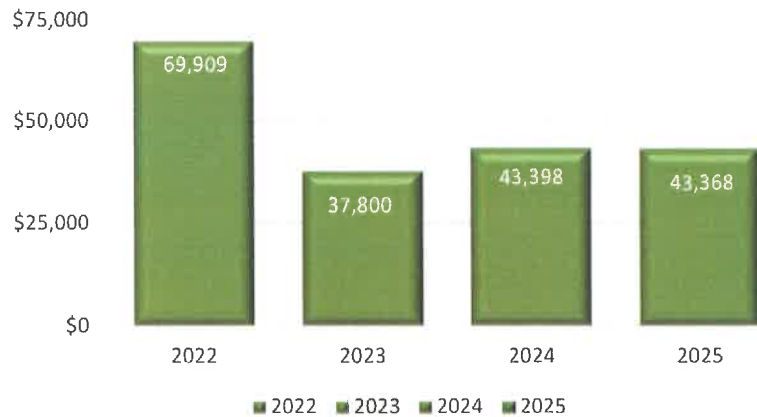
2025-2027 Biennium Buydown Funding (Commercial)					
	Pace	Flex	Housing	Biofuels	Total
Total Available					\$40,000
Funded/Committed	\$1,842	\$9,304	\$387	\$520	\$12,053
Remaining Buydown*					\$27,947

\*Remaining buydown may be transferred between funds as needed.

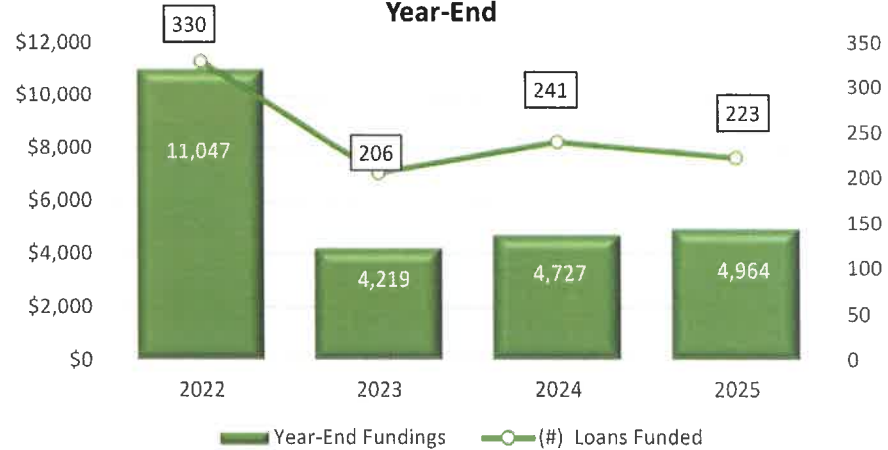
## Ag PACE & Beginning Farmer

(In Thousands)

**Loan Amounts**  
Year-End



**Buydown Funded**  
Year-End



Loan Type	2022	2023	2024	2025
Ag Pace	23%	26%	46%	41%
Beginning Farmer - Real Estate	67%	65%	39%	48%
Beginning Farmer - Chattel	10%	9%	15%	11%

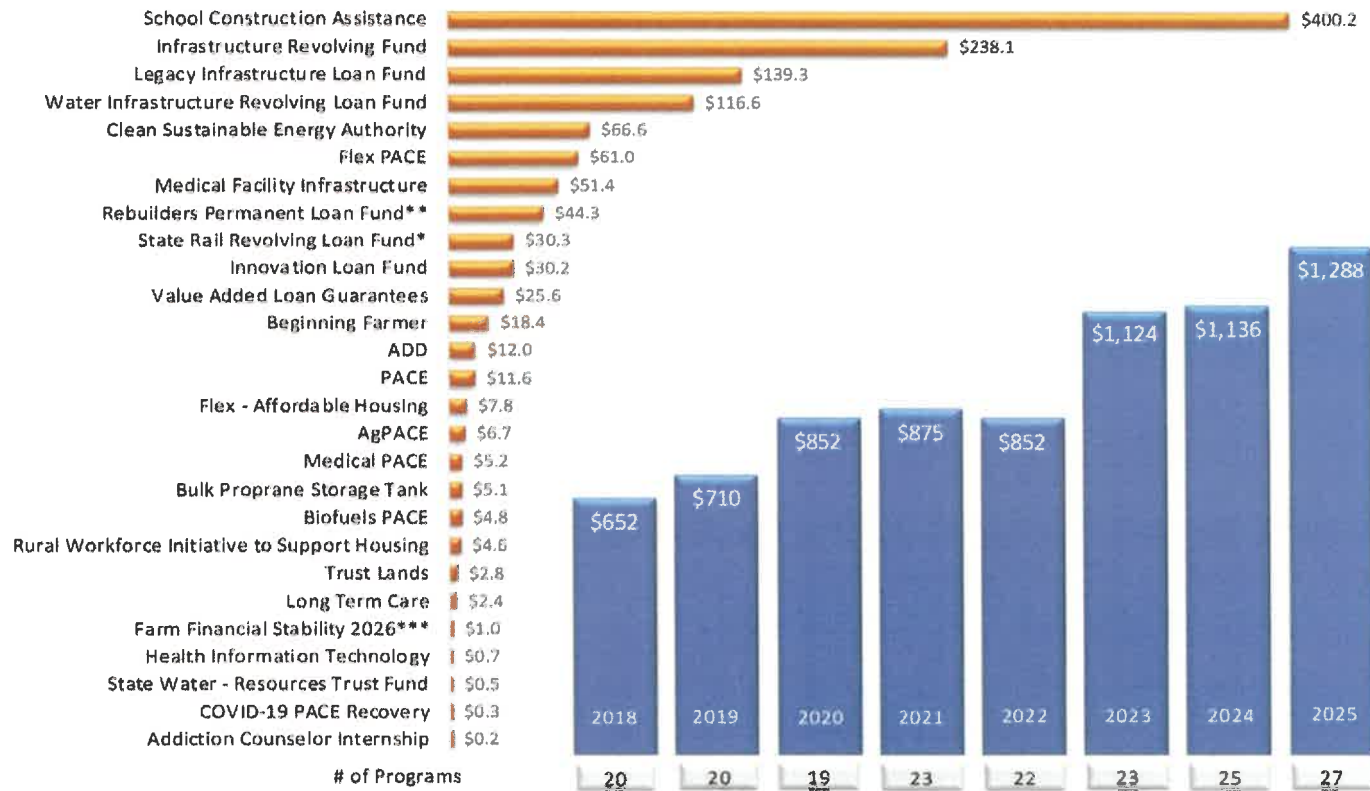
- There were 94 Ag PACE loans funded in 2025 compared to 120 in 2024. The Production Enhancement Program (PEP) has also created more opportunity for field tiling projects. A total of 85% or 80 of the projects were for field tiling.
- A total of 53 Beginning Farmer Real Estate loans were funded in 2025 compared to 34 in 2024. Increased volume is attributed to lower interest rates.
- A total of 76 Beginning Farmer Chattel loans were funded in 2025 compared to 87 in 2024.

2023-2025 Biennium Buydown Funding (Agriculture)			
	Ag Pace	Beginning Farmer	Total
Total Available			\$20,000
Funded/Committed	\$849	\$2,296	\$3,145
Remaining Buydown*			\$16,855

\*Remaining buydown may be transferred between funds as needed.

## Legislature-Directed Loan Programs

(Total Assets In Millions)

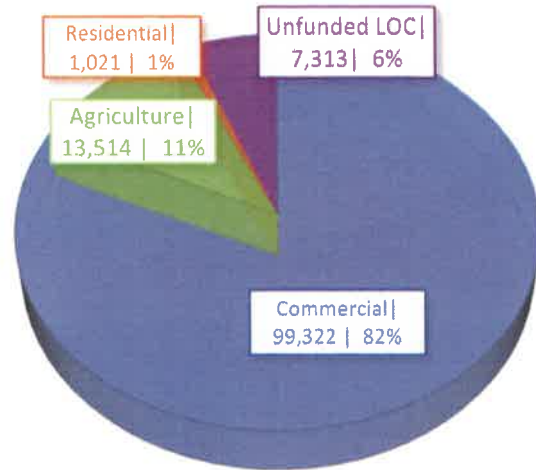


- BND currently administers \$1.3 billion in net assets for legislature-directed loan programs. These programs serve a wide range of purposes, including school construction, water projects, general and medical infrastructure, and disaster recovery.
- \*SB 2014 transferred the Rail Fund to the State Rail Revolving Loan Fund during the 69th Legislative Session. All outstanding loans and remaining balances from the fund were transferred from Department of Transportation effective July 1, 2025.
- \*\* BND committed \$50 million to create permanent disaster relief funding under the Rebuilders Permanent Loan Fund. Of this amount; \$30 million was used to create the Small Employer Revolving Loan Fund in 2020. The remaining \$20 million has been dedicated to new disaster programs. During 2025, \$6.5 million was transferred to permanent disaster programs created in 2025. There is \$13.5 million available for future fundings.
- \*\*\* The Farm Financial Stability 2026 Loan Program approved by the Industrial Commission will provide below-market interest rates and extended terms to North Dakota farmers who have been impacted by low commodity prices, weather, and/or high input costs. BND has committed up to \$30 million for the loan buydown associated with these loans.

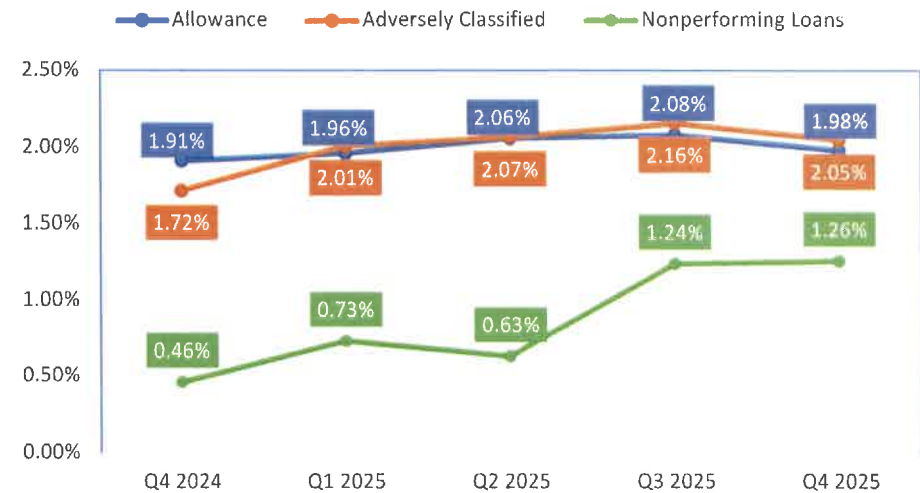
## Credit Quality

(In Thousands)

### Allowance of \$121,171 on Portfolio of \$6,110,290 or 1.98%



### Quarterly Credit Quality Ratios (As a Percentage of Total Loans)



Quarter	Allowance for Credit Losses	Loan Portfolio	Allowance %	North Dakota Average
December 2025	\$121,171	\$6,110,290	1.98%	TBD
September 2025	\$127,536	\$6,144,801	2.08%	1.20%
June 2025	\$126,680	\$6,161,267	2.06%	1.19%
March 2025	\$119,979	\$6,123,581	1.96%	1.21%
December 2024	\$117,103	\$6,142,955	1.91%	1.19%

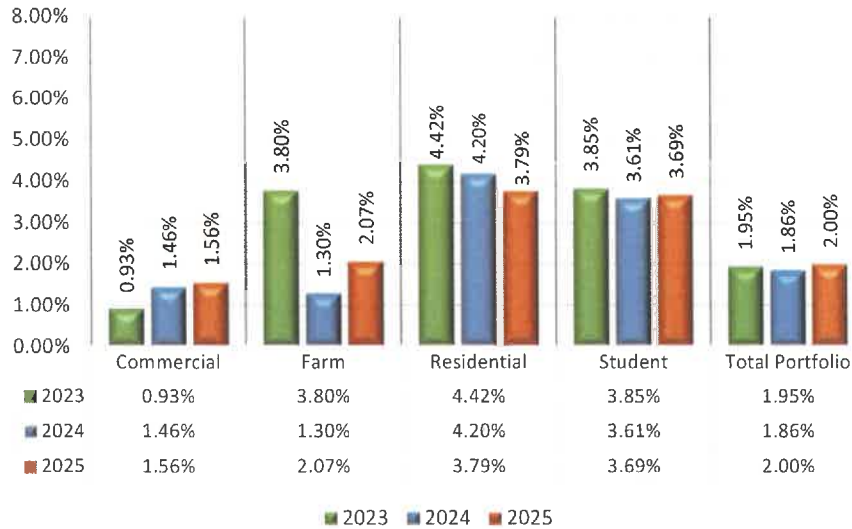
- As of December 31, 2025, BND's total allowance as a percentage of total loans is 1.98%, higher than the most recently posted North Dakota average of 1.20%. Total allowance increase since December 31, 2024 is primarily related to specific reserve needs for loans that moved to impaired status in 2025. BND's allowance percentage can be attributed to the Bank's mission driven nature of our loan portfolio. BND continues to evaluate the need to adjust allowance provision based on the changing economic conditions.
- Excluding the DEAL Student Loan portfolio, which is reserved for separately through the Guarantee Agency, BND's total allowance as a percentage is 2.34%. BND's total allowance as a percentage of all non-guaranteed loans is 2.47%.
- As of December 31, 2025, the percent of non-performing loans is 1.26%, comparable to last quarter, but higher compared to early 2025 due to a spike in larger workout commercial credits. This is higher than the most recently posted North Dakota average of 0.85%. Adversely classified loans as a percentage of total loans equaled 2.05%, a decrease from last quarter but higher than the most recent North Dakota average of adversely classified loans at 1.66%.



## Credit Quality

(Year over Year)

### Delinquencies over 30 Days



### Delinquencies over 90 Days



(In \$000's)	2025	2024
	> 30 days	> 30 days
Commercial	\$62,851	\$59,297
Farm	\$17,837	\$10,346
Residential	\$9,816	\$12,028
Student Loans	\$27,401	\$28,540
Totals	\$117,905	\$110,211

(In \$000's)	2025	2024
	> 90 days	> 90 days
Commercial	\$35,820	\$17,639
Farm	\$5,749	\$5,379
Residential	\$3,721	\$2,835
Student Loans	\$15,276	\$15,276
Totals	\$60,566	\$41,129

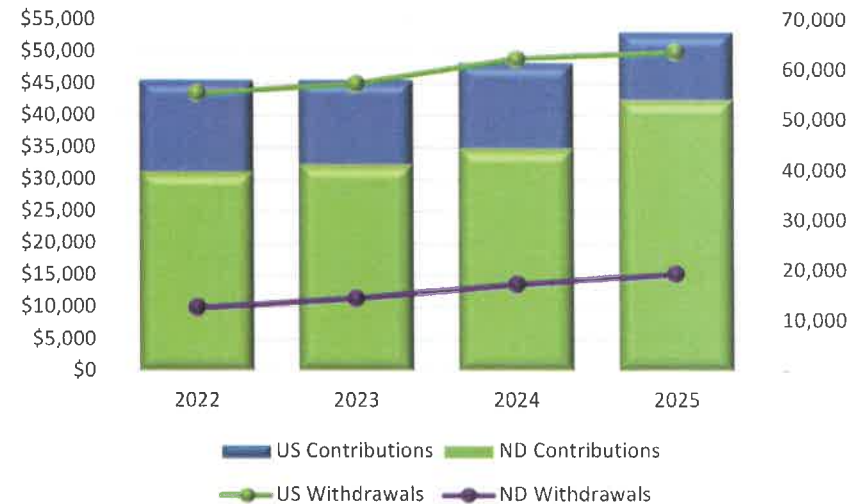
- Commercial delinquencies were 1.56% of which 0.89% were delinquent over 90 days. This is a slight increase to delinquencies compared to December 31, 2024. Past dues over 30 days are lower than the 2.25% reported last quarter end. Past dues over 90 days of 0.89% are higher than the 0.44% reported at December 31, 2024. All commercial loans over 90 days past due are on non-accrual status. Delinquencies were lower than the North Dakota average of 1.78%.
- Farm delinquencies were 2.07% of which 0.67% were delinquent over 90 days. Past dues were higher than prior year December 31, 2024, but lower than year end 2023. Past dues over 90 days are comparable to prior year end and lower than the 1.22% reported last quarter. BND delinquencies were higher than the North Dakota average of 1.30%.
- Residential delinquencies were 3.79% of which 1.44% were delinquent over 90 days. FHA delinquencies of 6.47% are lower than the North Dakota 30-day average of 9.60% and over 90-day delinquencies of 2.23% is lower than the average of 2.66%. Nearly all residential delinquencies represent federally guaranteed loans.
- The overall student loan portfolio has a delinquency rate of 3.69% with 2.06% of the loans being over 90 days. The \$15.3 million delinquent over 90 days is a slight increase compared to 15.3 million as of December 31, 2024.

## College Save

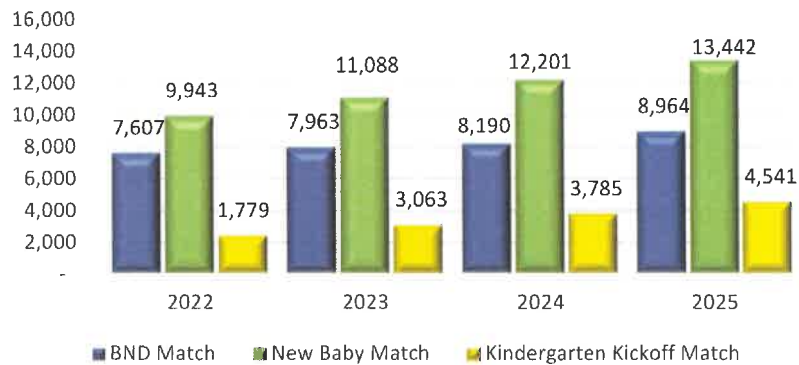
### Net Assets (\$000) and Total Accounts (#)



### Contributions & Withdrawals (\$000)



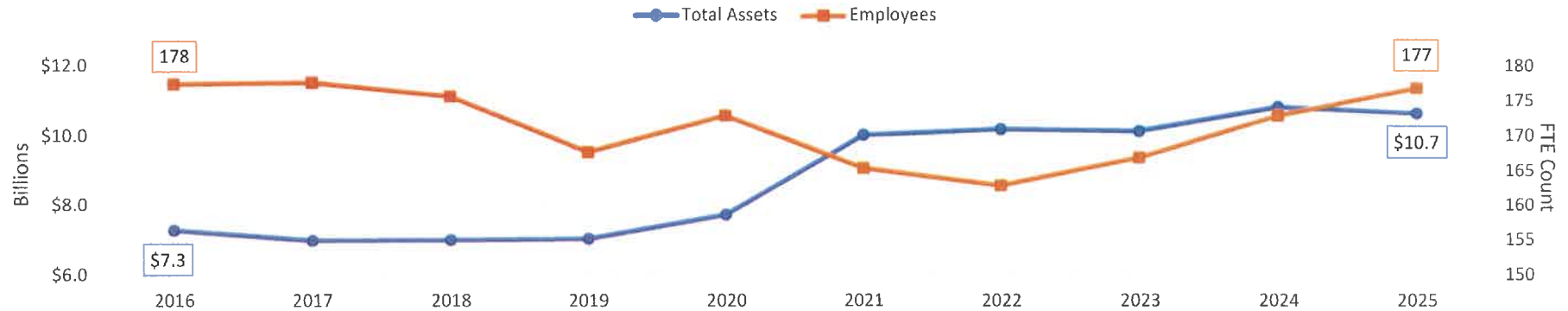
### BND, New Baby, Kindergarten Match (# of Accounts)



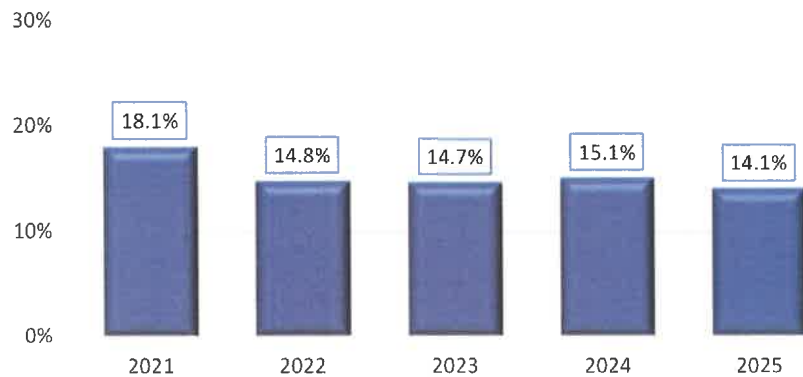
- College Save new enrollment process allowed for the most BND Matches since 2018.
- North Dakota's net assets increased to a record \$62 million, despite North Dakota withdrawals nearing \$20 million in 2025.
- North Dakota contributions set a record of 21.9% in 2025.

## Human Resources

### Total Assets & Employees



### BND's Trending Efficiency Ratio



### Assets & Earnings per Employee



- From 2016 to present, assets increased 46% to \$10.7 billion, earnings increased 70% while total FTE count remained the same. Earnings per employee have increased from \$767 thousand in 2016 to \$1.3 million.
- The efficiency ratio measures a bank's overhead costs as a percentage of its revenue; the lower the ratio, the better. December 2025 ratio excludes the \$16.8 million loss on the sale of securities.
- The Bank is authorized 187 FTEs.

**NORTH DAKOTA HOUSING FINANCE AGENCY  
BISMARCK, NORTH DAKOTA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2025 AND 2024**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the business-type activities of the North Dakota Housing Finance Agency, a department of the State of North Dakota, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the North Dakota Housing Finance Agency'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 business-type activities of the North Dakota Housing Finance Agency, as of June 30, 2025 and 2024, and the respective changes in financial position, cash flows thereof and statement of appropriations 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 of the North Dakota Housing Finance Agency are intended to present the net position, revenues, expenses and cash flows of only that portion of the financial statement of the State of North Dakota that is attributable to the transactions of the North Dakota Housing Finance Agency. They 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 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 Housing Finance Agency, 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 opinion.

### ***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 Housing Finance Agency'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 Housing Finance Agency'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 Housing Finance Agency'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, schedule of employer contributions – pension, schedule of employer's share of net OPEB liability, schedule of employer contributions – OPEB and notes to the required supplementary information 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 an opinion on the financial statements that collectively comprise the North Dakota Housing Finance Agency's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information as listed in the table of contents on pages 61-72 is presented for purposes of additional analysis as required by the *Uniform Financial Report Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the 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 Statements of Net Position, Combining Statements of Revenues, Expenses and Changes in Fund Net Position, Combining Statements of Cash Flows, Housing and Urban Development Section 8 Financial Data Schedule, Adjusted Net Worth Calculation, Insurance Coverage Schedule, Capital Requirement Calculation, and Liquid Asset Requirement Calculation, 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 November 24, 2025, on our consideration of the North Dakota Housing Finance Agency'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 Housing Finance Agency'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 Housing Finance Agency's internal control over financial reporting and compliance.



