



Financial Statements
June 30, 2020

COVID-19 PACE Recovery Program

COVID-19 PACE Recovery Program

Table of Contents

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT		1
MANAGEMENT’S DISCUSSION AND ANALYSIS		3
FINANCIAL STATEMENTS		
Balance Sheet		6
Statement of Revenues, Expenditures and Changes in Fund Balance		7
Notes to Financial Statements		8
EXHIBITS		
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 <i>Government Auditing Standards</i>	A-1	11
Independent Auditor’s Comments Requested by the North Dakota Legislative Audit and Fiscal Review Committee	A-2	13
Independent Auditor’s Communication to the Governor of North Dakota and the Legislative Assembly	B-1	16



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the COVID-19 PACE Loan Program (the Program), a special revenue fund of the State of North Dakota, as of and for the period of May 26, 2020 through June 30, 2020, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Program as of June 30, 2020, and the respective changes in financial position for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Program are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of the Fund. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2020, and the changes in its financial position for the period 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, 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 or 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 October 28, 2020 on our consideration of the Program'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 Program'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 Program's internal control over financial reporting and compliance.



Bismarck, North Dakota
October 28, 2020

**COVID-19 PACE RECOVERY PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The management discussion and analysis of the COVID-19 PACE Recovery Program's financial performance provides an overview of the Program's financial activities for the period ended June 30, 2020. Please read it in conjunction with the financial statements of the Program.

FINANCIAL HIGHLIGHTS:

The purpose of the COVID-19 PACE Recovery Program is to assist local financial institutions in providing low interest loans to support North Dakota businesses in their economic recovery due to negative impacts from the COVID-19 pandemic.

The North Dakota Emergency Commission approved federal Coronavirus Aid, Relief, and Economic Security (CARES) Act dollars of up to \$200 million to be utilized for interest rate buydowns. Applications will be accepted through November 30, 2020.

COVID-19 PACE Recovery Program loans are made by a lead lender in participation with Bank of North Dakota. Currently there are 41 loans outstanding. During the period ended June 30, 2020, the Bank of North Dakota requested and received \$6 million of federal CARES Act dollars from the Office of Management and Budget to provide buydown. As of June 30, 2020, there were 41 loans made for \$44,822,531 of which Bank of North Dakota participates in \$22,809,640. These loans will require \$3,951,581 in interest rate buydown over the life of the loans. There are 32 pending loan commitments totaling \$31,454,930 as of June 30, 2020.

REQUIRED FINANCIAL STATEMENTS:

The COVID-19 PACE Recovery Program is a special revenue fund and uses the modified accrual basis of accounting. The basic financial statements include the balance sheet and the statement of revenues, expenditures and changes in fund balances. The balance sheet provides readers the assets and liabilities of the Program, with the differences between the two reported as fund balance. The statement of revenues, expenditures and changes in fund balance identifies the operating performance of the Program for the period.

COVID-19 PACE RECOVERY PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

BALANCE SHEET
JUNE 30, 2020

ASSETS

Cash deposits	\$ 2,048,419
Cash deposits for restricted buydowns	<u>3,949,467</u>

TOTAL ASSETS	<u><u>\$ 5,997,886</u></u>
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LIABILITIES	\$ -
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FUND BALANCE	<u>5,997,886</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 5,997,886</u></u>
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Cash Deposits

Cash deposits (not committed) represents available funds for future buydown.

Cash Deposits for Buydown Committed

Cash deposits for buydown committed represents reserved funds that are held by the Bank of North Dakota to buy down the interest for qualifying loans.

Fund Balance

The Fund Balance represents cash deposits and cash deposits restricted for buydown.

**COVID-19 PACE RECOVERY PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

**CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE PERIOD OF MAY 26, 2020 THROUGH JUNE 30, 2020**

Revenues	\$ -
Expenditures - Buydown Interest	<u>2,114</u>
Excess of Expenditures Over Revenues	(2,114)
Transfers In	<u>6,000,000</u>
Net Change in Fund Balance	5,997,886
Fund Balance, Beginning of Period	<u>-</u>
Fund Balance, End of Period	<u><u>\$ 5,997,886</u></u>

Expenditures

The monies that are being paid to the Bank of North Dakota to buy down the interest rate for qualifying loans are paid in advance and are amortized over the life of the loans based upon the repayment terms of the individual qualifying loan.

Transfers In

During the period ended June 30, 2020, the Office of Management and Budget transferred \$6,000,000 into the Program.