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

November 24, 2025

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

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

North Dakota Housing Bonds issued by North Dakota Housing Finance Agency are mortgage revenue bonds that are neither a general nor a moral obligation of the state but are a general obligation of the Agency.

**Financial Highlights**

In FY2025, mortgage loans receivable increased \$331,760 to \$2,224,268. This included \$488,717 of new loans purchased, \$165,905 of repaid principal on mortgage loans and an increase in loan premiums of \$8,951 and decrease in mortgage loan loss reserve of \$3.

In FY2024, mortgage loans receivable increased \$316,385 to \$1,892,508. This included \$436,910 of new loans purchased, \$703 of Loans sold to BND, \$126,899 of repaid principal on mortgage loans and an increase in loan premiums of \$7,090 and decrease in mortgage loan loss reserve of \$13.

In FY2025, bonds payable increased \$525,526 from the FY2024 bonds payable to \$2,463,794. This included the issuance of \$655,000 new mortgage revenue bonds, \$135,665 bonds being called or maturing and a net decrease in bond premiums of \$6,191. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt

In FY2024, bonds payable increased \$337,891 from the FY2023 bonds payable to \$1,938,268. This included the issuance of \$464,000 new bonds, \$126,840 bonds being called or maturing and a net increase in bond premiums of \$731. See Note 12 in the accompanying Notes to the Financial Statements for more information regarding long term debt.

The Agency did not draw on either the BND or Federal Home Loan Bank lines of credit in FY2025 and FY2024, however both lines remained available to the Agency. The beginning and ending balances in FY2025 and FY2024 were \$0 for both FHLB and BND.

The Agency's FY2025 net position increased \$24,355 to \$280,805 as a result of the year's program operations and financing activities.

The Agency's FY2024 net position increased \$24,246 to \$256,450 as a result of the year's program operations and financing activities.

FY2025 Income Before Transfers of \$24,455 was higher than FY2024 by \$109 as a result of increases in investment income due to the rising interest rate environment during the past fiscal year offset by increases in interest expense and administrative costs. Additionally, non-federal grants decreased \$3,500 due to a one time grant that was received in FY2024.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

Operating revenues in FY2025 of \$114,908 were up \$25,457 as a result of higher mortgage and investment income than in the prior year. The Agency continues to fund mortgage loans at a fast pace given the rise in mortgage rates and the rates on mortgage revenue bonds over the last year continuing to be competitive in the mortgage market. Overall this has not had a large effect on the funding of mortgage loans, however the Agency has seen a decrease in loan payoffs due to this increase in mortgage rating making refinances less favorable.

Operating revenues in FY2024 of \$89,451 were up \$24,080 as a result of higher mortgage and investment income than in the prior year along with an increase in fee income. This was partially offset by a small loss on the sale of investments. The Agency continues to fund mortgage loans at a fast pace. Although mortgage rates have started to drop slightly, the pricing of mortgage revenue bonds continues to be competitive. With the higher interest rates over the last few years, the Agency has and continues to see a decrease in loan payoffs making refinances or move up mortgage purchases less favorable.

Operating expenses for FY2025 of \$92,412 were up \$21,909 from the FY2024 Operating expenses as a result of higher bond interest expense and administrative expenses.

Operating expenses for FY2024 of \$70,503 were up \$18,269 from the FY2023 Operating expenses as a result of higher bond interest expense, increase in Agency grants and higher bond admin expenses than what was incurred in the prior year. The pension expense decreased when compared to the prior year.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Overview of the Financial Statements**

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The financial statements of the Agency provide accounting information similar to that of many other business entities. The Statement of Net Position summarizes the assets and liabilities, with the difference between the two reported as net position. The Statement of Revenues, Expenses and Changes in Net Position summarizes the Agency's operating performance for the year. The Statement of Cash Flows summarizes the flow of cash through the Agency.

**Condensed Statements of Net Position**  
**June 30, 2025, 2024 and 2023**  
(In Thousands)

	2025	2024	2023	Change	Percentage
<b>ASSETS</b>					
Unrestricted current assets	\$ 22,846	\$ 19,928	\$ 15,824	\$ 2,918	15 %
Restricted current assets	559,668	321,596	259,589	238,072	74
Total current assets	582,514	341,524	275,413	240,990	71
Unrestricted noncurrent assets	9,622	8,792	7,915	830	9
Restricted noncurrent assets	2,226,816	1,905,525	1,600,851	321,291	17
Total noncurrent assets	2,236,438	1,914,317	1,608,766	322,121	17
Total assets	\$2,818,952	\$2,255,841	\$1,884,179	\$563,111	25 %
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total deferred outflows of resources	\$ 2,053	\$ 3,829	\$ 5,732	\$ (1,776)	(46) %
<b>LIABILITIES</b>					
Current liabilities	\$ 142,425	\$ 121,509	\$ 106,464	\$ 20,916	17 %
Noncurrent liabilities	2,379,175	1,857,055	1,532,278	522,120	28
Total liabilities	\$2,521,600	\$1,978,564	\$1,638,742	\$543,036	27 %
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total deferred inflows of resources	\$ 18,600	\$ 24,656	\$ 18,965	\$ (6,056)	(25) %
<b>NET POSITION</b>					
Net investment in capital assets	\$ 75	\$ 92	\$ 112	\$ (17)	(18) %
Restricted for debt service	255,575	235,456	217,892	20,119	9
Unrestricted	25,155	20,902	14,200	4,253	20
Total net position	\$ 280,805	\$ 256,450	\$ 232,204	\$ 24,355	9 %

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2025, 2024, and 2023**  
(In Thousands)

	2025	2024	2023	Change	Percentage
<b>OPERATING REVENUES</b>					
Mortgage interest income	\$ 83,643	\$ 63,706	\$ 49,722	\$ 19,937	31 %
Investment income	26,105	21,152	10,977	4,953	23
Gain (loss) on sale of investment	-	(9)	(176)	9	(100)
Fee income	5,160	4,602	4,848	558	12
Total revenues	114,908	89,451	65,371	25,457	28 %
<b>OPERATING EXPENSES</b>					
Interest expense	74,356	54,623	39,393	19,733	36 %
Agency grants	1,657	1,413	80	244	17
Administrative and operating expenses	15,779	13,662	11,381	2,117	15
Pension expense	332	512	1,092	(180)	(35)
OPEB expense	35	47	49	(12)	(26)
Amortization	220	213	207	7	3
Depreciation	33	33	32	-	-
Total expenses	92,412	70,503	52,234	21,909	31 %
<b>OPERATING INCOME</b>	22,496	18,948	13,137	3,548	19 %
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Federal grants	29,711	20,648	22,117	9,063	44 %
Non-federal grants	1,469	5,060	113	(3,591)	(71)
Investment income (loss)	490	338	43	152	45
Federal grants	(29,711)	(20,648)	(22,117)	(9,063)	44
	1,959	5,398	156	(3,439)	(64) %
<b>INCOME BEFORE TRANSFERS</b>	24,455	24,346	13,293	109	1 %
<b>TRANSFERS</b>					
Transfers to Industrial Commission	(100)	(100)	(8)	-	-
<b>CHANGE IN NET POSITION</b>	24,355	24,246	13,285	109	1 %
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	256,450	232,204	218,919	24,246	10 %
<b>TOTAL NET POSITION, END OF YEAR</b>	\$ 280,805	\$ 256,450	\$ 232,204	\$ 24,355	9 %

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

Operating interest income is comprised of the sum of interest earnings on funds held in trust for the Home Mortgage Finance Program. These funds are invested in investment contracts as reported in Notes 2 and 3 to the financial statements.

FY2025 Operating investment interest income of \$26,105 was up \$4,953 from the prior year as a result of the higher interest rate environment. The Agency uses the Bond Proceeds as Non-purpose investments on a temporary basis to fund mortgage loans until permanent financing is available. The interest rates are substantially higher than the Agency would receive if investing in investment contracts. The interest earned on these Non-purpose investments is considered investment income rather than mortgage loan interest.

FY2024 Operating investment interest income of \$21,152 was up \$10,175 from the prior year as a result of the higher interest rate environment. The Agency uses the Bond Proceeds as Non-purpose investments on a temporary basis to fund mortgage loans until permanent financing is available. The interest rates are substantially higher than the Agency would receive if investing in investment contracts. The interest earned on these Non-purpose investments is considered investment income rather than mortgage loan interest.

Non-operating interest income represents earnings on the Agency investments, excluding the Homeownership funds. These funds are invested in mortgage-backed securities or the Bank of North Dakota money market and demand accounts. The FY2025 Non-Operating Interest Income was \$490 compared to \$338 in FY2024. This was a direct result of the fair market value increases or decreases on MBS investments. As investment rates increase, the current fair market value of the MBS investments owned by the Agency decrease. If investment rates decrease, the market value of the Agency's current MBS investments should increase. The Agency does not actively trade the MBS investments but intends to hold them until maturity.

### **Outlook**

NDHFA continues to be successful in obtaining taxable and tax-exempt bond financing to purchase mortgage loans by implementing various bond structures including issuing fixed rate and variable rate bonds and entering Interest Rate SWAP agreements. The structure depends on current rates available in both the bond market and the mortgage loans. The Agency continues to monitor the markets to determine if GNMA eligible loans should be securitized into an MBS or if bond financing is the better option. In addition, NDHFA is exploring other financing options in addition to taxable bonds for the non-government insured ROOTS loans. GNMA only allows government insured loans to be securitized.

NDHFA continues to offer the ROOTS program allowing a larger number of families to enjoy the benefits of North Dakota Housing Finance Agency's programs and affordable rates. The ROOTS program has slowed down this year due to the Agency putting more focus on the First Home Program which continues to be robust. Currently, both programs continue to be utilized. Similar to the past few years, Prepayments made by borrowers have been coming in at a slower pace due to the current increase in mortgage rates. This appears to be a result of fewer mortgages being refinanced due to the smaller economic gain associated with refinancing to a lower rate.

The Agency's First Home program continues to purchase loans at a high level from the Agency's lender partners. The Agency's program offers down payment and closing cost assistance to eligible borrowers which helps a majority of borrowers qualify for purchasing a home. The



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

continuation of the oil industry production in the western part of North Dakota has been relatively stable at the current time. The unpredictable oil field boom and bust cycle may have an effect but does not appear to present a major problem for the Agency at this time. Due to income limits with the Agency's programs, most oil industry workers do not qualify for our First Home programs, however they may qualify under the ROOTS program. The purchase of affordable housing remains robust in the more populous areas of the State.

The Agency has also been successful in issuing multi-family bonds for 4% Low Income Housing Tax Credit projects. This has enabled the developers to attract more equity to housing projects in the state addressing the needs of vulnerable populations.

In FY2023, the Agency took over the administration of the HUD Emergency Solutions Grant and the North Dakota Homeless Grant.

**Budgetary Information**

As discussed in Note 1 to the financial statements, the North Dakota Housing Finance Agency is funded under a biennial appropriation approved by the state legislature. The biennial appropriation does not provide any state General Fund dollars. Hence, total Agency appropriation is funded from Agency operations.

**Contacting the North Dakota Housing Finance Agency's Financial Management**

The information in this report is intended to provide the reader with an overview of the Agency's operations along with the Agency's accountability for those operations. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the North Dakota Housing Finance Agency, P.O. Box 1535, Bismarck, ND 58502-1535.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

	2025	2024
<b>ASSETS</b>		
<b>CURRENT ASSETS - UNRESTRICTED</b>		
Cash and cash equivalents	\$ 19,731	\$ 16,135
Due from State Agencies	294	331
Receivables		
Interest		
Loans	1	1
Investments	29	31
Due from HUD	375	438
Other	838	1,616
Current portion of service release premium	1,468	1,272
Prepaid expenses	110	104
Total unrestricted current assets	<u>22,846</u>	<u>19,928</u>
<b>CURRENT ASSETS - RESTRICTED</b>		
Cash and cash equivalents	501,559	271,866
Receivables		
Current portion of loans receivable, net of allowance	46,605	40,820
Interest		
Loans	8,988	6,827
Investments	2,369	2,083
Other	147	-
Total restricted current assets	<u>559,668</u>	<u>321,596</u>
Total current assets	<u>582,514</u>	<u>341,524</u>
<b>NONCURRENT ASSETS - UNRESTRICTED</b>		
Service release premium, net	9,547	8,476
Equipment, net	75	96
Lease assets, net	-	220
Total unrestricted noncurrent assets	<u>9,622</u>	<u>8,792</u>
<b>NONCURRENT ASSETS - RESTRICTED</b>		
Loans receivable, net of current portion and allowance	2,177,663	1,851,688
Investments	49,153	53,837
Total restricted noncurrent assets	<u>2,226,816</u>	<u>1,905,525</u>
Total noncurrent assets	<u>2,236,438</u>	<u>1,914,317</u>
Total assets	<u>2,818,952</u>	<u>2,255,841</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow - pension	1,981	3,713
Deferred outflow - OPEB	72	116
Total deferred outflows of resources	<u>2,053</u>	<u>3,829</u>

See Notes to Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF NET POSITION - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

	2025	2024
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Due to HUD	\$ 23	\$ 13
Due to state agencies	571	519
Other	726	2,017
Current portion of compensated absences	121	380
Current portion of bonds payable, net of premium	73,800	65,667
Accrued interest	43,296	32,765
Funds held in trust	23,888	20,148
	<u>142,425</u>	<u>121,509</u>
<b>NONCURRENT LIABILITIES</b>		
Rebate due to IRS	84	-
Net pension liability	4,848	4,972
Net OPEB liability	204	244
Financial derivative instrument	(16,316)	(20,762)
Compensated absences, net of current portion	361	-
Bonds payable, net of current portion and premium	2,389,994	1,872,601
	<u>2,379,175</u>	<u>1,857,055</u>
<b>Total liabilities</b>	<u>2,521,600</u>	<u>1,978,564</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow - pension	2,254	3,864
Deferred inflow - OPEB	30	30
Financial derivative instrument	16,316	20,762
	<u>18,600</u>	<u>24,656</u>
<b>NET POSITION</b>		
Net investment in capital assets	75	92
Restricted for debt service	255,575	235,456
Unrestricted	25,155	20,902
	<u>280,805</u>	<u>256,450</u>
<b>Total net position</b>	<u>\$ 280,805</u>	<u>\$ 256,450</u>

See Notes to Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

	2025	2024
<b>OPERATING REVENUES</b>		
Mortgage interest income	\$ 83,643	\$ 63,706
Investment income	26,105	21,152
Gain (loss) on sale of investments	-	(9)
Fee income	5,160	4,602
Total revenues	<u>114,908</u>	<u>89,451</u>
<b>OPERATING EXPENSES</b>		
Interest expense	74,356	54,623
Agency grants	1,657	1,413
Administrative and operating expenses	15,779	13,662
Pension expense	332	512
OPEB expense	35	47
Amortization	220	213
Depreciation	33	33
Total expenses	<u>92,412</u>	<u>70,503</u>
<b>OPERATING INCOME</b>	<u>22,496</u>	<u>18,948</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Federal grants	29,711	20,648
Non-federal grants	1,469	5,060
Investment income (loss)	490	338
Federal grants	(29,711)	(20,648)
Total nonoperating revenues (expenses)	<u>1,959</u>	<u>5,398</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>24,455</u>	<u>24,346</u>
<b>TRANSFERS</b>		
Transfer to Industrial Commission	<u>(100)</u>	<u>(100)</u>
<b>CHANGE IN NET POSITION</b>	24,355	24,246
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	<u>256,450</u>	<u>232,204</u>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 280,805</u>	<u>\$ 256,450</u>

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

	2025	2024
<b>OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 452,358	\$ 320,618
Proceeds from sale of loans receivable	145	703
Interfund mortgages loan purchases and sales	(461,668)	(279,531)
Payment of grants	(1,583)	(1,023)
Payments to service providers		
State agencies	(6,245)	(6,146)
Mortgage loan purchases	(208,683)	(270,105)
Other	(12,635)	(11,000)
Payments to employees	(5,851)	(5,378)
Net cash provided (used) by operating activities	<u>(244,162)</u>	<u>(251,862)</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Principal payments on bonds payable	(135,665)	(126,840)
Proceeds from bond issuance	669,204	472,107
Interest paid on loans and bonds	(63,819)	(45,897)
Proceeds from federal grants	29,711	20,648
Proceeds from non-federal grants	1,469	5,060
Payment of federal grants	(29,711)	(20,648)
Transfers to Industrial Commission	(100)	(100)
Net cash provided (used) by noncapital financing activities	<u>471,089</u>	<u>304,330</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of equipment	(12)	(8)
Principal payments on lease payable	(224)	(218)
Interest paid on lease payable	(4)	(9)
Net cash used for capital and related financing activities	<u>(240)</u>	<u>(235)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(496)	-
Proceeds from sale of investments	6,683	5,843
Interest received from investments	415	470
Net cash provided (used) by for investing activities	<u>6,602</u>	<u>6,313</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	233,289	58,546
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	288,001	229,455
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 521,290</u>	<u>\$ 288,001</u>
<b>CASH AND CASH EQUIVALENTS - UNRESTRICTED</b>	\$ 19,731	\$ 16,135
<b>CASH AND CASH EQUIVALENTS - RESTRICTED</b>	501,559	271,866
	<u>\$ 521,290</u>	<u>\$ 288,001</u>

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH USED BY OPERATING ACTIVITIES		
Operating income	\$ 22,496	\$ 18,948
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	33	33
Amortization		
Original issue discounts and premiums	(8,013)	(7,375)
Service release premium	2,062	1,658
Leased asset	220	213
Fair value (increases) decreases of investments	(1,428)	694
Reclassification of interest income/expense to other activities	74,069	53,939
Effect on cash flows due to changes in:		
Deferred outflow - pension	1,732	1,853
Deferred outflow - OPEB	44	50
Deferred inflows - pension	(1,610)	848
Deferred inflows - OPEB	-	17
Effect on cash flows due to changes in:		
Due from HUD	63	406
Due from State Agencies	37	(331)
Other receivables	631	6
Service release premium	(3,329)	(2,959)
Prepaid expenses	(5)	(5)
Loan interest receivable	(2,161)	(1,730)
Loans receivable	(331,760)	(316,383)
Due to HUD	10	(17)
Due to State Agencies	52	86
Rebate due to IRS	84	-
Other liabilities	(1,067)	(606)
Compensated absences	102	4
Funds held in trust	3,740	1,324
Net pension liability	(164)	(2,535)
Net cash used by operating activities	<u>\$ (244,162)</u>	<u>\$ (251,862)</u>
Non-cash disclosures:		
Increase (decrease) in fair value of investments	\$ 1,504	\$ (775)

See Notes to the Financial Statements

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**STATEMENT OF APPROPRIATIONS**  
**FOR THE BIENNIUM ENDED JUNE 30, 2025**  
(In Thousands)

The Agency's total appropriations of \$77,956 consist of funding of \$2,500 from general funds, \$53,598 from federal funds and \$21,858 from special funds. The Agency has a continuing appropriation for operating expenses authorized by Section 4 of HB 1014. As of June 30, 2025, the Agency has disbursed \$2,500 of the \$2,500 general fund transfer included in the grants, benefits, and claims appropriations below.

This statement includes only those expenditures for which there are appropriations. A reconciliation to the expenses on the statement of revenues, expenses and changes in fund net position follows (in thousands).

	2023-2025 Appropriations Original	2023-2025 Appropriations As Adjusted	2023-2025 Expenditures	Unexpended Appropriations
Administrative Expenses:				
Salaries, wages and benefits	\$ 11,113	\$ 12,627	\$ 11,821	\$ 806
Operating expenses	10,904	10,904	8,279	2,625
Capital assets	20	20	19	1
Grants, benefits and claims	48,805	54,305	53,429	876
Contingency	100	100	-	100
Total	<u>\$ 70,942</u>	<u>\$ 77,956</u>	<u>\$ 73,548</u>	<u>\$ 4,408</u>

	2025	2024
Total expenditures	\$ 42,375	\$ 31,173
Less: Grants, benefits and claims	(31,368)	(22,061)
Administrative and operating expenses relating to		
Rental, Homeownership Bonds and Agency expenses	2,725	2,909
Amortization of service release premium	2,062	1,658
Depreciation	33	33
Interest expense on leased asset	(4)	(9)
Capital assets	(11)	(8)
Total administrative and operation expenses and depreciation	<u>\$ 15,812</u>	<u>\$ 13,695</u>

See Notes to the Financial Statements



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Principal Activity**

The North Dakota Housing Finance Agency (Agency) was created in 1980 by an initiated measure. The Agency is authorized, among other things, to make mortgage and construction loans to housing sponsors; to make loans to mortgage lenders, requiring the proceeds thereof to be used for making new qualified residential mortgage loans; to purchase qualified mortgage loans from mortgage lenders; and to apply for and receive assistance and subsidies under programs of the federal government.

The Agency is authorized to issue bonds and notes in order to exercise its authorized powers. Bonds and notes issued by the Agency under the 1994 and 2009 General Resolutions are not a debt or liability of the State of North Dakota and the state is not liable for repayment of such obligations. Bonds under the 1994 and 2009 General Resolutions are general obligations of the Agency.

**Reporting Entity**

In accordance with Governmental Accounting Standards Board (GASB) statements, the Agency should include all component units over which the Agency 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 the Agency.

Based on the criteria as set forth by the GASB, no other organizations were determined to be part of the reporting entity. The North Dakota Housing Finance Agency is included as part of the primary government of the State of North Dakota's reporting entity.

**Budgetary Process**

The Agency operates through a biennial appropriation provided by the State Legislature. The Agency 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 Agency's financial plan for the next two years. The Agency has a continuous appropriation of any additional income from federal or other funds which may become available to the Agency. Changes to the appropriation not falling under the continuing appropriation are subject to approval by the State Emergency Commission.

The State's budgeting system does not include revenues and thus, a Statement of Revenues and Expenses – Budget and Actual cannot be prepared as required by generally accepted accounting principles. In its place, a Statement of Appropriations has been presented. 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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**Accounting Standards**

The Agency follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities.

**Fund Accounting**

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The funds account for the flow of resources of carrying on specific activities in accordance with laws, regulations, or debt restrictions.

The Agency's funds are:

*Agency Operating Funds*

These funds account for (1) activities related to the development and administration of Agency financial programs, (2) HUD Section 8 Housing Assistance Payment programs, (3) Agency owned assets and (4) any activities of the Agency not applicable to the other funds.

*Homeownership Bond Funds*

These funds account for the proceeds from the sale of Homeownership Bonds, the debt service requirements of the bond indebtedness, and mortgage loans and assets acquired with bond proceeds to finance single family home ownership.

**Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources, and liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. When both restricted and unrestricted net position are available for use, generally it is the Agency's policy to use restricted net position first, and then unrestricted net position as they are needed. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

**Significant Group Concentrations of Credit Risk**

All of the Agency's mortgage loans are secured by houses located within the State of North Dakota.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**Use of Estimates**

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

**Cash and Cash Equivalents**

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

**Investments**

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statements of revenues, expenses, and changes in net position.

Funds held by trustees or the Agency under bond resolutions are to be invested to the fullest extent possible in investment obligations selected by the Agency. 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 mortgage-backed securities and investment contracts.

**Interfund Receivables and Payables**

Advances between funds during the year resulting in interfund receivables and payables have been eliminated from the financial statements.

**Mortgage Loans Receivable**

Mortgage loans receivable are recorded at amounts advanced less principal payments and, in the Homeownership Bond Fund, net of purchase discounts. Interest income on loans is accrued at the specific rate on the unpaid principal balance.

**Service Release Premium**

The Agency purchases the rights to service mortgage loans from the originating financial institutions. The payments to the originating financial institutions are recorded as a service release premium. The premium is amortized over eleven years which is the average life of the mortgage loans including prepayments and refinancing of the loans.

**Equipment**

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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
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Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to five years.

**Funds Held in Trust**

These amounts consist of escrow, buy-down and partial payments made by mortgagors on loans serviced by the Agency.

**Compensated Absences**

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 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 to a maximum of one and one-half working days 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.

The Agency accounts for compensated absences using a days-used approach for annual leave. This approach consists of gathering the historical usage of compensated absences used to determine both a liability related to leave to be used as time off and leave to be settled in cash upon termination of employment. Salary-related employer payments are included in the calculation of the compensated absence liability.

The Agency accounts for compensated absences using a LIFO approach for sick leave. This approach consists of estimating how much leave is to be used in future periods and how much leave is expected to be earned in future periods. Under the LIFO method, the estimated leave to be earned in future periods will offset the estimated leave to be used as time off in future periods. A liability will be calculated for situations where the estimated leave to be earned in future periods does not exceed the estimated leave to be taken as time off in future periods. Salary-related employer payments are included in the calculation of the compensated absence liability.

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
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**Other Post Employment Benefits (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Financial Derivative Instrument**

North Dakota Housing Finance Agency enters into interest rate swap agreements to modify interest rates on outstanding debt.

**Operating and Non-Operating Revenues**

Operating revenues consist of sales of goods and services, interest earned and proceeds from lending activities, 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. Investment income in the Homeownership Bond Fund is recorded as operating income as these revenues are generated from the Agency's operations needed to carry out its statutory purpose.

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

**Leases**

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the Agency has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the Agency is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the Agency uses its incremental borrowing rate based on the information available at the lease commencement date. The Agency has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The Agency accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The Agency continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Agency is reasonably certain to exercise.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The Agency's lease agreements do not include any material residual value guarantees or restrictive covenants.

**Fair Value of Financial Statements**

Fair value measurements are used to record fair value adjustments to certain assets, deferred outflows of resources, liabilities and deferred inflows of resources to determine fair value disclosures.

*Fair Value Hierarchy*

Assets, deferred outflows of resources, liabilities and deferred inflows of resources are grouped at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1: Valuation is based upon quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2: Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

*Determination of Fair Value*

Fair values are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is the Agency's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, in accordance with the fair value hierarchy. The following is a description of the methodologies used for instruments measured at fair value.

Securities

Securities consist primarily of Federal agencies and mortgage backed securities. Securities are recorded at fair value on a recurring basis. Fair value is based upon quoted prices, if available. If quoted market prices are not available, fair values are measured using observable market prices from independent pricing models, or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded in an active market; examples would include U.S. Treasuries. Level 2 securities as defined above would include mortgage-backed securities and municipal bonds.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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Interest Rate Swap Agreements

Fair values for interest rate swap agreements are based upon the settlement value adjusted by estimated nonperformance risk.

**Change in Accounting Principles**

The Agency implemented GASB Statement No. 101, *Compensated Absences* in the year ended June 30, 2025. GASB Statement No. 101 enhances the accounting and financial reporting requirements for accounting for compensated absences. The adoption of GASB 101 resulted in no adjustment to beginning net position.

**NOTE 2 DEPOSITS**

**Custodial Credit Risk**

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

The bank balances of deposits of the Agency at June 30, 2025 and 2024 was \$44,959 and \$37,548, respectively, consisting of interest-bearing and noninterest-bearing operating cash deposited at the Bank of North Dakota.

The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. The carrying amounts of the deposits of the Agency at the Bank of North Dakota at June 30, 2025 and 2024 was \$43,607 and \$36,268, respectively.

The carrying amounts of the Agency's cash and cash equivalents as reported on the balance sheet at June 30, 2025 and 2024 is as follows:

	2025	2024
Unrestricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	\$ 19,727	\$ 16,129
Deposits at Federal Home Loan Bank	4	6
Total cash and cash equivalents	<u>\$ 19,731</u>	<u>\$ 16,135</u>
Restricted		
Cash and cash equivalents		
Deposits at Bank of North Dakota	\$ 23,945	\$ 20,139
Deposits at Federal Home Loan Bank	8	11
Deposits at Wilmington Trust	2,654	2,739
Cash and cash equivalents held in trust	466,988	241,159
Fixed rate investment agreements reported as cash equivalents	<u>7,964</u>	<u>7,818</u>
Total cash and cash equivalents	<u>\$ 501,559</u>	<u>\$ 271,866</u>



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**NOTE 3 INVESTMENTS**

The Agency does not have an investment policy that specifically addresses the risks below. However, the respective bond resolutions permit only investments that will not adversely affect the rating quality of the outstanding bonds. 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.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of investments. The following shows the investments by investment type, amount and the duration at June 30, 2025:

	<u>Total Market Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>5 - 10 Years</u>	<u>More Than 10 Years</u>
Total Debt Securities	<u>\$ 49,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,153</u>

The following shows the investments by investment type, amount and the duration at June 30, 2024:

	<u>Total Market Value</u>	<u>Less than 1 Year</u>	<u>1 - 5 Years</u>	<u>5 - 10 Years</u>	<u>More Than 10 Years</u>
Total Debt Securities	<u>\$ 53,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,837</u>

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fixed rate investment agreements and the U.S. Treasury Bonds are not rated.

As of June 30, 2025, the Agency owned \$6,397 and the 1994 General Resolution Bond Issues owned \$42,756 of the \$49,153 Mortgage Backed Securities. The \$42,756 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately \$7,256, (all of which are MBS owned by the Agency), at June 30, 2025 were pledged as requested by rating agencies in conjunction with the 1994 and 2009 General Resolutions and as collateral on bank loans.

As of June 30, 2024, the Agency owned \$6,235 and the 1994 General Resolution Bond Issues owned \$47,602 of the \$53,837 Mortgage Backed Securities. The \$47,602 is restricted funds through the Bond Issue requirements. The Agency operating fund investment securities with a carrying amount of approximately \$7,171, (all of which are MBS owned by the Agency), at June 30, 2024 were pledged as requested by rating agencies in conjunction with the 1994 and 2009 General Resolutions and as collateral on bank loans.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

**NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS**

The table below presents the balances of assets, deferred outflows of resources and deferred inflows of resources measured at fair value on a recurring basis at June 30, 2025.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>ASSETS</b>				
Mortgage-backed securities				
Agency	\$ 49,153	\$ -	\$ 49,153	\$ -
Total	<u>\$ 49,153</u>	<u>\$ -</u>	<u>\$ 49,153</u>	<u>\$ -</u>
Interest rate swap	<u>\$ 16,316</u>	<u>\$ -</u>	<u>\$ 16,316</u>	<u>\$ -</u>

The table below presents the balances of assets, deferred outflows of resources and deferred inflows of resources measured at fair value on a recurring basis at June 30, 2024.

	Total	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>ASSETS</b>				
Mortgage-backed securities				
Agency	\$ 53,837	\$ -	\$ 53,837	\$ -
Total	<u>\$ 53,837</u>	<u>\$ -</u>	<u>\$ 53,837</u>	<u>\$ -</u>
Interest rate swap	<u>\$ 20,762</u>	<u>\$ -</u>	<u>\$ 20,762</u>	<u>\$ -</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

**NOTE 5 LOANS RECEIVABLE**

Loans receivable at June 30, 2025 and 2024 consist of the following:

	2025	2024
Restricted:		
Agency operating funds	\$ 206	\$ 231
Less: current portion	25	27
	<u>\$ 181</u>	<u>\$ 204</u>
Total loan receivable, net of current portion		
Restricted:		
Homeownership bond funds	\$ 2,224,062	\$ 1,892,277
Less: current portion	46,580	40,793
	<u>\$ 2,177,482</u>	<u>\$ 1,851,484</u>
Total loan receivable, net of current portion		

Mortgage loans are secured by first liens on real property.

Agency and Homeownership mortgage loans are insured by a private primary mortgage insurer, the Federal Housing Administration or guaranteed by the Veterans Administration, USDA-RD, or uninsured with a loan to value of 80% or less.

Interest rates on Agency and Homeownership mortgage loans vary from 0.00% to 9.13% for the year ended June 30, 2025 and 2024 with maturities of such loans ranging from less than one year to 40 years.

Included in Homeownership and Agency mortgage loans are loans totaling \$812 which have been foreclosed on and are owned by the Agency (REO), \$87 in real estate loans in judgment (REJ), and 54 loans totaling \$8,263 that were in the foreclosure process at June 30, 2025. At June 30, 2024, Homeownership and Agency mortgage loans included loans totaling \$644 which have been foreclosed on and are owned by the Agency (REO), \$252 in real estate loans in judgement (REJ), and 53 loans totaling \$8,177 that were in the foreclosure process. Since such loans are at least partially insured or guaranteed by outside parties, it is anticipated that the Agency will recover substantially all of the unpaid principal and interest on the loans through insurance payments or sale of foreclosed property.

At June 30, 2025, the Agency has \$3,000 of HOME ARP loans and \$23,354 of HOME loans recorded which are not expected to be collected and an allowance has been recorded for full loan balance. At June 30, 2024, the Agency has \$1,359 of HOME ARP loans and \$18,257 of HOME loans recorded which are not expected to be collected and an allowance has been recorded for full loan balance.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

**NOTE 6 INTERGOVERNMENTAL RECEIVABLES AND PAYABLES**

The Agency operates various Department of Housing and Urban Development (HUD) Section 8 rent subsidy programs. Under these programs the Agency draws down, in advance, sufficient funds to cover estimated rent subsidies. An estimate of rents is used because occupancy of rental units is not known until rent payments become due. The use of rent estimates results in over-and-under drawdowns of HUD funds. These amounts cannot be offset and are shown at year-end as intergovernmental receivables and payables as follows:

	2025	2024
Due from HUD	\$ 375	\$ 438
Due to HUD	\$ 23	\$ 13

**NOTE 7 EQUIPMENT**

A summary of changes in equipment and accumulated depreciation is as follows:

	Equipment	Accumulated Depreciation	Net Equipment
Balance July 1, 2023	\$ 362	\$ 241	\$ 121
Additions	8	33	
Deletions	(6)	(6)	
Balance July 1, 2024	\$ 364	\$ 268	\$ 96
Additions	12	33	
Deletions	-	-	
Balance June 30, 2025	\$ 376	\$ 301	\$ 75

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

**NOTE 8 OTHER RECEIVABLES**

A detail of other receivables as of June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Unrestricted:		
Receivable from developers	\$ 517	\$ 663
Accounts receivable	321	953
	<u>\$ 838</u>	<u>\$ 1,616</u>
Restricted:		
Accounts receivable	<u>\$ 147</u>	<u>\$ -</u>

**NOTE 9 OTHER LIABILITIES**

A detail of other liabilities as of June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Remarketing fees	\$ 43	\$ 39
Commitment fees	104	87
Lease payable	-	224
Accounts payable	579	1,667
	<u>\$ 726</u>	<u>\$ 2,017</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**NOTE 10 RELATED PARTY TRANSACTIONS**

The Agency had the following transactions with related parties as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents - unrestricted		
Bank of North Dakota	<u>\$ 19,727</u>	<u>\$ 16,129</u>
Cash and cash equivalents - restricted		
Bank of North Dakota	<u>\$ 23,945</u>	<u>\$ 20,139</u>
Due from state agencies		
Housing Incentive Fund	\$ -	\$ 77
Department of Health and Human Services	7	-
Office of Management and Budget	<u>287</u>	<u>254</u>
	<u>\$ 294</u>	<u>\$ 331</u>
Due to state agencies		
Information Technology Department	\$ 12	\$ 10
Attorney General	1	4
Department of Transportation	1	1
Office of Management and Budget	<u>557</u>	<u>504</u>
	<u>\$ 571</u>	<u>\$ 519</u>
Transfers out		
Industrial Commission	<u>\$ 100</u>	<u>\$ 100</u>
Administrative and operating expenses		
Information Technology Department		
Telephone and data processing	\$ 23	\$ 23
Data processing	105	104
Attorney General		
Legal fees	14	18
Office of Management and Budget		
Supplies and conferences	2	2
Printing	32	27
Indirect cost allocation	28	15
Payroll and benefits	6,109	5,698
Department of Transportation		
State fleet rental	9	6
Department of Insurance		
State fire and tornado fund premium	1	1
Human Resource Management Services		
Training sessions	1	1
ND Suplus Property		
Laptops	2	2
Risk Management		
RM fund contribution	2	2
WC premiums	4	2
	<u>\$ 6,332</u>	<u>\$ 5,901</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

**NOTE 11 LEASES**

The Agency leases office space in Bismarck, North Dakota. The term of the lease is for a period of 24 months, commencing on July 1, 2023 and terminating June 30, 2025. The annual rent under this is \$227. The Agency entered into a new lease commencing on July 1, 2025 and terminating on June 30, 2027. The annual rent under this is \$227.

Following is the total lease expense for the years ended June 30, 2025 and 2024.

<b>Lease Expense</b>	<b>Year Ending 6/30/25</b>	<b>Year Ending 6/30/24</b>
Amortization expense by class of underlying asset		
Building	\$ 220	\$ 213
Total amortization expense	220	213
Interest on lease liabilities	4	9
Variable lease expense	-	-
<b>Total</b>	<b>\$ 224</b>	<b>\$ 222</b>

Following is a schedule of activity in leased assets and the lease liability for the year ended June 30, 2025.

	<b>Beginning of Year</b>	<b>Additions</b>	<b>Modifi- cations &amp; Remeasure- ments</b>	<b>Subtractions</b>	<b>End of Year</b>	<b>Amounts Due Within One Year</b>
Lease Asset:						
Building	\$ 832	\$ -	\$ -	\$ (832)	\$ -	
Less: Accumulated Amortization						
Building	(612)	(220)	-	832	-	
Total Lease Assets, net	<u>\$ 220</u>	<u>\$ (220)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Lease Liabilities	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (224)</u>	<u>\$ -</u>	<u>\$ -</u>



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

Following is a schedule of activity in leased assets and leased liability for the year ended June 30, 2024:

Lease Asset:	Beginning of Year	Additions	Modifi- cations & Remeasure- ments	Subtractions	End of Year	Amounts Due Within One Year
Building	\$ 832	\$ -	\$ -	\$ -	\$ 832	
Less: Accumulated Amortization						
Building	(399)	(213)	-	-	(612)	
Total Lease Assets, net	\$ 433	\$ (213)	\$ -	\$ -	\$ 220	
Lease Liabilities	\$ 442	\$ -	\$ -	\$ (218)	\$ 224	\$ 224

**NOTE 12 LONG-TERM LIABILITIES**

**Change in Long-Term Liabilities**

A summary of changes in long-term liabilities for the year ended June 30, 2025 is as follows:

	Balance 7/1/24	Additions	Reductions	Balance 6/30/25	Amounts Due Within One Year
Homeownership bond funds, par	\$ 1,915,700	\$ 655,000	\$ 135,665	\$ 2,435,035	\$ 66,165
Premium on bond funds	22,568	14,204	8,013	28,759	7,635
Compensated absences	380	102 *	-	482	121
	<u>\$ 1,938,648</u>	<u>\$ 669,306</u>	<u>\$ 143,678</u>	<u>\$ 2,464,276</u>	<u>\$ 73,921</u>

\* The change in compensated absences is presented as a net change.

A summary of changes in long-term liabilities for the year ended June 30, 2024 is as follows:

	Balance 7/1/23	Additions	Reductions	Balance 6/30/24	Amounts Due Within One Year
Homeownership bond funds, par	\$ 1,573,540	\$ 464,000	\$ 121,840	\$ 1,915,700	\$ 59,020
Multi-family revenue bonds	5,000	-	5,000	-	-
Premium on bond funds	21,837	8,106	7,375	22,568	6,647
Compensated absences	376	299	295	380	380
	<u>\$ 1,600,753</u>	<u>\$ 472,405</u>	<u>\$ 134,510</u>	<u>\$ 1,938,648</u>	<u>\$ 66,047</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**Bonds Payable**

The bonds of the various Agency funds have been issued to provide financing to purchase mortgage loans and to finance rental housing projects. The bonds are direct obligations of the Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution.

**Maturities of Bonds Payable**

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

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2026	\$ 66,165	\$ 92,541	\$ 158,706
2027	75,510	96,519	172,029
2028	69,365	94,545	163,910
2029	64,995	92,662	157,657
2030	63,565	90,753	154,318
2031 - 2035	340,255	422,472	762,727
2036 - 2040	408,735	358,103	766,838
2041 - 2045	438,185	275,958	714,143
2046 - 2050	502,525	174,438	676,963
2051 - 2055	387,720	59,241	446,961
2056 - 2060	18,015	712	18,727
Premiums	28,759	(28,759)	-
	<u>\$2,463,794</u>	<u>\$1,729,185</u>	<u>\$4,192,979</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

**Schedules of Bonds Payable**

The following summarizes the Agency's bonds payable outstanding at June 30, 2025 and 2024. The term bonds of all bond series have mandatory sinking fund requirements. All of the bonds payable relate to the Agency's Homeownership Bond Fund.

	Interest Rate	2025	2024
Series 2008 B			
Term Bond 7/1/38	Variable	\$ 12,735	\$ 12,735
Series 2015A			
Serial Bonds 7/1/23 - 7/1/24	2.65 - 2.90	-	1,235
Term Bond 1/1/38 (Premium)	4.00	-	915
Series 2015BC			
Term Bond 1/1/36 (Premium)	4.00	-	810
Term Bond 1/1/46	Variable	12,370	14,240
Series 2015DE			
Term Bond 7/1/46 (Premium)	4.00	-	2,215
Term Bond 7/1/36	Variable	16,585	16,930
Premium (Discount)		-	8
Series 2015F			
Term Bond 1/1/47	Variable	25,000	25,000
Series 2016AB			
Serial Bonds 7/1/22 - 1/1/27	1.80 - 2.55	11,110	16,495
Term Bond 7/1/31	2.95	5,010	5,010
Term Bond 1/1/35	3.20	3,280	3,280
Term Bond 1/1/47 (Premium)	4.00	6,905	9,850
Premium (Discount)		34	133
Series 2016CDE			
Serial Bonds 1/1/23 - 7/1/25	1.80 - 2.15	1,135	4,045
Serial Bonds 7/1/25 - 7/1/28	2.15 - 2.60	13,750	13,750
Term Bond 7/1/32	2.85	3,850	3,850
Term Bond 1/1/36	3.15	3,365	3,365
Term Bond 7/1/46 (Premium)	3.50	11,310	13,605
Premium (Discount)		87	224
Series 2017A			
Serial Bonds 1/1/23 - 7/1/27	2.20 - 2.95	6,890	10,080
Term Bond 7/1/47 (Premium)	4.00	4,920	7,155
Premium (Discount)		24	91
Series 2017BC			
Term Bond 1/1/47	Variable	13,235	13,940

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

	Interest Rate	2025	2024
<b>Series 2017DE</b>			
Serial Bonds 7/1/22 - 1/1/28	1.50 - 2.65	\$ 6,995	\$ 9,175
Term Bonds 7/1/32	3.15	5,985	5,985
Term Bonds 7/1/37	3.45	4,695	4,695
Term Bonds 7/1/40	3.55	2,400	2,400
Term Bonds 7/1/47 (Premium)	4.00	6,415	9,135
Premium (Discount)		74	201
<b>Series 2017FGH</b>			
Serial Bonds 1/1/23 - 1/1/25	2.25 - 2.55	-	495
Term Bonds 7/1/48 (Premium)	4.00	6,745	10,460
Term Bond 7/1/39	Variable	28,250	28,250
Premium (Discount)		77	188
<b>Series 2018A</b>			
Serial Bonds 7/1/22 - 7/1/29	2.35 - 3.20	8,870	11,260
Term Bonds 7/1/33	3.55	5,160	5,160
Term Bonds 7/1/38	3.75	5,320	5,320
Term Bonds 1/1/42	3.85	4,360	4,360
Term Bonds 7/1/49 (Premium)	4.00	9,435	13,450
Premium (Discount)		88	197
<b>Series 2018BC</b>			
Serial Bonds 7/1/22 - 1/1/25	3.25 - 3.55	-	1,120
Term Bond 1/1/49	Variable	9,355	9,355
<b>Series 2018D</b>			
Serial Bonds 7/1/22 - 7/1/29	2.15 - 3.25	13,920	16,780
Term Bond 7/1/33	3.55	4,130	4,130
Term Bond 7/1/38	3.85	3,875	3,875
Term Bond 7/1/42	3.95	3,560	3,560
Term Bond 1/1/49 (premium)	4.25	15,085	19,310
Premium (discount)		158	339
<b>Series 2019AB</b>			
Serial Bonds 1/1/23 - 1/1/28	2.20 - 2.85	4,940	6,810
Term Bonds 7/1/42	Variable	25,000	25,000
Term Bond 7/1/49 (premium)	4.25	9,075	12,735
Premium (discount)		155	301
<b>Series 2019C</b>			
Serial Bonds 7/1/22 - 1/1/30	1.80 - 2.55	16,165	19,190
Term Bonds 7/1/32	2.80	6,730	6,730
Term Bonds 7/1/34	3.00	7,215	7,215
Term Bonds 7/1/39	3.20	12,650	12,650
Term Bonds 7/1/42	3.35	8,155	8,155
Term Bonds 1/1/50 (premium)	4.00	24,225	29,770
Premium (discount)		989	1,407
<b>Series 2019DE</b>			
Serial Bonds 7/1/22 - 7/1/29	2.65 - 3.45	2,565	3,080
Term Bonds 7/1/33	3.70	2,705	2,705
Term Bonds 7/1/39	4.00	3,050	3,050
Term Bonds 1/1/50	Variable	12,265	12,265