ECONOMIC FACTORS AND FUTURE OUTLOOK

The North Dakota Emergency Commission originally approved federal CARES Act dollars of up to \$200 million to be utilized for interest rate buydowns. Subsequent to year-end, the North Dakota Budget Commission reduced the original commitment of \$200 million to \$80 million. Of this \$80 million, \$30 million is allocated to the CPR I program and the remaining \$50 million will be allocated to the CPR II program. As of June 30, 2020, the Program has requested transfers of \$6 million. Subsequent to year-end, the Program has requested transfers of \$18 million. These additional transfers were requested from OMB in order to keep adequate funds available to cover the pending and approved restricted commitments. Applications will be accepted through November 30, 2020 and additional transfers from OMB will be submitted as required.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact buydown interest expenditures. Other financial impact could occur though such potential impact is unknown at this time.

CONTACTING THE PROGRAM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Program's finances and to demonstrate the Program's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Bank of North Dakota, P.O. Box 5509, Bismarck, North Dakota 58506-5509.

COVID-19 PACE RECOVERY PROGRAM
BALANCE SHEET
JUNE 30, 2020

ASSETS

Cash deposits	\$ 2,048,419
Cash deposits for restricted buydowns	<u>3,949,467</u>

TOTAL ASSETS	<u>\$ 5,997,886</u>
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LIABILITIES	\$ -
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FUND BALANCE	
Restricted	<u>5,997,886</u>

TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,997,886</u>
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COVID-19 PACE RECOVERY PROGRAM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE PERIOD OF MAY 26, 2020 THROUGH JUNE 30, 2020

Revenues	\$ -
Expenditures	
Buydown interest	<u>2,114</u>
Expenditures over Revenues	(2,114)
Other Financing Sources	
Transfers in	<u>6,000,000</u>
Net Change in Fund Balance	5,997,886
Fund Balance, Beginning of Period	<u>-</u>
Fund Balance, End of Period	<u><u>\$ 5,997,886</u></u>

COVID-19 PACE RECOVERY PROGRAM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The COVID-19 PACE Recovery Program (the Program) was created to assist local financial institutions in providing low interest loans to support North Dakota businesses in their economic recovery due to negative impacts from the COVID-19 pandemic. The Bank of North Dakota supervises and administers the Program. Borrowers eligible for the Program include any person or entity whose business is located in North Dakota, have the capacity or history of showing it can service debt prior to the COVID-19 pandemic, and the local lender determines that the borrower's business has incurred economic injury as a result of the pandemic. Proceeds may be used to support working capital needs or term out COVID-19 related bridge loans or credit card debt originated on or after March 13, 2020. This amount may not exceed 20% of the maximum loan amount.

For businesses of 500 or few employees, the maximum loan amount is the lesser of \$5,000,000 or six months of operating expenses plus interest. For businesses of 501 employees or more, the maximum loan amount is the lesser of \$10,000,000 or six months of operating expenses plus interest. The Bank of North Dakota's participation percentage may not exceed 80% nor be less than 50% of the total loan. The Program then buys down the interest rate of the loan to 1%.

Reporting Entity

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

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

Accounting Standards

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

Fund Accounting

The Program is a special revenue fund and uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. measurable and available). Measurable means the amount of the transaction can be determined. Available means due and collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The State has defined available as being collected within one year.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Special revenue funds are accounted for using the current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements for these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets.

Credit Related Financial Instruments

In the ordinary course of business, the Program has entered into commitments to buy down interest rates on loans. Such financial instruments are recorded when they are funded.

Fund Balance Classifications

Governmental funds classify fund balance based on the constraints imposed on the uses of these resources. The spendable portion of the fund balance consists of restricted fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by grantors or laws and regulations of other governments; or through constitutional provisions or enabling legislation. These restricted amounts cannot be used for any other purpose unless it meets the requirements of the grantors or laws and regulations of other governments; or through constitutional provisions or enabling legislation. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

NOTE 2 - DEPOSITS

The carrying value and bank balance of the Program's cash deposits at June 30, 2020 was \$2,048,419. Of the bank amounts, none were insured or collateralized with securities held by the entity or its agent in the entity's name; none were collateralized with securities held by the counterparty's trust department or agent in the entity's name; and all were either collateralized with securities held by the counterparty or by its trust department or agent but not in the entity's name, or collateralized. These monies are deposited in the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

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 Program 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 Program does not have a formal policy that limits custodial credit risk for deposits. The Program's deposits are held at the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 06-09-10).