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

	Interest Rate	2025	2024
<b>Series 2019F</b>			
Serial Bonds 7/1/22 - 7/1/32	1.40 - 2.50	\$ 15,830	\$ 17,750
Term Bonds 7/1/34	2.70	4,085	4,085
Term Bonds 7/1/39	2.95	9,540	9,540
Term Bonds 7/1/43	3.05	7,750	7,750
Term Bonds 7/1/50 (premium)	3.75	11,165	14,875
Premium (discount)		309	530
<b>Series 2020A</b>			
Serial Bonds 1/1/23 - 7/1/32	1.45 - 2.45	20,005	22,445
Term Bonds 7/1/35	2.70	9,080	9,080
Term Bonds 7/1/40	3.00	16,170	16,170
Term Bonds 1/1/44	3.05	9,825	9,825
Term Bonds 1/1/51 (premium)	4.00	16,115	20,705
Premium (discount)		531	833
<b>Series 2020B</b>			
Serial Bonds 7/1/22 - 7/1/32	0.375 - 2.05	24,810	27,880
Term Bonds 7/1/35	2.10	11,205	11,205
Term Bonds 7/1/40	2.35	19,285	19,285
Term Bonds 7/1/44	2.50	15,490	15,490
Term Bonds 7/1/51 (premium)	3.00	23,920	29,875
Premium (discount)		882	1,360
<b>Series 2021A</b>			
Serial Bonds 7/1/22 - 7/1/32	0.20 - 1.95	24,090	27,120
Serial Bonds 1/1/33 - 7/1/33 (premium)	2.00	3,490	3,490
Term Bonds 7/1/36	2.05	10,980	10,980
Term Bonds 7/1/41	2.25	20,280	20,280
Term Bonds 7/1/44	2.35	13,310	13,310
Term Bonds 1/1/52 (premium)	3.00	27,635	31,885
Premium (discount)		1,095	1,621
<b>Series 2021 BC</b>			
Serial Bonds 7/1/22 - 1/1/27	0.25 - 1.40	6,130	9,865
Serial Bonds 1/1/27 - 7/1/33	1.10 - 2.20	28,460	28,460
Term Bond 7/1/36	2.30	13,430	13,430
Term Bonds 7/1/41	2.45	23,925	23,925
Term Bonds 1/1/43	2.60	5,885	5,885
Term Bonds 1/1/52 (premium)	3.00	41,195	46,865
Premium (discount)		1,819	2,436
<b>Series 2022A</b>			
Serial Bonds 1/1/23 - 7/1/34	1.55 - 3.40	29,630	32,375
Term Bonds 7/1/37	3.45	11,215	11,215
Term Bonds 7/1/42	3.65	21,380	21,380
Term Bonds 1/1/46	3.70	16,115	16,115
Term Bonds 1/1/53 (premium)	4.00	33,990	38,135
Premium (discount)		856	1,209

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

	Interest Rate	2025	2024
<b>Series 2022BC</b>			
Serial Bonds 1/1/23 - 7/1/29	2.39 - 3.60	\$ 19,860	\$ 25,260
Term Bonds 1/1/50	Variable	30,000	30,000
<b>Series 2022DE</b>			
Serial Bonds 7/1/23 - 7/1/33	2.86 - 4.70	13,005	14,265
Term Bonds 7/1/37	4.92	8,105	8,105
Term Bonds 7/1/42	5.05	12,765	12,765
Term Bonds 1/1/47	5.15	13,645	13,645
Term Bonds 1/1/53	Variable	25,000	25,000
<b>Series 2022F</b>			
Serial Bonds 7/1/23 - 7/1/34	1.55 - 3.85	14,845	16,125
Term Bonds 7/1/37	3.95	6,135	6,135
Term Bonds 7/1/42	4.10	12,425	12,425
Term Bonds 1/1/47	4.25	14,150	14,150
Term Bonds 1/1/53 (Premium)	5.00	21,030	23,790
Premium (Discount)		879	1,223
<b>Series 2023A</b>			
Serial Bonds 1/1/24 - 7/1/35	2.65 - 4.15	26,785	28,795
Term Bonds 7/1/38	4.45	10,380	10,380
Term Bonds 7/1/43	4.60	21,280	21,280
Term Bonds 7/1/47	4.70	20,990	20,990
Term Bonds 7/1/53 (Premium)	5.75	39,345	42,280
Premium (Discount)		2,116	2,846
<b>Series 2023BC</b>			
Serial Bonds 1/1/24 - 7/1/34	4.260 - 5.359	7,290	7,865
Term Bonds 7/1/39	5.45	5,135	5,135
Term Bonds 7/1/47	Variable	13,330	13,330
Term Bonds 7/1/53 (Premium)	6.00	12,040	13,170
Premium (Discount)		244	327
<b>Series 2023D</b>			
Serial Bonds 7/1/24 - 7/1/35	3.250 - 4.000	25,995	27,900
Term Bonds 7/1/38	4.2	10,005	10,005
Term Bonds 7/1/43	4.5	20,620	20,620
Term Bonds 7/1/48	4.55	25,175	25,175
Term Bonds 1/1/54 (Premium)	5.75	39,620	41,300
Premium (Discount)		2,076	2,713
<b>Series 2023E</b>			
Serial Bonds 7/1/24 - 7/1/33	5.266 - 5.371	11,250	12,240
Term Bonds 7/1/38	5.421	9,535	9,535
Term Bonds 7/1/43	5.537	12,800	12,800
Term Bonds 7/1/48	5.587	16,175	16,175
Term Bonds 1/1/54 (Premium)	6.25	23,305	24,250
Premium (Discount)		516	676

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

	Interest Rate	2025	2024
<b>Series 2023F</b>			
Serial Bonds 1/1/25 - 7/1/35	3.600 - 4.400	\$ 14,925	\$ 15,475
Term Bonds 7/1/38	4.65	5,915	5,915
Term Bonds 7/1/43	4.9	12,300	12,300
Term Bonds 7/1/48	5.1	16,310	16,310
Term Bonds 1/1/50	5.125	5,650	5,650
Term Bonds 1/1/54 (Premium)	6.25	18,870	19,350
Premium (Discount)		958	1,231
<b>Series 2024A</b>			
Serial Bonds 1/1/25 - 7/1/36	3.100 - 3.950	34,610	35,545
Term Bonds 7/1/39	4.05	12,280	12,280
Term Bonds 7/1/44	4.55	25,040	25,040
Term Bonds 7/1/49	4.7	32,595	32,595
Term Bonds 1/1/52	4.75	17,990	17,990
Term Bonds 7/1/54 (Premium)	6	25,450	25,550
Premium (Discount)		1,791	2,267
<b>Series 2024B</b>			
Term Bonds 7/1/34	5.25	6,325	6,325
Term Bonds 7/1/39	5.543	5,010	5,010
Term Bonds 7/1/44	5.781	6,785	6,785
Term Bonds 7/1/49	5.861	9,285	9,285
Term Bonds 1/1/52	5.931	5,545	5,545
Term Bonds 7/1/54 (Premium)	6.25	6,970	7,050
Premium (Discount)		163	207
<b>Series 2024C</b>			
Serial Bonds 7/1/25 - 7/1/37	3.400 - 4.150	54,270	-
Term Bonds 7/1/39	4.3	11,495	-
Term Bonds 7/1/42 (Premium)	5	19,240	-
Term Bonds 7/1/44	4.65	14,375	-
Term Bonds 1/1/49	4.75	42,410	-
Term Bonds 1/1/51	4.8	16,010	-
Term Bonds 7/1/55 (Premium)	6.25	42,200	-
Premium (Discount)		5,159	-
<b>Series 2024D</b>			
Serial Bonds 1/1/26 - 7/1/30	3.200 - 3.500	17,960	-
Serial Bonds 1/1/31 - 7/1/31 (Premium)	5.5	4,020	-
Serial Bonds 1/1/32 - 7/1/36	3.700 - 4.000	22,640	-
Term Bonds 7/1/39	4.175	16,020	-
Term Bonds 7/1/44 (Discount)	4.5	31,980	-
Term Bonds 7/1/49 (Discount)	4.65	40,495	-
Term Bonds 1/1/52	4.7	21,105	-
Term Bonds 7/1/54 (Premium)	6	40,780	-
Premium (Discount)		4,525	-



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
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	Interest Rate	2025	2024
Series 2025A			
Serial Bonds 7/1/26 - 7/1/35	3.450 - 4.400	\$ 32,965	\$ -
Term Bonds 7/1/31	4	3,885	-
Term Bonds 7/1/37	4.5	9,745	-
Term Bonds 7/1/40	4.7	16,380	-
Term Bonds 7/1/45	4.94	33,315	-
Term Bonds 7/1/50	5	43,210	-
Term Bonds 7/1/53	5.05	27,500	-
Term Bonds 1/1/56 (Premium)	6	33,000	-
Premium (Discount)		2,765	-
Series 2025B			
Serial Bonds 7/1/26 - 7/1/37	4.559 - 5.768	11,485	-
Term Bonds 7/1/40	6.008	4,605	-
Term Bonds 7/1/45	6.203	9,890	-
Term Bonds 7/1/50	6.223	13,595	-
Term Bonds 1/1/54	6.263	10,875	-
Term Bonds 7/1/56 (Premium)	6.25	9,550	-
Premium (Discount)		389	-
		<u>\$ 2,463,794</u>	<u>\$ 1,938,268</u>

The Agency is allowed to earn a mortgage yield of 1.125% more than the yield on the corresponding tax-exempt bonds. The Agency monitors the yield related to the bonds and mortgages to ensure the Agency is in compliance with the yield requirements.

### **Revenues Pledged**

The Agency has homeownership bonds outstanding in the amount of \$2,463,794 maturing at various times from July 1, 2025 through July 1, 2056. The bonds have been issued to provide financing to purchase mortgage loans. Annual principal and interest payments on the bonds are expected to require 98 percent of net revenues. Principal and interest paid net of premium (discount) amortization for the current year were \$135,665 and \$63,819, respectively for the year ended June 30, 2025. Principal and interest paid net of premium amortization for the year were \$121,840 and \$45,856, respectively for the year ended June 30, 2024.

Pursuant to the Series Resolutions adopted to date under the 1994 and 2009 General Resolutions, the revenues generated by the program loans (but not the program loans themselves) are pledged to secure the Bonds. The Agency is permitted by terms of the General Resolutions to issue bonds and to pledge revenues pursuant to the Series Resolution which exceed the amount required to meet the obligations of that series of bonds. In such event, it is likely that any such series of bonds would produce excess revenues which could be available to redeem the related series of bonds or any other series of bonds prior to the stated maturities thereof.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**NOTE 13 FINANCIAL DERIVATIVE INSTRUMENT**

**Objective of the Interest Rate Swap**

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance<sup>2</sup>, the agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series<sup>1</sup>. All Agency cash flow hedges are pay-fixed. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate<sup>6</sup>. The Agency also has cash flow hedges that were entered into in connection with variable-rate housing bond series that no longer have bonds outstanding as those bonds have been called. The cash flow hedges that are not connected to a specific bond series hedge the risk related to the Agency's other variable-rate housing bonds that are un-hedged.

**Terms**

The bonds and the related swap agreements have a stated issuance<sup>2</sup> and maturity date<sup>3</sup>. Some of the swaps have optional termination dates<sup>15</sup>. Under the swaps, the Agency pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) or the Secured Overnight Financing Rate (SOFR)<sup>7</sup> plus a fixed percentage<sup>8</sup> on the swap notional amount<sup>4</sup>. On the other hand, the bond's variable-rate<sup>9</sup> coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA (Bond Market Association) Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution. The net change in fair value of the individual swaps is presented in the terms table below<sup>14</sup>.

**Credit Risk**

As of June 30, 2025, the Agency had 11 swaps with a positive fair value totaling \$16,316. As of June 30, 2024, the Agency had 11 swaps with a positive fair value totaling \$20,762. Of the swaps with negative fair value, the agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR/SOFR and TBMA converge, changing the synthetic rate on the bonds. The swap counterparty has guaranteed all payments and is rated AAa/AA+/AAA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into Credit Support Agreements with the Royal Bank of Canada and Wells Fargo as a credit enhancement.

The Agency has entered into netting arrangements whenever it has entered into more than one derivative instrument transaction with counterparties. Under the terms of these arrangements netting provisions permit each party to net the transactions' fair values so that a single sum will be owed by, or owed to, the other party. At June 30, 2025 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$5,903 and the swap providers owed the Agency a variable rate on the notional amounts of \$7,989 making the net payment the Agency is owed from the swap providers \$2,086. At June 30, 2024 the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$5,962 and the swap providers owed the Agency a variable rate on the notional amounts of \$9,927 making the net payments the Agency owes the swap providers \$3,965.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**Fair Value**

Due to the difference in the variable rate indices, the swaps had a net positive fair value<sup>10</sup> of \$16,316 and \$20,762 at June 30, 2025 and 2024, respectively. Accordingly, the financial derivative instrument is reported as a liability and the accumulated changes in fair value of the swaps were reported as a deferred inflow at June 30, 2025 and 2024. The coupon on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

**Basis Risk**

The swap exposes the Agency to basis risk should the relationship between LIBOR/SOFR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate<sup>6</sup> and the synthetic rate<sup>12</sup> as of June 30, 2025 and 2024. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

**Termination Risk**

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's. The swap may be terminated at any time by the agency or the counterparty with 30 days written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap's fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

**Rollover Risk**

The Agency is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Agency will be re-exposed to the risks being hedged by the hedging derivative instrument. The Agency also is exposed to rollover risk on the swaps that mature and the Agency does not call the related variable rate debt.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

The terms of the interest rate swaps at June 30, 2025 are as follows:

1	Bond Series	2015 C	2015 E	2015 F	2017C
2	Issuance Date	6/23/2015	5/1/2016	12/8/2015	5/10/2017
3	Maturity Date	1/1/2046	7/1/2036	1/1/2047	7/1/2047
4	Notional Amount	11,745	18,840	11,540	19,505
5	Variable-rate Bonds	11,745	18,840	11,540	19,505
6	Fixed Rate	2.486%	2.257%	2.320%	2.783%
7	LIBOR Percentage	66.20%	66.40%	100.00%	100.00%
8	Additional Percentage	0.10%	0.22%	0.00%	0.00%
9	Bonds Variable-rate	0.91000%	0.91000%	1.65000%	2.73904%
10	Fair Value	736	623	1,190	1,569
11	Percentage of LIBOR	3.03185%	3.16071%	4.42878%	4.42878%
12	Synthetic Rate	0.36415%	0.00629%	-0.45878%	1.09276%
13	Actual Synthetic Rate	2.96749%	1.80143%	2.27431%	2.70952%
14	Change in Fair Value	(160)	(459)	(436)	(657)
15	Optional Termination Date	N/A	N/A	N/A	7/1/2027

1	Bond Series	2017H	2018C	2019B	2019E
2	Issuance Date	12/21/2017	6/14/2018	2/13/2019	6/25/2019
3	Maturity Date	7/1/2039	1/1/2049	1/1/2043	1/1/2050
4	Notional Amount	28,250	9,355	25,000	12,265
5	Variable-rate Bonds	28,250	9,355	25,000	12,265
6	Fixed Rate	2.266%	3.515%	2.693%	3.171%
7	LIBOR Percentage	66.40%	100.00%	70.00%	100.00%
8	Additional Percentage	0.09%	0.00%	0.00%	0.00%
9	Bonds Variable-rate	0.90000%	1.60000%	1.11000%	1.60000%
10	Fair Value	1,508	550	1,223	2,083
11	Percentage of LIBOR	3.03071%	4.42878%	3.10015%	4.42878%
12	Synthetic Rate	0.13529%	0.68622%	0.70235%	0.34222%
13	Actual Synthetic Rate	2.14803%	3.45177%	2.85418%	3.11545%
14	Change in Fair Value	(645)	(282)	(413)	(153)
15	Optional Termination Date	N/A	7/1/2027	N/A	7/1/2028

1	Bond Series	2022C	2022E	2023C
2	Issuance Date	4/28/2022	6/14/2022	2/16/2023
3	Maturity Date	7/1/2052	1/1/2053	7/1/2047
4	Notional Amount	30,000	25,000	13,330
5	Variable-rate Bonds	30,000	25,000	13,330
6	Fixed Rate	2.644%	3.808%	4.493%
7	LIBOR Percentage	100.00%	100.00%	100.00%
8	Additional Percentage	0.05%	0.05%	0.15%
9	Bonds Variable-rate	1.60000%	1.60000%	1.60000%
10	Fair Value	3,417	2,919	498
11	Percentage of LIBOR	4.47878%	4.47878%	4.57878%
12	Synthetic Rate	-0.23478%	0.92922%	1.51422%
13	Actual Synthetic Rate	2.53755%	3.69373%	4.24509%
14	Change in Fair Value	(911)	(97)	(233)
15	Optional Termination Date	1/1/2032	1/1/2032	7/1/2028

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

The terms of the interest rate swaps at June 30, 2024 are as follows:

1	Bond Series	2015 C	2015 E	2015 F	2017C
2	Issuance Date	6/23/2015	5/1/2016	12/8/2015	5/10/2017
3	Maturity Date	1/1/2046	7/1/2036	1/1/2047	7/1/2047
4	Notional Amount	11,745	18,840	12,830	20,545
5	Variable-rate Bonds	11,745	18,840	12,830	20,545
6	Fixed Rate	2.486%	2.257%	2.320%	2.783%
7	LIBOR Percentage	66.20%	66.40%	100.00%	100.00%
8	Additional Percentage	0.10%	0.22%	0.00%	0.00%
9	Bonds Variable-rate	0.91000%	0.91000%	1.65000%	2.73904%
10	Fair Value	896	1,082	1,626	2,226
11	Percentage of LIBOR	3.70703%	3.83792%	5.44868%	5.44868%
12	Synthetic Rate	-0.31103%	-0.67092%	-1.47868%	0.07286%
13	Actual Synthetic Rate	3.00534%	1.87677%	2.28415%	2.73484%
14	Change in Fair Value	194	64	46	233
15	Optional Termination Date	N/A	N/A	1/1/2025	7/1/2027

1	Bond Series	2017H	2018C	2019B	2019E
2	Issuance Date	12/21/2017	6/14/2018	2/13/2019	6/25/2019
3	Maturity Date	7/1/2039	1/1/2049	1/1/2043	1/1/2050
4	Notional Amount	28,250	9,355	25,000	12,265
5	Variable-rate Bonds	28,250	9,355	25,000	12,265
6	Fixed Rate	2.266%	3.515%	2.693%	3.171%
7	LIBOR Percentage	66.40%	100.00%	70.00%	100.00%
8	Additional Percentage	0.09%	0.00%	0.00%	0.00%
9	Bonds Variable-rate	0.90000%	1.60000%	1.11000%	1.60000%
10	Fair Value	2,153	832	1,636	2,236
11	Percentage of LIBOR	3.70792%	5.44868%	3.81408%	5.44868%
12	Synthetic Rate	-0.54192%	-0.33368%	-0.01158%	-0.67768%
13	Actual Synthetic Rate	2.17791%	3.47119%	2.95053%	3.14039%
14	Change in Fair Value	324	210	362	571
15	Optional Termination Date	N/A	7/1/2027	N/A	7/1/2028

1	Bond Series	2022C	2022E	2023C
2	Issuance Date	4/28/2022	6/14/2022	2/16/2023
3	Maturity Date	7/1/2052	1/1/2053	7/1/2047
4	Notional Amount	30,000	25,000	13,330
5	Variable-rate Bonds	30,000	25,000	13,330
6	Fixed Rate	2.644%	3.808%	4.493%
7	LIBOR Percentage	100.00%	100.00%	100.00%
8	Additional Percentage	0.05%	0.05%	0.15%
9	Bonds Variable-rate	1.60000%	1.60000%	1.60000%
10	Fair Value	4,328	3,016	731
11	Percentage of LIBOR	5.49868%	5.49868%	5.59868%
12	Synthetic Rate	-1.25468%	-0.09068%	0.49432%
13	Actual Synthetic Rate	2.56684%	3.72103%	4.26228%
14	Change in Fair Value	816	1,439	567
15	Optional Termination Date	1/1/2032	1/1/2032	7/1/2028

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

**Swap Payments and Associated Debt**

Using rates as of June 30, 2025, debt service requirements of the variable-rate debt and net swap payments are as follows. Interest calculations were based on rates as of June 30, 2025. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal year Ending June 30	Variable-Rate Bond		Interest Rate	Total
	Principal	Interest	Swap, Net	
2026	\$ 1,595	\$ 2,955	\$ (2,072)	\$ 2,478
2027	4,935	2,871	(2,003)	5,803
2028	4,655	2,788	(1,934)	5,509
2029	4,940	2,707	(1,868)	5,779
2030	8,320	2,583	(1,758)	9,145
2031 - 2035	46,915	10,884	(6,916)	50,883
2036 - 2040	52,815	7,536	(4,124)	56,227
2041 - 2045	38,595	4,498	(2,257)	40,836
2046 - 2050	29,290	2,131	(1,028)	30,393
2051 - 2055	12,770	224	(99)	12,895
	<u>\$ 204,830</u>	<u>\$ 39,177</u>	<u>\$ (24,059)</u>	<u>\$ 219,948</u>

**NOTE 14 LINE OF CREDIT - BANK OF NORTH DAKOTA**

The Agency has a line of credit with the Bank of North Dakota to fund mortgages. As of June 30, 2025, the line of credit has no outstanding balance, has a credit limit of \$60,000 and expires on July 1, 2025. The line of credit bears interest at 5.89%.

The Agency has a line of credit with the Bank of North Dakota to fund mortgages. As of June 30, 2024, the line of credit has no outstanding balance, has a credit limit of \$60,000 and expires on July 1, 2024. The line of credit bears interest at 6.93%.

The Agency did not make draws on this line of credit during the years ended June 30, 2025 and 2024.

**NOTE 15 LETTER OF CREDIT - FEDERAL HOME LOAN BANK OF DES MOINES**

The Agency maintains a collateral pledge agreement with the Federal Home Loan Bank (FHLB) covering secured advances whereby the Agency has agreed to retain residential real estate loans and marketable securities, free of all other pledges, liens and encumbrances. The pledged loans and securities are discounted by FHLB when determining their borrowing capacity. The aggregate borrowing capacity of eligible collateral was approximately \$13,978 as of June 30, 2025. In addition, borrowings are collateralized by \$22,220 of loans receivable and \$12 of cash and investments. The aggregate borrowing capacity of eligible collateral was approximately \$14,618 as of June 30, 2024. In addition, borrowings are collateralized by \$23,386 of loans receivable and \$17 of cash and investments.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**NOTE 16 PENSION PLAN**

**North Dakota Public Employees Retirement System (Main System)**

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.

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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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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.

**Refunds of Member Account Balance**

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

**Member and Employer Contributions**

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

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

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2025 and 2024, the Agency reported a liability of \$4,848 and \$4,972 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of June 30, 2024 and 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency'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, 2024, the Agency's proportion was 0.259223 percent, which was an increase of 0.001381 percent from its proportion measured as of June 30, 2023.



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

For the year ended June 30, 2025, the Agency recognized pension expense of \$332. At June 30, 2025, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 230	\$ -
Changes of assumptions	1,168	(2,200)
Net difference between projected and actual earnings on pension plan investments	-	(44)
Changes in proportion and differences between employer contributions and proportionate share of contributions	251	(10)
Employer contributions subsequent to the measurement date	<u>332</u>	<u>-</u>
Total	<u>\$ 1,981</u>	<u>\$ (2,254)</u>

\$332 reported as deferred outflows of resources related to pensions resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

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 ended June 30:**

2026	\$ (428)
2027	142
2028	(289)
2029	(30)

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**Actuarial Assumptions**

The total pension liability in the July 1, 2024 actuarial valuation was determined using the following 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 each major asset class included in the Fund's target asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.9%	5.40%
International Equity	19.1%	7.00%
Private Equity	7.0%	8.50%
Domestic Fixed	23.0%	2.88%
Global Real Assets	19.0%	6.10%

**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.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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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 3.97%; and the resulting Single Discount Rate is 6.50%.

**Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the Agency'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 at June 30, 2025:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Employer's proportionate share of the net pension liability	\$ 6,852	\$ 4,848	\$ 3,187

**Pension Plan Fiduciary Net Position**

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

**NOTE 17 OPEB PLAN**

**North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**(In Thousands)**

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2025 and 2024, the Agency reported a liability of \$204 and \$244 for its proportionate share of the net OPEB liability, respectively. The net OPEB liability was measured as of June 30, 2024 and 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2024, the Agency's proportion was 0.236005 percent, which is a decrease of 0.008391 percent from its proportion measured as of June 30, 2023.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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(In Thousands)

For the year ended June 30, 2025, the Employer recognized OPEB expense of \$35. At June 30, 2025, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3	\$ (2)
Changes of assumptions	31	(14)
Net difference between projected and actual earnings on OPEB plan investments	-	(8)
Changes in proportion and differences between employer contributions and proportionate share of contributions	6	(6)
Employer contributions subsequent to the measurement date	32	-
<b>Total</b>	<u><u>\$ 72</u></u>	<u><u>\$ (30)</u></u>

\$32 reported as deferred outflows of resources related to OPEB resulting from Agency contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

**Year ending June 30:**

2026	\$ 10
2027	18
2028	(13)
2029	(5)

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
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**Actuarial Assumptions**

The total OPEB liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	5.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2024 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	4.00%
Small Cap Domestic Equities	6%	6.00%
Domestic Fixed Income	35%	3.29%
International Equities	26%	7.00%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
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(In Thousands)

**Sensitivity of the Agency's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plans as of June 30, 2024, calculated using the discount rate of 5.75%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease 4.75%	Current Discount Rate 5.75%	1% Increase 6.75%
Employer's proportionate share of the net OPEB liability	\$ 279	\$ 204	\$ 141

**NOTE 18 COMMITMENTS AND CONTINGENCIES**

Amounts received 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.

In the normal course of business, the Agency makes various commitments that are not reflected in the accompanying financial statements. These commitments include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolutions.

The Agency's exposure to credit loss is represented by the contractual amount of these commitments. The Agency follows the same credit policies in making commitments as it does for on-balance-sheet instruments.

	2025	2024
Commitments to extend credit	\$ 80,691	\$ 155,462
Loan Acquisition Fund	\$ 221,199	\$ 69,120

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. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Agency, is based on management's credit evaluation of the customer.

The Bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reductions.

As of June 30, 2025 and 2024, the Agency had no outstanding guarantees on loans owned by financial institutions.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
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**(In Thousands)**

**NOTE 19 FUND NET POSITION**

Based on certain bond covenants, all assets and fund net position of the Homeownership Bond fund are restricted for debt service.

The Agency operating fund has investment securities pledged under the 1994 and 2009 General Bond Resolutions. The financial statements identify this fund as unrestricted, however, all Agency net position is a reserved general obligation of the bond series. The general obligation (issuer) rating by Moody's Investor Service (a national financial rating service) is influenced by the relationship of Agency net position to several other financial statement factors and major investors monitor the amount of net position as additional collateral for the publicly traded bond investments.

**NOTE 20 RISK MANAGEMENT**

The Agency 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 \$438 per person and \$1,750 per occurrence. The Agency is also covered through a casualty obligatory excess of loss reinsurance contract that RMF has with an outside party that provides additional coverage amount of \$250 per person and \$2,000 per occurrence.

The Agency also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The Agency 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 Agency 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. In addition to the State Bonding Fund, the Agency has a separate \$1,000 insurance policy with Great American Insurance Group.

The Agency, as a contributor to RMF, participates in the North Dakota Workforce Safety & Insurance (NDWSI), an Enterprise Fund of the State of North Dakota. The NDWSI 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 HOUSING FINANCE AGENCY**  
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(In Thousands)

**NOTE 21 SEGMENT INFORMATION**

The Agency maintains two Enterprise Funds which provide loans to finance construction of residential housing and single family homeownership.

Statement of Net Position segment information as of and for the year ended June 30, 2025, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Net Position				
Current assets - other	\$ 50,617	\$ 543,612	\$ (11,715)	\$ 582,514
Capital assets - net	75	-	-	75
Noncurrent assets - other	9,728	2,226,635	-	2,236,363
Total assets	60,420	2,770,247	(11,715)	2,818,952
Deferred outflow of resources	2,053	-	-	2,053
Current liabilities - other	29,546	124,594	(11,715)	142,425
Noncurrent liabilities - other	5,413	2,373,762	-	2,379,175
Total liabilities	34,959	2,498,356	(11,715)	2,521,600
Deferred inflow of resources	2,284	16,316	-	18,600
Invested in capital assets	75	-	-	75
Net position - unrestricted	25,155	-	-	25,155
Net position - restricted	-	255,575	-	255,575
Total net position	\$ 25,230	\$ 255,575	\$ -	\$ 280,805

Statement of Net Position segment information as of and for the year ended June 30, 2024, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Net Position				
Current assets - other	\$ 43,460	\$ 303,394	\$ (5,330)	\$ 341,524
Capital assets - net	96	-	-	96
Noncurrent assets - other	8,900	1,905,321	-	1,914,221
Total assets	52,456	2,208,715	(5,330)	2,255,841
Deferred outflow of resources	3,829	-	-	3,829
Current liabilities - other	26,181	100,658	(5,330)	121,509
Noncurrent liabilities - other	5,216	1,851,839	-	1,857,055
Total liabilities	31,397	1,952,497	(5,330)	1,978,564
Deferred inflow of resources	3,894	20,762	-	24,656
Invested in capital assets	92	-	-	92
Net position - unrestricted	20,902	-	-	20,902
Net position - restricted	-	235,456	-	235,456
Total net position	\$ 20,994	\$ 235,456	\$ -	\$ 256,450

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

Statement of Revenues, Expenses and Change in Fund Net Position and Statement of Cash Flows segment information as of and for the year ended June 30, 2025, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Revenues, Expenses and Change in Fund Net Position				
Operating revenues				
Mortgage interest income	\$ 12	\$ 83,631	\$ -	\$ 83,643
Investment income	-	26,105	-	26,105
Gain on sale of investments	-	-	-	-
Fee income	14,519	-	(9,359)	5,160
Depreciation	(33)	-	-	(33)
Other operating expenses	(12,044)	(89,694)	9,359	(92,379)
Operating income	<u>2,454</u>	<u>20,042</u>	<u>-</u>	<u>22,496</u>
Nonoperating revenues (expenses)				
Federal grants	29,711	-	-	29,711
Non-federal grants	1,469	-	-	1,469
Investment income	490	-	-	490
Federal grants	(29,711)	-	-	(29,711)
Transfers	(100)	-	-	(100)
Change in net position	<u>4,313</u>	<u>20,042</u>	<u>-</u>	<u>24,355</u>
Total net position, beginning of year	20,994	235,456	-	256,450
Equity transfer in (out)	(77)	77	-	-
Total net position, end of year	<u>\$ 25,230</u>	<u>\$ 255,575</u>	<u>\$ -</u>	<u>\$ 280,805</u>
Statement of Cash Flows				
Net cash used by operating activities	\$ 5,855	\$ (250,017)	\$ -	\$ (244,162)
Net cash used for noncapital financing activities	1,369	469,720	-	471,089
Net cash used for capital and related financing activities	(240)	-	-	(240)
Net cash from (used by) investing activities	415	6,187	-	6,602
Change in cash and cash equivalents	<u>7,399</u>	<u>225,890</u>	<u>-</u>	<u>233,289</u>
Cash and cash equivalents, beginning of year	<u>36,344</u>	<u>251,657</u>	<u>-</u>	<u>288,001</u>
Cash and cash equivalents, end of year	<u>\$ 43,743</u>	<u>\$ 477,547</u>	<u>\$ -</u>	<u>\$ 521,290</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

Statement of Revenues, Expenses and Change in Fund Net Position and Statement of Cash Flows segment information as of and for the year ended June 30, 2024, was as follows:

	Agency Operating Funds	Homeownership Bond Funds	Eliminations	Total Enterprise
Statement of Revenues, Expenses and Change in Fund Net Position				
Operating revenues				
Mortgage interest income	\$ 14	\$ 63,692	\$ -	\$ 63,706
Investment income	-	21,152	-	21,152
Gain on sale of investments	-	(9)	-	(9)
Fee income	12,466	-	(7,864)	4,602
Depreciation	(33)	-	-	(33)
Other operating expenses	(11,144)	(67,190)	7,864	(70,470)
Operating income	<u>1,303</u>	<u>17,645</u>	<u>-</u>	<u>18,948</u>
Nonoperating revenues (expenses)				
Federal grants	20,648	-	-	20,648
Non-federal grants	5,060	-	-	5,060
Investment income	338	-	-	338
Federal grants	(20,648)	-	-	(20,648)
Transfers	(100)	-	-	(100)
Change in net position	<u>6,601</u>	<u>17,645</u>	<u>-</u>	<u>24,246</u>
Total net position, beginning of year	14,312	217,892	-	232,204
Equity transfer in (out)	81	(81)	-	-
Total net position, end of year	<u>\$ 20,994</u>	<u>\$ 235,456</u>	<u>\$ -</u>	<u>\$ 256,450</u>
Statement of Cash Flows				
Net cash by operating activities	\$ 191	\$ (252,053)	\$ -	\$ (251,862)
Net cash used for noncapital financing activities	(81)	304,411	-	304,330
Net cash used for capital and related financing activities	(235)	-	-	(235)
Net cash from (used by) investing activities	470	5,843	-	6,313
Change in cash and cash equivalents	345	58,201	-	58,546
Cash and cash equivalents, beginning of year	35,999	193,456	-	229,455
Cash and cash equivalents, end of year	<u>\$ 36,344</u>	<u>\$ 251,657</u>	<u>\$ -</u>	<u>\$ 288,001</u>

**NOTE 22 ISSUED BUT NON-EFFECTIVE PRONOUNCEMENTS**

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

Management has not yet determined what effect these statements will have on the Agency's financial statements.

**NOTE 23 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Agency's year end. Subsequent events have been evaluated through November 24, 2025, the date these financial statements were available to be issued.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

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

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	0.25922%	\$ 4,848	\$ 3,714	130.56%	68.02%
2024	0.25784%	4,972	3,281	151.54%	65.31%
2023	0.25885%	7,455	2,973	250.76%	54.47%
2022	0.23202%	2,418	2,604	92.87%	78.26%
2021	0.21535%	6,775	2,426	279.27%	48.91%
2020	0.23548%	2,760	2,443	112.98%	71.66%
2019	0.23697%	4,000	2,510	159.36%	62.80%
2018	0.24299%	3,906	2,481	157.44%	61.98%
2017	0.23284%	2,269	2,346	96.72%	70.46%
2016	0.24345%	1,655	2,169	76.30%	77.15%

**North Dakota Public Employees Retirement System**  
**Schedule of Employer Contributions - Pension**  
**Last 10 Fiscal Years**

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 332	\$ (332)	\$ -	\$ 3,940	8.43%
2024	295	(295)	-	3,714	7.95%
2023	242	(242)	-	3,281	7.38%
2022	218	(218)	-	2,973	7.33%
2021	188	(188)	-	2,604	7.22%
2020	173	(173)	-	2,426	7.13%
2019	174	(174)	-	2,443	7.12%
2018	179	(179)	-	2,510	7.13%
2017	180	(180)	-	2,474	7.28%
2016	170	(170)	-	2,314	7.35%

See Note to the Required Supplementary Information

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

**North Dakota Public Employees Retirement System**  
**Schedule of Employer's Share of Net OPEB Liability**  
**Last 10 Fiscal Years\***

	Employer's proportion of the net OPEB liability (asset)	Employer's proportionate share of the net OPEB liability (asset)	Employer's covered- employee payroll	Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	0.236005%	\$ 204	\$ 2,447	8.33%	68.35%
2024	0.244396%	244	2,457	9.95%	62.74%
2023	0.246500%	296	2,576	11.49%	56.28%
2022	0.229916%	128	2,520	5.07%	76.63%
2021	0.211870%	178	2,415	7.37%	63.38%
2020	0.235151%	189	2,618	7.22%	63.13%
2019	0.241393%	190	2,661	7.15%	61.89%
2018	0.241038%	191	2,608	7.31%	58.78%

**North Dakota Public Employees Retirement System**  
**Schedule of Employer Contributions - OPEB**  
**Last 10 Fiscal Years\***

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered- employee payroll	Contributions as a percentage of covered-employee payroll
2025	\$ 32	\$ (32)	\$ -	\$ 2,768	1.14%
2024	31	(31)	-	2,727	1.14%
2023	30	(30)	-	2,643	1.14%
2022	29	(29)	-	2,576	1.14%
2021	29	(29)	-	2,520	1.15%
2020	29	(29)	-	2,580	1.12%
2019	30	(30)	-	2,618	1.15%
2018	30	(30)	-	2,661	1.13%

\*Complete data for these schedules is not available prior to 2018.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

**NOTE 1 CHANGE OF BENEFIT TERMS AND ASSUMPTIONS**

**NDPERS Pension Plan**

*Change 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, 2024 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, 2023.

**NDPERS OPEB**

*Changes of Benefit Terms*

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2023.

*Changes of Assumptions.*

All actuarial assumptions used in the actuarial valuation as of July 1, 2024 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, 2023.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF NET POSITION**  
**JUNE 30, 2025 AND 2024**  
**(In Thousands)**

	Agency Operating Funds	Homeownership Bond Funds		Homeownership Bond Funds	Total	Elimination	Total	
		1994 General Resolution	2009 General Resolution				2025	2024
<b>ASSETS</b>								
<b>CURRENT ASSETS - UNRESTRICTED</b>								
Cash and cash equivalents	\$ 19,731	\$ -	\$ -	\$ -	\$ 19,731	\$ -	\$ 19,731	\$ 16,135
Due from State Agencies	294	-	-	-	294	-	294	331
Receivables								
Interest								
Loans	1	-	-	-	1	-	1	1
Investments	29	-	-	-	29	-	29	31
Due from HUD	375	-	-	-	375	-	375	438
Other	4,603	-	-	-	4,603	(3,765)	838	1,616
Current portion of service release premium	1,468	-	-	-	1,468	-	1,468	1,272
Prepaid expenses	79	31	-	31	110	-	110	104
Total unrestricted current assets	26,580	31	-	31	26,611	(3,765)	22,846	19,928
<b>CURRENT ASSETS - RESTRICTED</b>								
Cash and cash equivalents	24,012	472,706	4,841	477,547	501,559	-	501,559	271,866
Receivables								
Current portion of loans receivable, net of allowance	25	44,544	2,036	46,580	46,605	-	46,605	40,820
Interest								
Loans	-	8,809	179	8,988	8,988	-	8,988	6,827
Investments	-	2,343	26	2,369	2,369	-	2,369	2,083
Other	-	6,929	1,168	8,097	8,097	(7,950)	147	-
Total restricted current assets	24,037	535,331	8,250	543,581	567,618	(7,950)	559,668	321,596
Total current assets	50,617	535,362	8,250	543,612	594,229	(11,715)	582,514	341,524
<b>NONCURRENT ASSETS - UNRESTRICTED</b>								
Service release premium, net	9,547	-	-	-	9,547	-	9,547	8,476
Equipment, net	75	-	-	-	75	-	75	96
Leased asset, net	-	-	-	-	-	-	-	220
Total unrestricted noncurrent assets	9,622	-	-	-	9,622	-	9,622	8,792
<b>NONCURRENT ASSETS - RESTRICTED</b>								
Loans receivable, net of current portion, net of allowance	181	2,130,564	46,918	2,177,482	2,177,663	-	2,177,663	1,851,688
Investments	-	45,953	3,200	49,153	49,153	-	49,153	53,837
Total restricted noncurrent assets	181	2,176,517	50,118	2,226,635	2,226,816	-	2,226,816	1,905,525
Total noncurrent assets	9,803	2,176,517	50,118	2,226,635	2,236,438	-	2,236,438	1,914,317
Total assets	60,420	2,711,879	58,368	2,770,247	2,830,667	(11,715)	2,818,952	2,255,841
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred outflow - pension	1,981	-	-	-	1,981	-	1,981	3,713
Deferred outflow - OPEB	72	-	-	-	72	-	72	116
Total deferred outflows of resources	2,053	-	-	-	2,053	-	2,053	3,829



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF NET POSITION - CONTINUED**  
**JUNE 30, 2025 AND 2024**  
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds		Homeownership Bond Funds	Total	Elimination	Total	
		1994 General Resolution	2009 General Resolution				2025	2024
<b>LIABILITIES</b>								
<b>CURRENT LIABILITIES</b>								
Due to HUD	\$ 23	\$ -	\$ -	\$ -	\$ 23	\$ -	\$ 23	\$ 13
Due to State Agencies	571	-	-	-	571	-	571	519
Other	4,943	7,474	24	7,498	12,441	(11,715)	726	2,017
Current portion of compensated absences	121	-	-	-	121	-	121	380
Current portion of bonds payable, net of premium	-	70,685	3,115	73,800	73,800	-	73,800	65,667
Accrued interest	-	42,810	486	43,296	43,296	-	43,296	32,765
Funds held in trust	23,888	-	-	-	23,888	-	23,888	20,148
<b>Total current liabilities</b>	<b>29,546</b>	<b>120,969</b>	<b>3,625</b>	<b>124,594</b>	<b>154,140</b>	<b>(11,715)</b>	<b>142,425</b>	<b>121,509</b>
<b>NONCURRENT LIABILITIES</b>								
Rebate due to IRS	-	84	-	84	84	-	84	-
Net pension liability	4,848	-	-	-	4,848	-	4,848	4,972
Net OPEB liability	204	-	-	-	204	-	204	244
Financial derivative instrument	-	(16,316)	-	(16,316)	(16,316)	-	(16,316)	(20,762)
Compensated absences, net of current portion	361	-	-	-	361	-	361	-
Bonds payable, net of current portion and premium	-	2,359,611	30,383	2,389,994	2,389,994	-	2,389,994	1,872,601
<b>Total noncurrent liabilities</b>	<b>5,413</b>	<b>2,343,379</b>	<b>30,383</b>	<b>2,373,762</b>	<b>2,379,175</b>	<b>-</b>	<b>2,379,175</b>	<b>1,857,055</b>
<b>Total liabilities</b>	<b>34,959</b>	<b>2,464,348</b>	<b>34,008</b>	<b>2,498,356</b>	<b>2,533,315</b>	<b>(11,715)</b>	<b>2,521,600</b>	<b>1,978,564</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflow - pension	2,254	-	-	-	2,254	-	2,254	3,864
Deferred inflow - OPEB	30	-	-	-	30	-	30	30
Financial derivative instrument	-	16,316	-	16,316	16,316	-	16,316	20,762
<b>Total deferred inflows of resources</b>	<b>2,284</b>	<b>16,316</b>	<b>-</b>	<b>16,316</b>	<b>18,600</b>	<b>-</b>	<b>18,600</b>	<b>24,656</b>
<b>NET POSITION</b>								
Invested in capital assets	75	-	-	-	75	-	75	92
Restricted for debt service	-	231,215	24,360	255,575	255,575	-	255,575	235,456
Unrestricted	25,155	-	-	-	25,155	-	25,155	20,902
<b>Total net position</b>	<b>\$ 25,230</b>	<b>\$ 231,215</b>	<b>\$ 24,360</b>	<b>\$ 255,575</b>	<b>\$ 280,805</b>	<b>\$ -</b>	<b>\$ 280,805</b>	<b>\$ 256,450</b>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds		Homeownership Bond Funds	Total	Elimination	Total	
		1994 General Resolution	2009 General Resolution				2025	2024
<b>OPERATING REVENUES</b>								
Mortgage interest income	\$ 12	\$ 81,790	\$ 1,841	\$ 83,631	\$ 83,643	\$ -	\$ 83,643	\$ 63,706
Investment income	-	25,849	256	26,105	26,105	-	26,105	21,152
Gain (loss) on sale of investments	-	-	-	-	-	-	-	(9)
Fee income	14,519	-	-	-	14,519	(9,359)	5,160	4,602
Total revenues	14,531	107,639	2,097	109,736	124,267	(9,359)	114,908	89,451
<b>OPERATING EXPENSES</b>								
Interest expense	3	73,485	868	74,353	74,356	-	74,356	54,623
Agency grants	1,657	-	-	-	1,657	-	1,657	1,413
Administrative and operating expenses	9,797	15,112	229	15,341	25,138	(9,359)	15,779	13,662
Pension expense	332	-	-	-	332	-	332	512
OPEB expense	35	-	-	-	35	-	35	47
Amortization	220	-	-	-	220	-	220	213
Depreciation	33	-	-	-	33	-	33	33
Total expenses	12,077	88,597	1,097	89,694	101,771	(9,359)	92,412	70,503
<b>OPERATING INCOME</b>	2,454	19,042	1,000	20,042	22,496	-	22,496	18,948
<b>NONOPERATING REVENUE (EXPENSES)</b>								
Federal grants	29,711	-	-	-	29,711	-	29,711	20,648
Non-federal grants	1,469	-	-	-	1,469	-	1,469	5,060
Investment income (loss)	490	-	-	-	490	-	490	338
Federal grants	(29,711)	-	-	-	(29,711)	-	(29,711)	(20,648)
Total nonoperating revenues (expenses)	1,959	-	-	-	1,959	-	1,959	5,398
<b>CHANGE IN ASSETS BEFORE TRANSFERS</b>	4,413	19,042	1,000	20,042	24,455	-	24,455	24,346
<b>TRANSFERS</b>								
Transfer to Industrial Commission	(100)	-	-	-	(100)	-	(100)	(100)
<b>CHANGE IN NET POSITION</b>	4,313	19,042	1,000	20,042	24,355	-	24,355	24,246
<b>TOTAL NET POSITION, BEGINNING OF YEAR</b>	20,994	212,096	23,360	235,456	256,450	-	256,450	232,204
<b>TRANSFER IN (OUT)</b>	(77)	77	-	77	-	-	-	-
<b>TOTAL NET POSITION, END OF YEAR</b>	\$ 25,230	\$ 231,215	\$ 24,360	\$ 255,575	\$ 280,805	\$ -	\$ 280,805	\$ 256,450