NOTE 3 - CASH DEPOSITS AT BANK OF NORTH DAKOTA RESTRICTED BUYDOWNS

The monies that are being held by the Bank of North Dakota to buy down the interest rate for qualifying loans are paid in advance. Buydown interest is amortized over the life of the loans based upon the repayment terms of the individual qualifying loan. In the event of prepayment or default on qualifying loans, the full approved buydown interest will be awarded to the qualifying loan.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 - RELATED PARTY TRANSACTIONS AND SUBSEQUENT EVENTS

The Program is supervised and administered by the Bank of North Dakota. All cash accounts are deposited in the Bank of North Dakota. In lieu of an administrative fee, the Bank of North Dakota does not pay interest to the Program on the cash accounts held at the Bank of North Dakota. Interest buydowns amortized into interest expense totaled \$2,114 in 2020, of which approximately 66% accrued to the Bank of North Dakota.

The Program also has on deposit with the Bank of North Dakota monies used to fund the interest buydowns on qualifying loans, which is included in “cash deposits for restricted buydowns” on the balance sheet (see Note 3).

The North Dakota Emergency Commission originally approved federal CARES Act dollars of up to \$200 million to be utilized for interest rate buydowns. Subsequent to year-end, the North Dakota Budget Commission reduced the original commitment of \$200 million to \$80 million. Of this \$80 million, \$30 million is allocated to the CPR I program and the remaining \$50 million will be allocated to the CPR II program. As of June 30, 2020, the Program has requested transfers of \$6 million. Subsequent to year-end the Program has requested transfers of \$18 million. These additional transfers were requested from OMB in order to keep adequate funds available to cover the pending and approved restricted commitments. Applications will be accepted through November 30, 2020 and additional transfers from OMB will be submitted as required.

NOTE 5 - RISK MANAGEMENT

The Program is exposed to various risks of loss related to torts and errors and omissions. The Program is administered by the Bank of North Dakota 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, 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 \$250,000 per person and \$1,000,000 per occurrence.

The State Bonding Fund currently provides the Program with blanket employee fidelity bond coverage in the amount of \$2,000,000. The State Bonding Fund does not currently charge any premium for this coverage.

There have been no significant reductions in insurance coverage in the current period and settled claims resulting from these risks have not exceeded insurance coverage.



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, the financial statements of the COVID-19 PACE Loan Program (the Program), a special revenue fund of the State of North Dakota, as of and for the period of May 26, 2020 through June 30, 2020, and the related notes to the financial statements, which collectively comprise the Program’s basic financial statements and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the 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 Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Program’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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program'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 determination of financial statement amounts. 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Bismarck, North Dakota
October 28, 2020



**COVID-19 PACE Loan Program
Auditor's Specific Comments Requested by the North Dakota Legislative Audit and
Fiscal Review Committee
Period of May 26, 2020 through June 30, 2020**

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

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by independent certified public accountants performing audits of state agencies. The items and our responses are as follows:

1. What type of opinion was issued on the financial statements?

Unmodified

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Yes

3. Was internal control adequate and functioning effectively?

Yes

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No

5. Has action been taken on findings and recommendations included in prior year audit reports?

This is the first year of the Program's existence. Therefore, there were no prior year findings or recommendations.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management response.

No

Audit Committee Communications:

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

None

2. Identify any significant accounting estimates and the process used by management to determine those estimates.

None

3. Identify any significant audit adjustments.

None

4. Identify any disagreements with management, whether or not resolved to the auditor's satisfaction, relating to financial accounting, reporting, or auditing matter that could be significant to the financial statements.

None

5. Identify any significant difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accountants about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

Based on the audit procedures performed, the Fund's critical information technology system is the Fiserv system. There were no exceptions identified that were directly related to this application.

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 Fund and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Bismarck, North Dakota
October 28, 2020



October 28, 2020

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

We have audited the financial statements of the COVID-19 PACE Loan Program (the Program) as of and for the period of May 26, 2020 through June 30, 2020, and have issued our report thereon dated October 28, 2020. 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 July 15, 2020 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 Program 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 any significant control deficiencies 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 October 28, 2020.

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, and our firm 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 Program is included in Note 1 to the financial statements. 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.

Significant 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. There are no sensitive estimates affecting the financial statements.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

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. There were no corrected or uncorrected 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 Program's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated October 28, 2020.

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 Program, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business 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 Program's auditors.

Modification of the 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 Program are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2020, and the changes in its financial position for the period 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.

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