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds		Homeownership Bond Funds	Total	Elimination	Total	
		1994 General Resolution	2009 General Resolution				2025	2024
<b>OPERATING ACTIVITIES</b>								
Receipts from customers	\$ 16,856	\$ 432,668	\$ 5,808	\$ 438,476	\$ 455,332	\$ (2,974)	\$ 452,358	\$ 320,618
Proceeds from sale of loans receivable	-	145	-	145	145	-	145	703
Interfund mortgages loan purchases and sales	-	(461,668)	-	(461,668)	(461,668)	-	(461,668)	(279,531)
Grant funds received in advance	-	-	-	-	-	-	-	-
Payment of grants	(1,583)	-	-	-	(1,583)	-	(1,583)	(1,023)
Payments to service providers								
State agencies	(6,245)	-	-	-	(6,245)	-	(6,245)	(6,146)
Mortgage loan purchases	-	(208,683)	-	(208,683)	(208,683)	-	(208,683)	(270,105)
Other	2,678	(17,927)	(360)	(18,287)	(15,609)	2,974	(12,635)	(11,000)
Payments to employees	(5,851)	-	-	-	(5,851)	-	(5,851)	(5,378)
Net cash provided by (used for) operating activities	5,855	(255,465)	5,448	(250,017)	(244,162)	-	(244,162)	(251,862)
<b>NONCAPITAL FINANCING ACTIVITIES</b>								
Principal payments on bonds payable	-	(130,460)	(5,205)	(135,665)	(135,665)	-	(135,665)	(126,840)
Proceeds from bond issuance	-	669,204	-	669,204	669,204	-	669,204	472,107
Interest paid on loans and bonds	-	(62,884)	(935)	(63,819)	(63,819)	-	(63,819)	(45,897)
Proceeds from non-federal grants	1,469	-	-	-	1,469	-	1,469	5,060
Proceeds from federal grants	29,711	-	-	-	29,711	-	29,711	20,648
Payment of federal grants	(29,711)	-	-	-	(29,711)	-	(29,711)	(20,648)
Transfers to Industrial Commission	(100)	-	-	-	(100)	-	(100)	(100)
Net cash provided by (used for) noncapital financing activities	1,369	475,860	(6,140)	469,720	471,089	-	471,089	304,330

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds		Homeownership Bond Funds	Total	Elimination	Total	
		1994 General Resolution	2009 General Resolution				2025	2024
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Purchase of equipment	\$ (12)	\$ -	\$ -	\$ -	\$ (12)	\$ -	\$ (12)	\$ (8)
Principal payments on lease payable	(224)	-	-	-	(224)	-	(224)	(218)
Interest paid on lease payable	(4)	-	-	-	(4)	-	(4)	(9)
Net cash used for capital and related financing activities	(240)	-	-	-	(240)	-	(240)	(235)
<b>INVESTING ACTIVITIES</b>								
Purchase of investments	-	-	(496)	(496)	(496)	-	(496)	-
Proceeds from sale of investments	-	6,683	-	6,683	6,683	-	6,683	5,843
Interest received from investments	415	-	-	-	415	-	415	470
Net cash provided by (used for) investing activities	415	6,683	(496)	6,187	6,602	-	6,602	6,313
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	7,399	227,078	(1,188)	225,890	233,289	-	233,289	58,546
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	36,344	245,628	6,029	251,657	288,001	-	288,001	229,455
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 43,743</u>	<u>\$ 472,706</u>	<u>\$ 4,841</u>	<u>\$ 477,547</u>	<u>\$ 521,290</u>	<u>\$ -</u>	<u>\$ 521,290</u>	<u>\$ 288,001</u>
Cash and Cash Equivalents - Unrestricted	\$ 19,731	\$ -	\$ -	\$ -	\$ 19,731	\$ -	\$ 19,731	\$ 16,135
Cash and Cash Equivalents - Restricted	24,012	472,706	4,841	477,547	501,559	-	501,559	271,866
	<u>\$ 43,743</u>	<u>\$ 472,706</u>	<u>\$ 4,841</u>	<u>\$ 477,547</u>	<u>\$ 521,290</u>	<u>\$ -</u>	<u>\$ 521,290</u>	<u>\$ 288,001</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**COMBINING STATEMENTS OF CASH FLOWS - CONTINUED**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**  
(In Thousands)

	Agency Operating Funds	Homeownership Bond Funds		Homeownership Bond Funds	Total	Elimination	Total	
		1994 General Resolution	2009 General Resolution				2025	2024
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Operating income (loss)	\$ 2,454	\$ 19,042	\$ 1,000	\$ 20,042	\$ 22,496	\$ -	\$ 22,496	\$ 18,948
Adjustments to reconcile operating income to net cash from operating activities:								
Depreciation	33	-	-	-	33	-	33	33
Amortization								
Original issue discounts and premiums	-	(7,876)	(137)	(8,013)	(8,013)	-	(8,013)	(7,375)
Service release premiums	2,062	-	-	-	2,062	-	2,062	1,658
Leased assets	220	-	-	-	220	-	220	213
(Increase) decrease in fair value of investments	-	(1,444)	16	(1,428)	(1,428)	-	(1,428)	694
Reclassification of interest expense to other activities	3	73,188	878	74,066	74,069	-	74,069	53,939
Effect on cash flows due to changes in:								
Deferred outflow - pension	1,732	-	-	-	1,732	-	1,732	1,853
Deferred outflow - OPEB	44	-	-	-	44	-	44	50
Deferred inflows - pension	(1,610)	-	-	-	(1,610)	-	(1,610)	848
Deferred inflows - OPEB	-	-	-	-	-	-	-	17
Effect on cash flows due to changes in:								
Due from HUD	63	-	-	-	63	-	63	406
Due from State Agencies	37	-	-	-	37	-	37	(331)
Service release premium	(3,329)	-	-	-	(3,329)	-	(3,329)	(2,959)
Other receivables	339	(4,939)	(1,154)	(6,093)	(5,754)	6,385	631	6
Prepaid expenses	(4)	(1)	-	(1)	(5)	-	(5)	(5)
Loan interest receivable	-	(2,169)	8	(2,161)	(2,161)	-	(2,161)	(1,730)
Loans receivable	25	(336,625)	4,840	(331,785)	(331,760)	-	(331,760)	(316,383)
Due to HUD	10	-	-	-	10	-	10	(17)
Due to State Agencies	52	-	-	-	52	-	52	86
Rebate due to IRS	-	84	-	84	84	-	84	-
Other liabilities	46	5,275	(3)	5,272	5,318	(6,385)	(1,067)	(606)
Compensated absences	102	-	-	-	102	-	102	4
Funds held in trust	3,740	-	-	-	3,740	-	3,740	1,324
Net pension liability	(164)	-	-	-	(164)	-	(164)	(2,535)
Net cash provided by (used for) operating activities	\$ 5,855	\$ (255,465)	\$ 5,448	\$ (250,017)	\$ (244,162)	\$ -	\$ (244,162)	\$ (251,862)
Non-cash disclosures:								
Increase (decrease) in fair value of investments	\$ 77	\$ 1,444	\$ (17)	\$ 1,427	\$ 1,504	\$ -	\$ 1,504	\$ (775)

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**HOUSING AND URBAN DEVELOPMENT -**  
**SECTION 8 FINANCIAL DATA SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Line Item #	Description	Rent Supplements - Rental Housing for Lower Income Families	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitate ND901MR0001	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0004	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0005	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0006	Lower Income Housing Assistance Program_Section 8 Moderate Rehabilitat ND901MR0008
<b>Assets</b>							
111	Cash - Unrestricted	1,027,435	107,171	39,006	52,286	153,339	31,878
113	Cash - Other Restricted	16	-	-	-	-	-
115	Cash - Restricted for payment of current liability	-	2,667	7,488	4,596	3,726	4,771
<b>100</b>	<b>Total Cash</b>	<b>1,027,451</b>	<b>109,838</b>	<b>46,494</b>	<b>56,882</b>	<b>157,065</b>	<b>36,649</b>
122	Accounts Receivable - HUD Other Projects	165,707	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-
<b>120</b>	<b>Total Receivables, net of allowances for</b>	<b>165,707</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
142	Prepaid Expenses and Other Assets	13,892	-	-	-	-	-
<b>150</b>	<b>Total Current Assets</b>	<b>1,207,050</b>	<b>109,838</b>	<b>46,494</b>	<b>56,882</b>	<b>157,065</b>	<b>36,649</b>
<b>160</b>	<b>Total Fixed Assets, Net of Accumulated Depreciation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>180</b>	<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>190/290</b>	<b>Total Assets</b>	<b>1,207,050</b>	<b>109,838</b>	<b>46,494</b>	<b>56,882</b>	<b>157,065</b>	<b>36,649</b>
<b>Liabilities and Equity</b>							
311	Bank Overdraft	-	-	-	-	-	-
312	Accounts Payable <= 90 Days	43,701	829	718	939	1,381	-
331	Accounts Payable - HUD PHA Programs	16	2,667	7,488	4,596	3,726	4,771
<b>310</b>	<b>Total Current Liabilities</b>	<b>43,717</b>	<b>3,496</b>	<b>8,206</b>	<b>5,535</b>	<b>5,107</b>	<b>4,771</b>
<b>350</b>	<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>300</b>	<b>Total Liabilities</b>	<b>43,717</b>	<b>3,496</b>	<b>8,206</b>	<b>5,535</b>	<b>5,107</b>	<b>4,771</b>
508	Total Contributed Capital	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	-	-	-	-	-	-
509.2	Fund Balance Reserved	-	-	-	-	-	-
511.4	Restricted Net Position	16	2,667	7,488	4,596	3,726	4,771
512.4	Unrestricted Net Position	1,163,317	103,675	30,800	46,751	148,232	27,107
<b>513</b>	<b>Total Equity/Net Assets</b>	<b>1,163,333</b>	<b>106,342</b>	<b>38,288</b>	<b>51,347</b>	<b>151,958</b>	<b>31,878</b>
<b>600</b>	<b>Total Liabilities and Equity/Net Assets</b>	<b>1,207,050</b>	<b>109,838</b>	<b>46,494</b>	<b>56,882</b>	<b>157,065</b>	<b>36,649</b>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**HOUSING AND URBAN DEVELOPMENT -**  
**SECTION 8 FINANCIAL DATA SCHEDULE - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2025**

<b>Revenue</b>							
70500	Total Tenant Revenue	-	-	-	-	-	-
70600	HUD PHA Operating Grants	14,881,670	94,102	73,365	119,057	80,489	-
71100	Investment Income - Unrestricted	-	-	-	-	-	-
72000	Investment Income - Restricted	1,724	1	1	1	2	-
<b>700</b>	<b>Total Revenue</b>	<b>14,883,394</b>	<b>94,103</b>	<b>73,366</b>	<b>119,058</b>	<b>80,491</b>	<b>-</b>
<b>Expenses</b>							
91100	Administrative Salaries	317,458	5,560	4,818	6,301	9,266	-
91200	Auditing Fees	13,644	130	113	147	217	-
91500	Employee Benefit Contribution - Administrative	159,981	2,790	2,418	3,162	4,650	-
91600	Office Expense	33,976	636	551	721	1,060	-
91800	Travel	13,912	10	9	11	17	-
91900	Other	116,734	2,004	1,736	2,271	3,339	-
<b>96900/91000</b>	<b>Total Operating Expenses</b>	<b>655,705</b>	<b>11,130</b>	<b>9,645</b>	<b>12,613</b>	<b>18,549</b>	<b>-</b>
<b>Excess Operating Revenue over Operating Expenses</b>							
<b>97000</b>	<b>Excess Operating Revenue over Operating Expenses</b>	<b>14,227,689</b>	<b>82,973</b>	<b>63,721</b>	<b>106,445</b>	<b>61,942</b>	<b>-</b>
97300	Housing Assistance Payments	14,068,515	77,817	59,251	100,601	53,347	-
<b>90000</b>	<b>Total Expenses</b>	<b>14,724,220</b>	<b>88,947</b>	<b>68,896</b>	<b>113,214</b>	<b>71,896</b>	<b>-</b>
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-
<b>Excess (Deficiency) of Operating Revenue Over (Under) Expenses</b>							
<b>10000</b>	<b>Excess (Deficiency) of Operating Revenue Over (Under) Expenses</b>	<b>159,174</b>	<b>5,156</b>	<b>4,470</b>	<b>5,844</b>	<b>8,595</b>	<b>-</b>
<b>Memo Account Information</b>							
11020	Debt Principal Payments - Enterprise Funds	-	-	-	-	-	-
11030	Beginning Equity	1,004,159	101,186	33,818	45,503	143,363	31,878
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-
11130	Maximum Annual Contributions Commitment (per ACC)	15,210,903	102,972	78,178	111,590	105,320	-
11140	Prorate Maximum Annual Contributions Applicable to a Period of less than Twelve Months	-	-	-	-	-	-
11150	Contingency Reserve, ACC Program Reserve	2,017,023	85,500	12,586	28,743	66,506	36,622
<b>11160</b>	<b>Total Annual Contributions Available</b>	<b>17,227,926</b>	<b>188,472</b>	<b>90,764</b>	<b>140,333</b>	<b>171,826</b>	<b>36,622</b>
11190/11200	Unit Months Available	30,371	180	156	204	300	-
11210	Number of Unit Months Leased	30,371	168	133	200	249	-

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**ADJUSTED NET WORTH CALCULATION**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
(In Thousands)

**A. Adjusted net worth calculation**

Stockholder's equity per statement of financial condition at end of reporting period	<u>\$ 280,805</u>
--	-------------------

Less:

Itemized unacceptable assets

1. Due from state agencies

\$ (294)

2.

\$ -

3.

\$ -

Total unacceptable assets

\$ (294)

Adjusted net worth

\$ 280,511

**B. Required net worth calculation**

Unpaid principal balance of securities outstanding (Note: number of pools = 40)	<u>\$ 126,741</u>
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Plus:

Outstanding balance of commitment authority issued and requested	<u>\$ -</u>
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Total outstanding portfolio and authority

\$ 126,741

Required net worth

\$ 2,944

**C. Excess (deficit) net worth**

(Adjusted net worth - required net worth)

\$ 277,567



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**INSURANCE COVERAGE SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
(In Thousands)

**A. Identification of affiliated Ginnie Mae issuers**

Affiliated Ginnie Mae issuers (Issuer name and Ginnie Mae issuer identification code)	None
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Affiliated issuers on same insurance policies (Issuer name and Ginnie Mae issuer identification number)	None
--	------

**B. Required insurance calculation**

Servicing portfolio	
Ginnie Mae	\$ 126,741
Conventional (other)	2,098,355

Total servicing portfolio	\$2,225,096
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Required fidelity bond coverage	2,750
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Required mortgage servicing errors and omissions coverage	2,750
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**C. Verification of insurance coverage**

Fidelity bond coverage at end of reporting period	3,000
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Mortgage servicing errors and omissions coverage at end of reporting period	3,750
--	-------

**D. Excess (deficit) insurance coverage**

Fidelity bond coverage	250
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Required servicing errors and omissions coverage	1,000
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**E. Ginnie Mae loss payable endorsement**

Fidelity bond coverage	Yes
------------------------	-----

Mortgage servicing errors and omissions coverage	Yes
--	-----

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**CAPITAL REQUIREMENT CALCULATION**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
(In Thousands)

**A. Capital requirement for depository institutions**

Tier 1 capital	\$ -	
Total capital	\$ -	
Risk-based assets	\$ -	
Total assets	\$ -	
Tier 1 capital / total assets		- %
Tier 1 capital / risk-based assets		- %
Total capital / risk-based assets		- %
		<u>Meets</u>
5% of tier 1 capital / total assets	\$ -	N/A
6% of tier 1 capital / risk-based assets	\$ -	N/A
10% of total capital / risk-based assets	\$ -	N/A

**B. Capital requirement for nondepository institutions**

Total adjusted net worth	\$ 280,511	
Total assets	\$2,818,952	
		<u>Meets</u>
Total adjusted net worth / total assets	9.95%	Yes

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**LIQUID ASSET REQUIREMENT CALCULATION**  
**FOR THE YEAR ENDED JUNE 30, 2025**  
(In Thousands)

**A. Liquid asset calculation**

Required net worth (from adjusted net worth calculation, page 69)		<u>\$ 2,944</u>
Acceptable liquid assets		
1. Cash and cash equivalents	<u>\$ 19,731</u>	
Total liquid assets		<u>\$ 19,731</u>

**B. Required liquid asset**

		<u>Meets Requirement?</u>
Excess (deficit) liquid (Total liquid assets / required net worth)	<u>670%</u>	<u>Yes</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities of the North Dakota Housing Finance Agency, a department of the State of North Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the North Dakota Housing Finance Agency's basic financial statements, and have issued our report thereon dated November 24, 2025.

### Report on Internal Control over Financial Reporting

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



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

November 24, 2025

**SUMMARY OF NORTH DAKOTA  
HOUSING FINANCE AGENCY AUDIT  
FOR FISCAL YEAR ENDED JUNE 30, 2025  
PREPARED BY BRADY MARTZ  
November 24, 2025**

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

**Type of Opinion:** Unmodified

**Summary of findings/recommendations:** There was one compliance funding noted, see page 82 for further details.

**Explanations of significant audit adjustments and corrected 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 \$63,782  
Prior audit \$55,375

November 24, 2025

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

We have audited the financial statements of the business-type activities of North Dakota Housing Finance Agency, a department of the State of North Dakota, 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* 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 June 6, 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 North Dakota Housing Finance Agency are described in Note 1 to the financial statements. As described in Note 1, the Agency changed accounting policies related to compensated absences by adopting GASB Statement No. 101, *Compensated Absences*, during the current year. We noted no transactions entered into by the governmental unit 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. The most sensitive estimates affecting the financial statements were:

*Fair value of investments* – Management's estimate of investments is based on the exchange value of investments between two willing parties. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

*Fair value of financial derivative instruments* – Management's estimate of the fair value of financial derivative instruments is based on the zero-coupon method and the discounted cash flow method. We evaluated the key factors and assumptions used to develop the fair value of the instruments in determining that they are reasonable in relation to the financial statements taken as a whole.

*Compensated absences* – Management's estimate of compensated absences is based on the days-used approach and the LIFO approach. We evaluated the key factors and assumptions used to determine future compensated absences in determining that they are reasonable in relation to the financial statements taken as a whole.

*Net pension liability* – Management's estimate of its actuarially calculated pension liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increase, and form of annuity payment upon retirement. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

*Net OPEB liability* – Management's estimate of its actuarially calculated OPEB liability is based on several factors including but not limited to, anticipated investment return rate, retirement age for active employees, and life expectancy. We evaluated the key factors and assumptions used to determine future liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

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 such misstatements noted.

#### *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 November 24, 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 governmental unit’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 governmental unit’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, schedule of employer’s share of net pension liability, schedule of employer contributions – pension, employer’s share of net OPEB liability, schedule of employer contributions – OPEB and notes to the required supplementary information, 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 the combining statement of net position, combining statement of revenues, expenses and changes in fund net position, combining statement of cash flows, Housing and Urban Development – Section 8 Financial Data Schedule, adjusted net worth calculation, insurance coverage schedule, capital requirement calculation and liquid asset requirement calculation, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, 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 use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Advisory Board and management of the North Dakota Housing Finance Agency and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

**NORTH DAKOTA HOUSING FINANCE AGENCY  
BISMARCK, NORTH DAKOTA**

**FEDERAL AWARDS REPORT**

**FOR THE YEAR ENDED JUNE 30, 2025**

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Dakota Housing Finance Agency’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 Housing Finance Agency’s major federal programs for the year ended June 30, 2025. North Dakota Housing Finance Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The Agency’s major programs and the related direct and material compliance requirements are as follows:

<u>Name of Major Program</u>	<u>Direct and Material Compliance Requirements</u>
Federal Housing Commission Division Mortgage Insurance – Homes: AL 14.117	Special Tests and Provisions: Quality Control Plan, Delinquent Loans, Insurance Claims and Escrow Accounts
Ginnie Mae Issuers of Mortgage – Backed Securities: AL 14.UNK and & 64.UNK	Special Tests: Federal Financial Reports, Eligibility to Issue Mortgage-Backed Securities, Review of Custodial Documents, Issuer’s Administration of Pooled Mortgage, Review of Monthly Accounting Reports and Quarterly Submissions, Securities and Trading Practices.
Home Investment Partnerships Program AL 14.239	Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Eligibility, Program Income, Subsequent Monitoring, Special Tests and Provisions – Wage Rate Requirements, Special Tests and Provisions – Maximum Per-Unit Subsidy, , Special Tests and Provisions – Underwriting Requirements, Special Tests and Provisions – Drawdowns of HOME/HOME-ARP Funds, Special Tests and Provisions – Housing Quality Standards

In our opinion, North Dakota Housing Finance Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

### ***Basis for Opinion on Each Major Federal Program***

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

We are required to be independent of North Dakota Housing Finance Agency 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 Housing Finance Agency'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 Housing Finance Agency'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 Housing Finance Agency'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 Housing Finance Agency'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 Housing Finance Agency'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 Housing Finance Agency'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 Housing Finance Agency'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.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on North Dakota Housing Finance Agency's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. North Dakota Housing Finance Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a significant deficiency.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule and findings and questioned costs.

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.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities of the North Dakota Housing Finance Agency as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Job Service North Dakota's basic financial statements. We issued our report thereon dated November 24, 2025, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

December 10, 2025



**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

<u>Federal Grantor/Federal Agency /Pass through Agency/Program</u>	<u>Federal AL Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>Department of Housing and Urban Development</u>			
Federal Housing Commission Division			
Direct programs			
Previous year balance of loans on which there are continuing compliance requirements	14.117		\$ 839,496,530
FHA loan principal disbursed during the fiscal year			172,217,185
Total			<u>1,011,713,715</u>
 Ginnie Mae - Mortgage Insurance - Homes			
Previous year balance of loans on which there are continuing compliance requirements	14.UNK		118,299,900
 Rent Supplements - Rental Housing for Lower Income Families	14.149		14,724,221
 Housing Counseling Assistance Program	14.169	\$ 32,384	32,384
 Housing Trust Fund	14.275		6,991,775
 Community Planning and Development Division			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation/Section 8 Project-Based Cluster	14.856		342,955
Community Development Block Grants	14.228		6,056
Emergency Solutions Grants Program	14.231	479,383	515,683
Continuum of Care - Planning	14.267		100,633
HOME Investment Partnership Program	14.239	426,111 *	6,294,939
HOME ARP	14.239	113,127 *	1,799,509
Total Department of Housing and Urban Development		<u>1,051,005</u>	<u>1,160,821,770</u>
 <u>Department of Veterans Affairs</u>			
Veterans Benefits Administration Division			
Veterans Housing - Guaranteed and Insured Loans			
Previous year balance of loans on which there are continuing compliance requirements	64.114		115,510,185
VA loan principal disbursed during the fiscal year	64.114		41,054,295
Total			<u>156,564,480</u>
 Ginnie Mae - Veterans Housing Guaranteed and Insured Loans			
Previous year balance of loans on which there are continuing compliance requirements	64.UNK		9,709,369
Total Department of Veteran Affairs			<u>166,273,849</u>
TOTAL		<u>\$ 1,051,005</u>	<u>\$1,327,095,619</u>

\*Total AL #14.239 = \$8,094,448

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**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**

North Dakota Housing Finance Agency has not elected to use the 10-percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE 3 BASIS OF PRESENTATION**

The accompanying Schedule includes the federal award activity of North Dakota Housing Finance Agency under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of North Dakota Housing Finance Agency, it is not intended to and does not present the financial position, change in net position, or cash flows of North Dakota Housing Finance Agency.

**NOTE 4 LOAN GUARANTEES AND INSURANCE**

The following is the balance of federal loan guarantees and insurance outstanding for the loan programs which appear on the schedule of expenditures of federal awards as of June 30, 2025.

		<u>2025</u>
Mortgage Insurance - Homes	14.117	943,955,270
Ginnie Mae -Mortgage Insurance - Homes	14.UNK	104,479,255
Veterans Housing - Guaranteed and Insured Loans	64.114	144,218,530
GinnieMae - Veterans Housing Guaranteed and Insured Loans	64.UNK	8,283,309
		<u>\$ 1,200,936,364</u>

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

       yes        x   no

Significant deficiency(ies) identified?

       yes        x   none reported

Noncompliance material to financial  
statements noted?

       yes        x   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

       yes        x   no

Significant deficiency(ies) identified?

  x   yes             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  
2 CFR 200.516(a)?

  x   yes             no

AL Number(s)

Name of Federal Program or Cluster

14.117

Mortgage Insurance – Homes

14.UNK / 64.UNK

Ginnie Mae – Mortgage Insurance – Homes

Ginnie Mae - Veterans Housing Guaranteed and Insured Loans

14.239

HOME Investment Partnerships Program

Dollar threshold used to distinguish  
between Type A and Type B programs:

\$1,215,526

Auditee qualified as a low-risk auditee?

  x   yes             no

**Section II - Financial Statement Findings**

There are no findings which are required to be reported under this section.

**NORTH DAKOTA HOUSING FINANCE AGENCY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Section III - Federal Award Findings and Questioned Costs**

**2025-001: Special Tests: Escrow Surplus Not Paid Within 30 Days – Significant Deficiency**

AL 14.117 Federal Housing Commission Division Mortgage Insurance

Criteria

The Agency is required to return to the borrower any escrow surplus within 30 days of the loan payoff date.

Condition

Of the 25 loan payoffs tested, we noted one instance where the escrow surplus was not returned to the borrower within 30 days of the loan payoff.

Cause

The Agency updated loan tracking software in the current year. There was an issue with the 'next due date' on the payoff screen not updating once a payoff quote has been saved.

Effect

Borrowers are potentially not receiving escrow surpluses in a timely manner.

Questioned Costs

\$0

Recommendation

We recommend the Agency review its procedures to monitor any escrow surpluses that need to be returned after loans have been paid off.

Views of Responsible Officials

We acknowledge the finding that an escrow surplus related to a loan payoff was not fully released to the borrower within 30 days as required. The lapse occurred due to a system error that caused excess funds to be retained for PMI at payoff, as well as delays in reconciliation and manual processing workflows, and not due to intentional noncompliance. Management recognizes the importance of adhering to RESPA and internal policy requirements to ensure borrowers receive timely refunds and avoid compliance risk.

Repeat Finding

This is a new finding.



**Corrective Action Plan:**

1. **System Remediation:** Our servicing software payoff logic has been corrected to ensure no excess escrow mortgage insurance funds are held back at payoff.  
  
Fix date: August 12, 2025
2. **Staff Training:** Provide training to escrow and payoff staff on the updated process and system changes, emphasizing regulatory requirements for escrow refund timeliness.
3. **Monitoring:** The existing control report used to identify escrow surpluses post-payoff will now be run on a bi-monthly basis instead of monthly.
4. **Accountability:** The Servicing Coordinator will oversee corrective actions and provide periodic reporting to compliance and senior management.

**Target Completion Date:** October 30, 2025

**Responsible Party:** Austin Ketterling, Servicing Coordinator

**NORTH DAKOTA HOUSING INCENTIVE FUND  
BISMARCK, NORTH DAKOTA**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of the North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the North Dakota Housing Incentive Fund'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 financial position of the North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota, as of June 30, 2025 and 2024, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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 Housing Incentive Fund, 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 opinion.

#### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the North Dakota Housing Incentive 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 and the changes in its financial position, 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.



### ***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 Housing Incentive Fund'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 opinion. 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 Housing Incentive Fund'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 Housing Incentive Fund'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 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 November 24, 2025, on our consideration of the North Dakota Housing Incentive Fund'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 Housing Incentive Fund'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 Housing Incentive Fund's internal control over financial reporting and compliance.



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

November 24, 2025

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2025 AND 2024**

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

**Financial Highlights**

The Fund's current assets consist only of cash deposited at the Bank of North Dakota. The cash balance at the end of FY2025 was \$9,414,275. This is a decrease of \$5,971,517 from the FY2024 balance. The cash balance at the end of FY2024 was \$15,385,792. This is an increase of \$8,123,207 from the FY2023 balance. The cash balance at the end of FY2023 was \$7,262,585. The fluctuations are a result of the Fund's operational activity.

Current liabilities were \$18,336 in FY2025, \$85,641 in FY2024 and \$0 in FY2023. The entire FY2025 and FY2024 payable was to North Dakota Housing Finance Agency for administrative costs, no amounts were payable to other entities.

No contribution revenue was received in FY2025, FY2024, or FY2023.

In FY2025, the Fund received project payments of \$816,697. In FY2024, the Fund received project payments of \$169,576. In FY2023, the Fund received project payments of \$57,475. Funds were remitted in accordance with the HIF loan agreement.

No fee income was received in FY2025, FY2024, or FY2023.

Administrative and operating expenses paid to North Dakota Housing Finance Agency were \$533,277 in FY2025 and \$288,401 in FY2024. The expenses were the result of general operating, administrative, and salary expense specifically related to homeless programs. This is an increase of \$244,876 from the FY2024 expense, which was an increase of \$288,401 from the FY2023 expense of \$0. The changes year over year are a result of general operating, administrative, and salary expenses.

The Fund's grant expense decreased by \$825,538 from \$6,652,935 in FY2024 to \$5,827,397 in FY2025. The Fund's grant expense decreased by \$296,799 from \$6,949,734 in FY2023 to \$6,652,935 in FY2024. All grant expenses can be attributed to the first, second, third, and fourth initiated measure of the Fund. Additionally, the Fund's grant expense related to recaptured funds was \$388,073 in FY2025, \$240,674 in FY2024 and \$971,113 in FY2023.

The Fund's FY2025 ending balance of \$9,395,939 is a result of beginning balance of \$15,300,151 less operating expense of \$533,277, grant expense recaptured funds of \$388,073 and grant expense of \$5,827,397, plus project payments of \$816,697 and interest income of \$27,838. The Fund's FY2024 ending balance of \$15,300,150 is a result of beginning balance of \$7,262,585 less operating expense of \$288,401, grant expense recaptured funds of \$240,674 and grant expense of \$6,652,935, plus project payments of \$169,576 and the sixth initiated measure of \$13,750,000 along with \$1,300,000 in FHLB Member Impact grant funds. The Fund's FY2023 ending balance of \$7,262,585 is a result of beginning balance of \$15,125,957 less grant expense recaptured funds of \$971,113 and grant expense of \$6,949,734, plus project payments of \$57,475. The fund balance is considered restricted.

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**JUNE 30, 2025 AND 2024**

**Overview of the Financial Statements**

**Condensed Balance Sheets**  
**June 30, 2025, 2024 and 2023**

	2025	2024	2023	\$ Change	Percentage
<b>ASSETS</b>					
Restricted current assets	\$ 9,414,275	\$ 15,385,792	\$ 7,262,585	\$ (5,971,517)	-39%
Total assets	<u>\$ 9,414,275</u>	<u>\$ 15,385,792</u>	<u>\$ 7,262,585</u>	<u>\$ (5,971,517)</u>	<u>-39%</u>
<b>LIABILITIES</b>					
Current liabilities	\$ 18,336	\$ 85,641	\$ -	\$ (67,305)	-79%
Total liabilities	<u>18,336</u>	<u>85,641</u>	<u>-</u>	<u>(67,305)</u>	<u>-79%</u>
<b>FUND BALANCE</b>					
Restricted for affordable multifamily housing	<u>9,395,939</u>	<u>15,300,151</u>	<u>7,262,585</u>	<u>(5,904,212)</u>	<u>-39%</u>
Total liabilities and fund balance	<u>\$ 9,414,275</u>	<u>\$ 15,385,792</u>	<u>\$ 7,262,585</u>	<u>\$ (5,971,517)</u>	<u>-39%</u>

**Condensed Statements of Revenues, Expenses, and Changes in Fund Balance**  
**Years Ended June 30, 2025, 2024 and 2023**

	2025	2024	2023	\$ Change	Percentage
<b>REVENUES</b>					
Project payment	\$ 816,697	\$ 169,576	\$ 57,475	\$ 647,121	382%
Interest income	<u>27,838</u>	<u>-</u>	<u>-</u>	<u>27,838</u>	<u>100%</u>
Total revenues	<u>844,535</u>	<u>169,576</u>	<u>57,475</u>	<u>674,959</u>	<u>398%</u>
<b>EXPENDITURES</b>					
<b>OPERATING EXPENSES</b>					
Administrative and operating expenses	533,277	288,401	-	244,876	85%
Grant expenses (recaptured funds)	388,073	240,674	971,113	147,399	61%
Grant expenses	<u>5,827,397</u>	<u>6,652,935</u>	<u>6,949,734</u>	<u>(825,538)</u>	<u>-12%</u>
Total expenditures	<u>6,748,747</u>	<u>7,182,010</u>	<u>7,920,847</u>	<u>(433,263)</u>	<u>-6%</u>
Revenue over expenditures	<u>(5,904,212)</u>	<u>(7,012,434)</u>	<u>(7,863,372)</u>	<u>1,108,222</u>	<u>-16%</u>
<b>TRANSFERS</b>					
Transfers from FHLB Member Impact Fund	-	1,300,000	-	(1,300,000)	-100%
Transfers from General Funds	<u>-</u>	<u>13,750,000</u>	<u>-</u>	<u>(13,750,000)</u>	<u>-100%</u>
CHANGE IN FUND BALANCE	<u>(5,904,212)</u>	<u>8,037,566</u>	<u>(7,863,372)</u>	<u>(13,941,778)</u>	<u>-173%</u>
TOTAL FUND BALANCE, BEGINNING OF YEAR	<u>15,300,151</u>	<u>7,262,585</u>	<u>15,125,957</u>	<u>8,037,566</u>	<u>111%</u>
TOTAL FUND BALANCE, END OF YEAR	<u>\$ 9,395,939</u>	<u>\$ 15,300,151</u>	<u>\$ 7,262,585</u>	<u>\$ (5,904,212)</u>	<u>-39%</u>

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**JUNE 30, 2025 AND 2024**

**Budgetary Information**

As discussed in Note 1 to the financial statements, the Housing Incentive Fund (HIF) was first authorized by the Sixty-second Legislative Assembly under chapter 54-17 of the North Dakota Century Code (NDCC) and was reauthorized by the Sixty-third and Sixty-fourth Legislative Assemblies. The aggregate amount of tax credits allowed to all eligible contributors in the first initiated measure was \$15,000,000; \$20,000,000 in the second initiated measure; and \$30,000,000 in the third initiated measure. A transfer from the General Fund of \$15,400,000 was authorized in the second initiated measure. In the third initiated measure a transfer from the Bank of North Dakota earnings of \$5,000,000 was authorized along with an additional transfer for \$5,000,000 contingent on the Bank of North Dakota's calendar year 2015 net income. The Sixty-fifth Legislative Assembly reauthorized HIF with no additional funding. The Sixty-sixth Legislative Assembly reauthorized the Fund with a transfer of \$7,500,000 from the General Fund. The Sixty-seventh Legislative Assembly reauthorized the Fund with a transfer of \$9,500,000 from the General Fund. The Sixty-eighth Legislative Assembly reauthorized the Fund with a transfer of \$13,750,000 from the General Fund.

**Outlook**

North Dakota Housing Incentive Fund was established by the North Dakota Sixty-second Legislative Assembly under chapter 54-17 of the North Dakota Century Code. The Fund was created to receive contributions for the tax years of 2011 and 2012 up to \$15,000,000. The Fund was fully funded by the December 31, 2012 deadline. The Fund was reauthorized and expanded by the Sixty-third Legislative Assembly. The Fund was able to receive up to \$20,000,000 of tax credits for tax years 2013 and 2014. In addition to the tax credits, the Fund received an additional \$15,400,000 general fund appropriation, for a total of \$35,400,000. The legislation for the Funds authorization included an emergency clause, which allowed the Fund to begin receiving contributions in FY2013. The Fund was fully funded by December 31, 2013.

The North Dakota Sixty-fourth Legislative Assembly reauthorized the Fund to receive up to \$30,000,000 of tax credits for tax years 2015 and 2016. In addition, the Fund received a \$5,000,000 transfer from the Bank of North Dakota. Another contingent transfer from the Bank of North Dakota in the amount of \$5,000,000 occurred in FY2016, as the Bank of North Dakota met the net income contingency in the third initiated measure. All transfers from the Bank of North Dakota were completed in FY2017. The Fund was fully funded by December 31, 2016.

The Sixty-fifth Legislative Assembly reauthorized HIF with no additional funding.

The Sixty-sixth Legislative Assembly reauthorized the Fund with a transfer of \$7,500,000 from the General Fund.

The Sixty-seventh Legislative Assembly reauthorized the Fund with a transfer of \$9,500,000 from the General Fund.

The Sixty-eighth Legislative Assembly reauthorized the Fund with a transfer of \$13,750,000 from the General Fund.

The Sixty-ninth Legislative Assembly reauthorized the Fund with a transfer of \$25,000,000 from the Strategic Investment and Improvements Fund. Additionally, the Fund received one-time funding of \$10,000,000 from the General Fund for homeless programs.

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED**  
**JUNE 30, 2025 AND 2024**

**Contacting the Housing Incentive Fund's Financial Management**

The information in this report is intended to provide the reader with an overview of the Fund's operations along with the Fund'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 Housing Incentive Fund, PO Box 1535, Bismarck, ND 58502-1535.

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**BALANCE SHEETS**  
**JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 9,414,275	\$ 15,385,792
Total assets	<u>\$ 9,414,275</u>	<u>\$ 15,385,792</u>
<b>LIABILITIES</b>		
Due to state agencies	\$ 18,336	\$ 85,641
Total liabilities	<u>18,336</u>	<u>85,641</u>
<b>FUND BALANCE</b>		
Restricted for affordable multifamily housing	9,395,939	15,300,151
Total fund balance	<u>9,395,939</u>	<u>15,300,151</u>
Total liabilities and fund balance	<u>\$ 9,414,275</u>	<u>\$ 15,385,792</u>

See Notes to Financial Statements

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED JUNE 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
REVENUES		
Project payments	\$ 816,697	\$ 169,576
Interest income	27,838	-
	<u>844,535</u>	<u>169,576</u>
Total revenues		
EXPENDITURES		
Current:		
Administrative and operating expenses	533,277	288,401
Grant expenses (recaptured funds)	388,073	240,674
Grant expenses	<u>5,827,397</u>	<u>6,652,935</u>
Total expenditures	<u>6,748,747</u>	<u>7,182,010</u>
Revenue over (under) expenditures	<u>(5,904,212)</u>	<u>(7,012,434)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(5,904,212)</u>	<u>(7,012,434)</u>
TRANSFERS		
Transfers from FHLB Member Impact Fund	-	1,300,000
Transfers from General Fund	<u>-</u>	<u>13,750,000</u>
CHANGE IN FUND BALANCE	(5,904,212)	8,037,566
TOTAL FUND BALANCE, BEGINNING OF YEAR	<u>15,300,151</u>	<u>7,262,585</u>
TOTAL FUND BALANCE, END OF YEAR	<u>\$ 9,395,939</u>	<u>\$ 15,300,151</u>

See Notes to Financial Statements



**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2025 AND 2024**

**NOTE 1 PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

The North Dakota Housing Incentive Fund (Fund) was created in 2011 by an initiated measure. The Fund was created as a special revolving fund at the Bank of North Dakota. The Fund is to be used to address unmet housing needs in North Dakota which includes new construction, rehabilitation, or acquisition of multifamily housing projects; gap assistance, matching funds, and accessibility improvements; assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness. The Fund was reenacted in 2013 by an initiated measure. Under the new allocation plan, in addition to the types of uses described above, the Fund must give first priority through its scoring and ranking process to housing for essential services. The second priority is to provide housing for individuals and families of low and moderate income. The fund was reenacted in 2015 by an initiated measure. Under this allocation plan, all terms are the same as the 2013 measure. The 2023 legislative session appropriated a transfer from the State's General Fund in the amount of \$13.75 million to the Fund.

**Reporting Entity**

In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fund should include all component units over which the Fund 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 the Fund.

Based on the criteria above, no organizations were determined to be part of the reporting entity. The Fund is included as part of the primary government of the State of North Dakota's reporting entity.

**Budgetary Process**

The Fund is considered a continuing appropriation and only prepares a budget detailing the expected expenditures of the Fund. Those expenditures encompass the funds already appropriated to the Fund.

The State's budgeting system does not include revenues and thus, a Statement of Revenues and Expenses - Budget and Actual cannot be prepared as required by generally accepted accounting principles. A statement of appropriations cannot be presented because the Fund is a continuing appropriation and therefore no specific appropriation has been made to compare to.

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**

**Accounting Standards**

The Fund follows the pronouncements of the Governmental Accounting Standards Board, which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. Funding is derived from individual, business, and financial institution tax payers who receive a dollar-for-dollar tax credit in exchange for their contributions to the Fund along with transfers from the State of North Dakota and related agencies.

**Fund Accounting**

The Fund is accounted for by a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The Fund accounts for the flow of resources of carrying on specific activities in accordance with laws, regulations, or debt restrictions. The Fund is operated as a special revenue fund. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The Fund is used to account for contributions from state income and financial institution taxpayers.

**Basis of Accounting**

The Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Expenditures are recorded when the related fund liability is incurred.

**Fund Balance Classification Policies and Procedures**

In accordance with Government Accounting Standards Board (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Fund classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by upper management.
- Unassigned – includes fund balance which has not been classified within the above-mentioned categories.

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**

The Fund uses restricted / committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Fund would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts of assets 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 these estimates.

**Contributions**

The Fund recognizes contribution revenue when taxpayer donations are received.

**Project Payments**

Project payments are recognized when earned and are amounts required to be paid back to the Fund when projects meet certain cash flow requirements.

**NOTE 2 DEPOSITS**

**Custodial Credit Risk**

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

The bank balances of deposits of the Fund at June 30, 2025 and 2024 were \$9,414,275 and \$15,385,792 consisting of non-interest-bearing operating cash deposited at the Bank of North Dakota.

The deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10. The carrying amounts of the deposits of the Fund at the Bank of North Dakota at June 30, 2025 and 2024 were \$9,414,275 and \$15,385,792.

**NORTH DAKOTA HOUSING INCENTIVE FUND**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2025 AND 2024**

**NOTE 3 RELATED PARTY TRANSACTIONS**

The Fund had the following transactions with related parties as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Due to state agencies:		
North Dakota Housing Finance Agency	<u>\$ 18,336</u>	<u>\$ 85,641</u>
Administrative expenditures:		
North Dakota Housing Finance Agency	<u>\$ 533,277</u>	<u>\$ 288,401</u>
Transfers in:		
State of North Dakota - General Fund	<u>\$ -</u>	<u>\$13,750,000</u>

**NOTE 4 COMMITMENTS**

The Fund makes various commitments relating to construction projects to meet unmet housing needs across North Dakota. The Fund had \$7,247,906 of signed commitments for construction projects as of June 30, 2025. The Fund had \$12,233,832 of HIF funds awarded for construction projects as of June 30, 2025. The total paid on these commitments as of June 30, 2025 was \$4,985,926.

**NOTE 5 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the Fund's year end. Subsequent events have been evaluated through November 24, 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**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise North Dakota Housing Incentive Fund's basic financial statements, and have issued our report thereon dated November 24, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the North Dakota Housing Incentive Fund'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 the North Dakota Housing Incentive Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Housing Incentive Fund'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 North Dakota Housing Incentive Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

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



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

November 24, 2025

**SUMMARY OF NORTH DAKOTA  
HOUSING INCENTIVE FUND AUDIT  
FOR FISCAL YEAR ENDED JUNE 30, 2025  
PREPARED BY BRADY MARTZ  
November 24, 2025**

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

**Type of Opinion:** Unmodified

**Summary of findings/recommendations:** No findings/recommendations

**Explanations of significant audit adjustments and corrected 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 \$6,017  
Prior audit \$5,320

November 24, 2025

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

We have audited the financial statements of the North Dakota Housing Incentive Fund, a special revenue fund of the State of North Dakota 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 in our letter to you dated June 6, 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 North Dakota Housing Incentive Fund 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 North Dakota Housing Incentive Fund 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. We did not identify any known or likely misstatements during 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 November 24, 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 North Dakota Housing Incentive Fund'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 governmental unit'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, Advisory Board and management of the North Dakota Housing Incentive Fund and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**BRADY MARTZ**  
**BISMARCK, NORTH DAKOTA**

## HOME MORTGAGE FINANCE PROGRAM BONDS

NDHFA Bond Sale 2025C

Attachment 29

	Priced Dec. 03, 2025		Priced 05/14/25	Priced 11/20/24
	Tax Exempt	Taxable	Tax Exempt	Tax Exempt
	2025C		2025A	2024D
Bonds Issued	185,000,000		200,000,000	195,000,000
Bond Premium	3,263,759		2,795,940	4,993,699
Debt Service Reserve	(2,000,000)		(6,000,000)	(5,850,000)
Total Proceeds	186,263,759		196,795,940	194,143,699
Bond Yield	4.48%		4.76%	4.33%
Cost of Issuance & Underwriters Discount (Agency)	1,582,276		1,678,917	1,749,072
Average Loan Amount	215,004		221,690	224,536
Estimated Number of Loans	866		888	865

Interest Rates Offered (30 Year Fixed rates adjusted daily):	FirstHome	Roots <sup>^</sup>	FirstHome	FirstHome
Government (1.5 Points*)	5.450%	6.500%	5.750%	5.450%
Conventional (1.5 Points*)	5.700%	6.750%	6.000%	5.700%
^Includes refinances, borrowers purchasing for a second time				

Eligible Loans include: FHA Insured, Conventional Insured, USDA RD RHS Guaranteed, VA Guaranteed, Uninsured

Home Sales Price Limits: (One Unit)  
All Counties 481,176  
*Higher Limits applicable to 2 - 4 Unit Residences*

Borrower Income Limits: 93,500 to 110,000  
(Limits vary by county and household size)

Loan Type Limits: Conventional 832,750  
FHA 541,287  
VA 832,750

Underwriters Discount Components: \$/M Bonds  
Management 0.75  
Expense 0.32  
Take-Down 5.86  
TOTAL 6.93

Miscellaneous :  
Annual (Basis Points on Loans Outstanding) 20

**Commentary:** The Federal Reserve cut the funds rate from around 4.25%–4.50% in May 2025 down to the current target of 3.5%-3.75% in December 2025, reflecting a shift from fighting inflation to preventing a potential slowdown with multiple 25 basis point cuts in late 2025. The Agency has moved the tax exempt 30 year mortgage rate 22 times and continues to be below the current market rate for a 30 year conventional loan. The average 30 year FHA mortgage rate is 5.84% and the average 30 year conventional mortgage rate now is 6.21%. For the past two months the Agency is averaging just over \$600,000 a day in First Home (tax exempt) reservations and approximately \$187,000 in daily Roots (taxable) reservations. Currently, the average total payment (principal, interest, taxes and insurance) for a First Home borrower is \$1,191 and for a Roots borrower it is \$1,932.

**Capital Project for Consideration - 1****1/20/2026****A-B Mill Building 9<sup>th</sup> Floor Addition****\$8,500,000****Current situation:**

The addition of a 9<sup>th</sup> Floor to the existing A-B Mill Building will facilitate the expansion of the E Mill from 500 cwt per day to 5,000 cwt per day. The expansion will also use existing space on the South End of the A-B Mill made available by the removal of the replaced millfeed handling system equipment.

This project will also facilitate the future remodeling and expansion of the A and B Mills.

Project would begin immediately with projected completion date of April 1, 2027.

**Proposed change and result:**

Fabricate and install an insulated steel framed 9<sup>th</sup> floor addition to the A-B Mill building. This will provide the extra floor space needed to complete the E Mill expansion and allow for the future remodeling and expansion of the A and B mills.

**Capital Project for Consideration - 2****1/20/2026****E Mill Expansion Phase I – Equipment****\$11,500,000****Current situation:**

The opportunity exists to expand the E Mill which is in the South End of the A-B Mill building from 500 cwt per day capacity to 5,000 cwt per day in the vacated obsolete Millfeed handling area and the South end of the 9<sup>th</sup> floor addition. The additional 4,500 cwt per day of spring wheat milling capacity will allow us to service increasing demand from existing customers and to take on additional customers.

Phase I of the project consists of the equipment needed for the project:

Wheat Cleaning Equipment – \$2,100,000

Milling Equipment – \$6,000,000

Conveying Equipment – \$1,700,000

Electrical Equipment - \$1,700,000

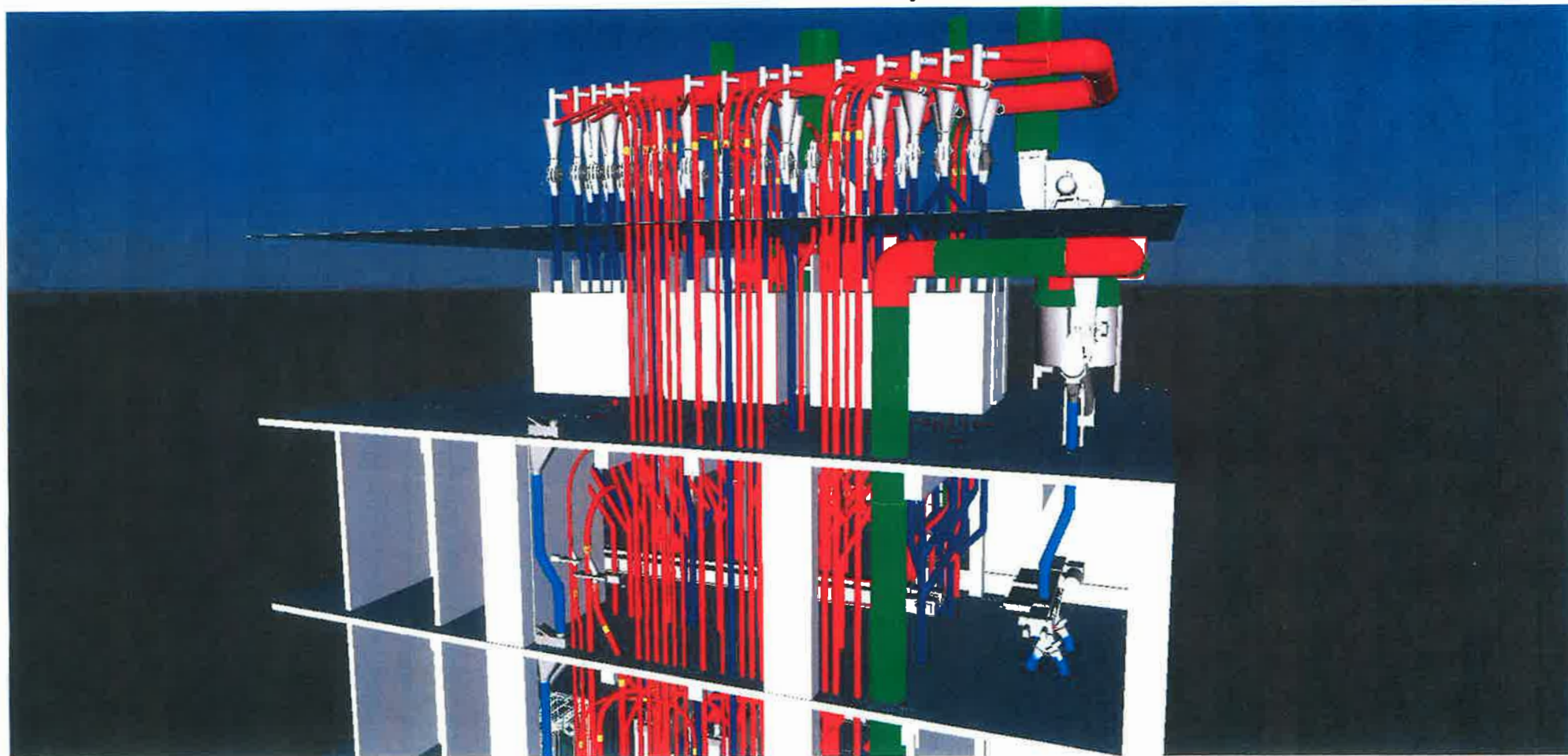
Project would begin with equipment order place by February 1, 2026, and projected to be completed by July 1, 2027. This would correlate with the completion of the AB Mill 9<sup>th</sup> Floor project completion.

Phase II of the project will be needed for the mechanical and electrical installation of the equipment. It is estimated that Phase II will cost approximately \$6,500,000. This would bring the E-Mill Expansion Project to a total of approximately \$18,000,000.

**Proposed change and result:**

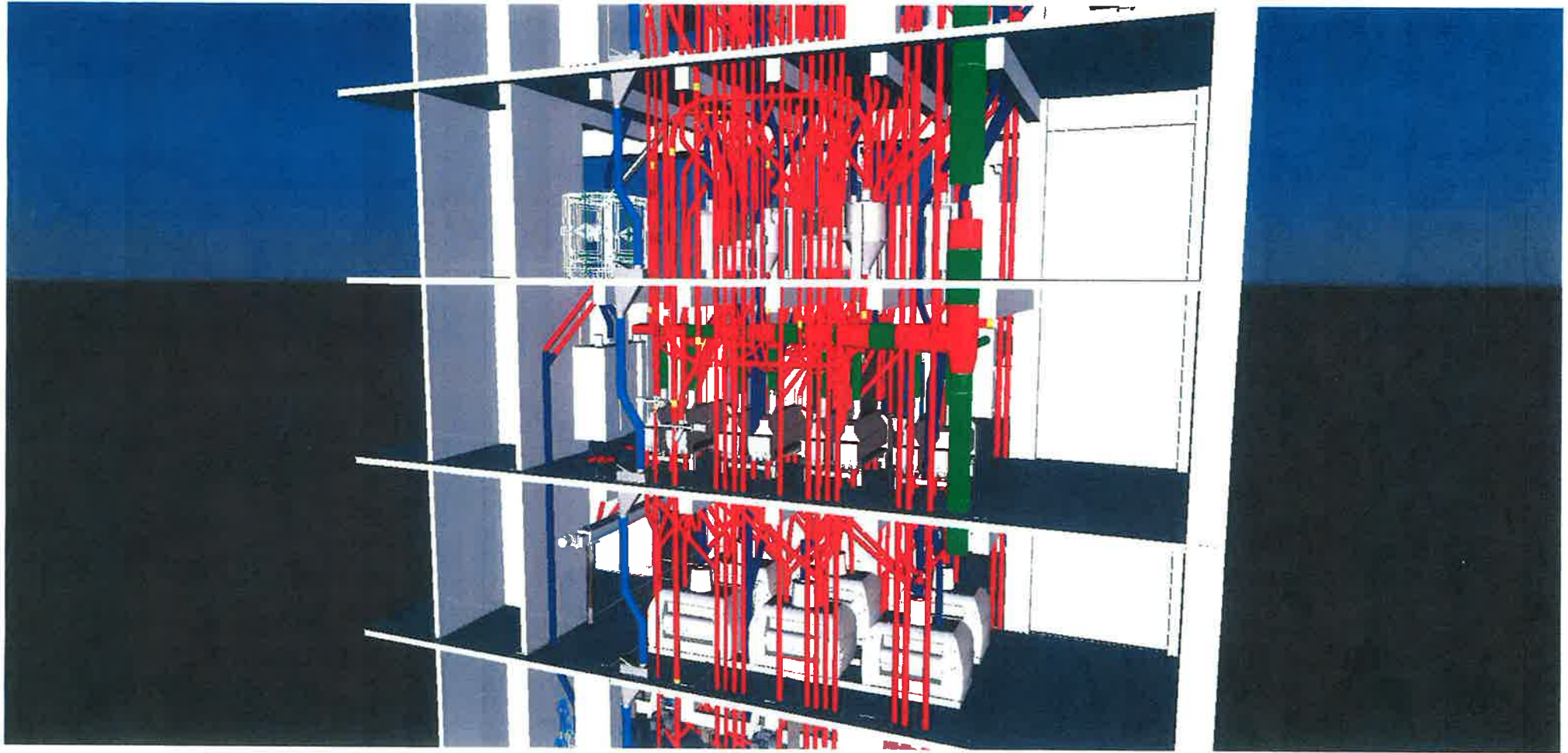
Purchase the necessary milling equipment, conveying systems, electrical infrastructure and automation to expand the E Mill. This will result in the additional purchase of 3,400,000 bushels of North Dakota Spring wheat and increase flour shipments by 1,485,000 cwt. The E Mill Expansion will not require the addition of any new FTEs.

E Mill  
Floors 7,8 and 9  
Floor Collection Conveyors, Sifters, Pneumatic Conveying System

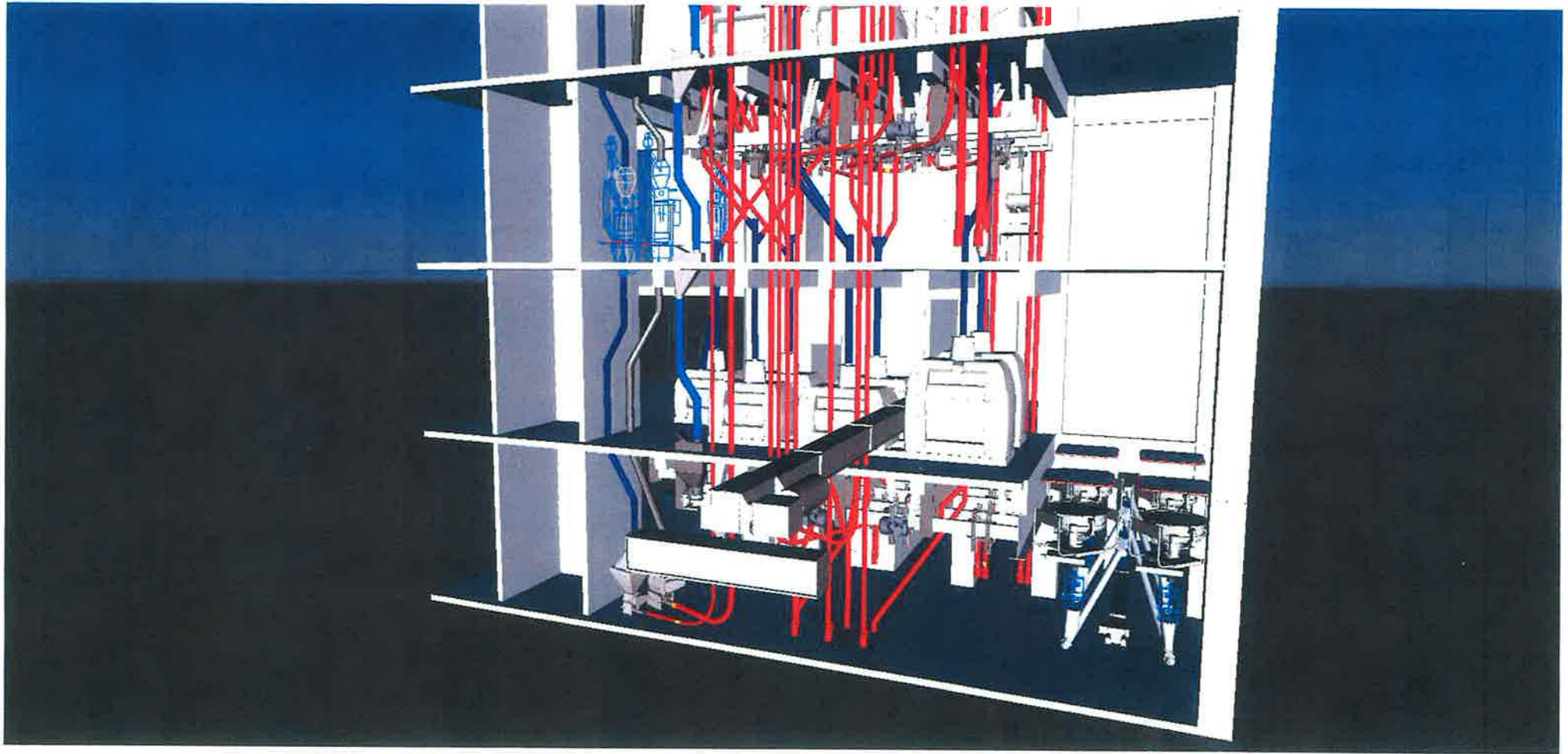




E Mill  
Floors 4,5 and 6  
Rollstands, Purifiers, Investation Destroyers



E Mill  
Floors 1,2 and 3  
Roll Drives, Rollstands and scales



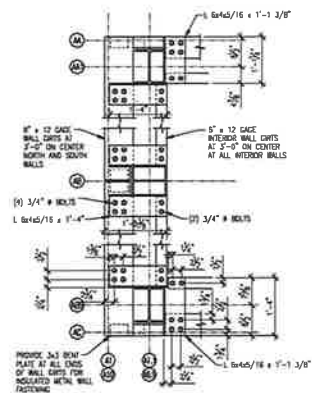
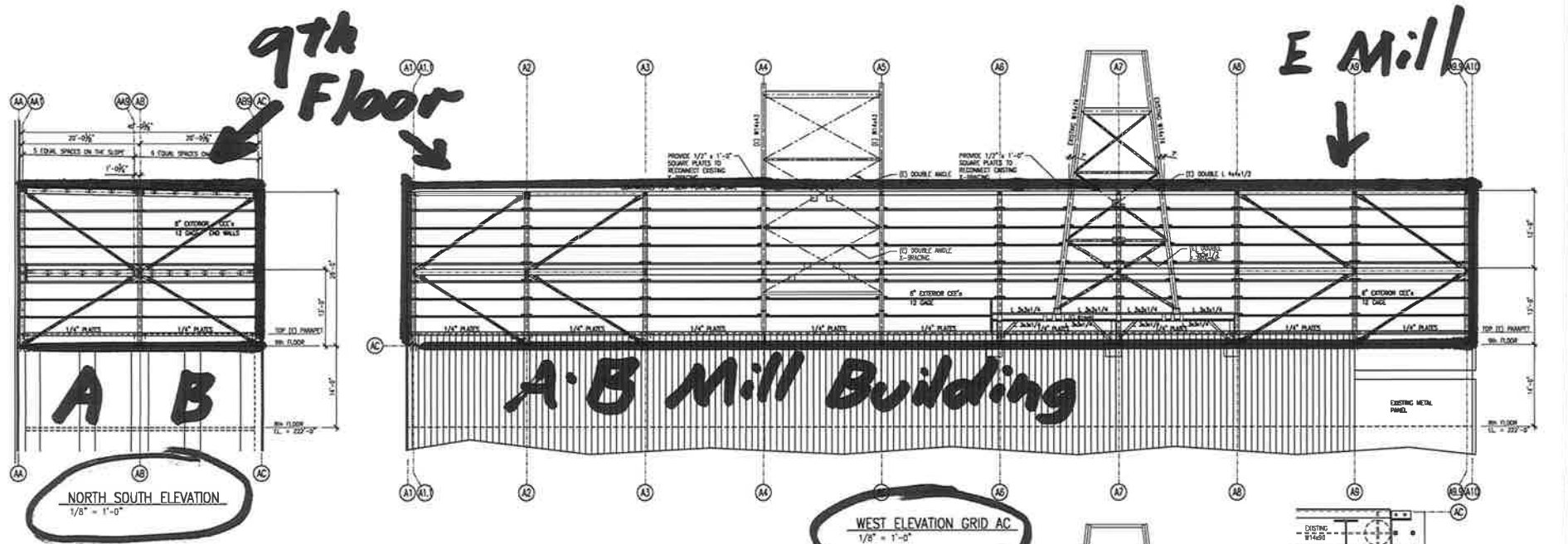


**Capital Project for Consideration - 3****1/20/2026****C Mill Wheat Delivery System****\$700,000****Current situation:**

The existing pneumatic system used to move wheat from our Terminal Elevator to the C Mill Cleaning House is inefficient and is worn out to the point where replacement is required.

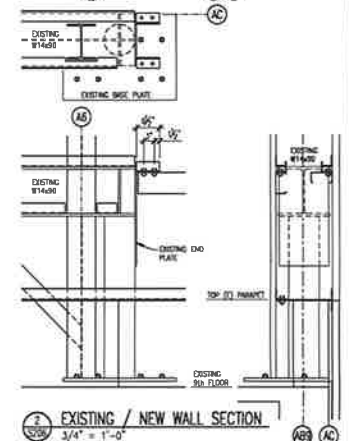
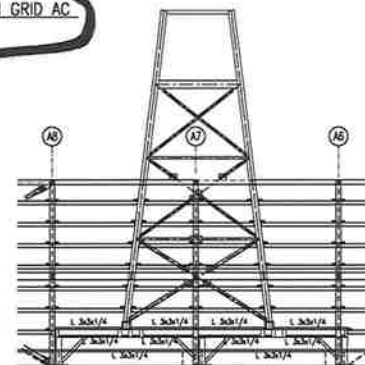
**Proposed change and result:**

Purchase and install upgraded drag conveyors, bucket elevator legs and electrical controls to provide a reliable and efficient wheat delivery system for the C Mill.



**SHEET NOTES:**

1. PROVIDE 2" x 16 GAGE STRIP VERTICALLY AT 1/2 POINTS OF ALL WALL GIRTS ATTACHED TO INTERIOR FRAMES OF THE EXTERIOR WALL GIRTS WITH (3) #14 SCREWS AT EACH GIRT FLANGE AND TO STEEL WELD BEAM ABOVE GIRT. SEE DETAIL 1/2009.



PROJECT NO:	008.0048.0025	DATE:	12/3/25
SCALE:	AS SHOWN	DATE:	12/3/25
CHECKED BY:	ME, MW	DATE:	12/3/25
DRAWN BY:	UR	DATE:	12/3/25
ISSUED FOR BIDS		DESCRIPTION	
EXISTING AB MILL NINTH FLOOR		FRAMING ELEVATIONS	
NORTH DAKOTA MILL		1823 MILL ROAD	
GRAND FORKS, N. DAK.			

S208

# Industrial Commission of North Dakota



Kelly Armstrong  
Governor

Drew H. Wrigley  
Attorney General

Doug Goehring  
Agriculture Commissioner

## **RESOLUTION AUTHORIZING CARRYFORWARD PROCEDURES FOR THE NORTH DAKOTA HOUSING FINANCE AGENCY**

### **PRELIMINARY STATEMENT:**

The Industrial Commission of North Dakota (the "Commission") is authorized to issue North Dakota Housing Finance Agency Mortgage Revenue Bonds (the "Bonds") pursuant to Section 54-17-07.4 of the North Dakota Century Code; and

The Bonds are private activity bonds which are "qualified bonds" on which the interest income earned is not included as gross income for federal income tax purposes under Section 103 of the Internal Revenue Code for 1986, as amended (the "Code"), when an "allocation" is obtained and, if necessary, "carried forward" pursuant to Section 146 of the Code; and

Executive Order 1988-13 (the "Order") Section 2(c) requires the submission of certain documents by an issuer in order to receive a carryforward allocation.

### **BE IT RESOLVED by the Commission as follows:**

1. The Commission authorizes the Industrial Commission Executive Director's submission on behalf of the Commission in its capacity acting as the North Dakota Housing Finance Agency (the "Agency") of the application and additional information which are or may be required and requested pursuant to the Order to obtain a 2025 "carryforward allocation", as the term is described by the Code and the Order, in an amount not to exceed \$350,280,000.
2. The Commission authorizes the Governor on behalf of the Agency upon the advice of counsel to the Commission, as the authorized public official and representative of the Agency, in executing and submitting to the Internal Revenue Service the appropriate forms pursuant to and in compliance with all necessary (i) requirements of Section 146 of the Code, and (ii) requirements of the Order.

Approved this 20<sup>th</sup> day of January 2025

\_\_\_\_\_  
Kelly Armstrong, Governor

Chairman, ND Industrial Commission

Attest: \_\_\_\_\_

Karen Tyler, Executive Director