Financial Statements
December 31, 2014

North Dakota Public Finance Authority (A Component Unit of the State of North Dakota)

NORTH DAKOTA PUBLIC FINANCE AUTHORITY

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Industrial Commission
State of North Dakota
Bismarck, North Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of the business-type activities of North Dakota Public Finance Authority, a component unit of the State of North Dakota as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the North Dakota Public Finance Authority's basic financial statements as listed in the table of contents.

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 an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit 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.

Opinion

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 Public Finance Authority, as of December 31, 2014, and the respective changes in financial position and, where, applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 6 to the financial statements, the Authority adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* As discussed in Note 6 to the financial statements, the Authority has retroactively restated the previously reported net position to account for pension expense in accordance with this Statement. 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, schedule of employer's share of net pension liability, and schedule of employer contribution information on pages 4 through 8 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 American, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Public Finance Authority's financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 2015 on our consideration of the North Dakota Public Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 North Dakota Public Finance Authority's internal control over financial reporting and compliance

Eide Bailly LLP

Bismarck, North Dakota
March 18, 2015

The discussion and analysis of the financial performance of the North Dakota Public Finance Authority (PFA) that follows is meant to provide additional insight into the PFA's activities for the years ended December 31, 2014 and 2013. Please read it in conjunction with the PFA's financial statements and footnotes, which are presented within this report.

FINANCIAL HIGHLIGHTS:

Municipal securities (loans outstanding) increased 20.2% from $436,211 in 2013 to $524,245 in 2014. SRF loans are funded with grant revenues and bond proceeds, which are invested until loans are funded. In 2014, there was $85,120 of SRF loans funded and $38,766 in 2013. The variances are due to the demand fluctuations created by the number of projects outstanding. PFA anticipates loan demand will continue to remain strong as these projects are constructed over the next one to two years. Investments decreased by 27% to $174,280 due to increased loan demand and projects progressing.

The PFA's rebate due to the Internal Revenue Service did not change in 2014. Rebate payments of $27 were made in 2014. Rebate payments of $48 were made in 2013. As of year-end, none of the rebate liability is considered current.

In December 2013, Standard and Poor's upgraded both the Capital Financing Program "CFP" and Industrial Development Bond Program "IDBP" from A to AA. The PFA issued $41,840 of CFP bonds in 2014 and $51,375 in 2013. In 2011, the Industrial Commission authorized the PFA to utilize the Capital Financing Program to provide loans for political subdivisions impacted by the weather related events of 2011. Under the Disaster Loan Program, the PFA issued bonds of $725 in 2014 and $1,696 in 2013. The State Revolving Fund Loan Program (rated Aaa by Moody's) issues bonds to provide the required match to receive capitalization grants from the EPA. The PFA did not issue SRF bonds in 2014 or 2013.

State Revolving Fund expenses were $4,220 for 2014 and $7,357 for 2013. This is largely due to capitalization grants being required to provide principal forgiveness, which is presented as an expense on the statement of revenues, expenses and changes in fund net position.

The growing State Revolving Fund Program helped the PFA's total assets increase $42,325 to $739,018 in 2014. The balance sheet indicates that the PFA continues to have adequate resources to provide for bond repayments. Change in net position of the PFA resulted in an increase of $22,471 in 2014 providing the PFA with an overall strong financial position. Grant proceeds account for a significant portion of net position. Federal law provides that grants may only be expended for SRF program purposes. Net position is also restricted for debt service of bond issues or for the purchase of municipal securities. As of December 31, 2014, and 2013, the PFA had $265,932 and $135,370, respectively, of commitments to extend credit.

REQUIRED FINANCIAL STATEMENTS:

The discussion and analysis are intended to serve as an introduction to the PFA's financial statements. The financial statements of the PFA provide accounting information similar to that of many other business entities. The Statements of Net Position summarize 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 PFA. The Statements of Revenues, Expenses and Changes in Net Position summarize the PFA's operating performance for the two years. The Statements of Cash Flows summarizes the flow of cash through the PFA as it conducts its business.

(In Thousands)

CONDENSED STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS	
CURRENT ASSETS - RESTRICTED	**$ 137,692**
NONCURRENT ASSETS - RESTRICTED	**601,176**
OTHER ASSETS	**150**
TOTAL ASSETS	**$ 739,018**
DEFERRED OUTFLOWS OF RESOURCES	**$ 4,783**
LIABILITIES	
CURRENT LIABILITIES	**$ 20,116**
NONCURRENT LIABILITIES	**279,230**
TOTAL LIABILITIES	**299,346**
DEFERRED INFLOWS OF RESOURCES	**$ 27**
NET POSITION	
UNRESTRICTED	**$ 1,434**
RESTRICTED FOR DEBT SERVICE	**120,463**
RESTRICTED FOR LOAN PURPOSES	**322,531**
TOTAL NET POSITION	**$ 444,428**

Comparative statements are not presented. Information is not available for 2013 and 2012 prior to the implementation of GASB 68. Detailed information regarding the GASB 68 implementation is available in Note 1 to the financial statements.

Cash and Investments

Certain PFA cash and investments, which are included in the restricted current and non-current assets, are restricted for the debt service of bond issues or for the purchase of municipal securities. Additional discussion of these investments can be found at Note 2 to the financial statements.

Municipal Securities

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

Bonds Payable

In order to provide local political subdivisions with funds to finance projects, the PFA has issued bonds to facilitate the purchase of the political subdivision's municipal securities. The bonds payable are included in the restricted current and non-current liabilities of the preceding statement. The bonds are direct obligations of the PFA and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions. Further details are contained in Note 4 to the financial statements.

Rebate Due to IRS

Under Internal Revenue Service Code Sections 103 and 148, earnings from non-purpose investments in excess of bond interest expense must be remitted as a rebate, once every five years, to the U.S. Treasury. This liability is included in the current and non-current liabilities. Note 9 to the financial statements contain additional information.

(In Thousands)

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014

OPERATING REVENUES	
Investment income	$ 12,837
Grant and set-asides	1,261
Administrative fees and other	2,052
	16,150
NONOPERATING REVENUE	
Grant and set-asides	16,614
Investment income	5,922
	22,536
TOTAL REVENUE	38,686
OPERATING EXPENSES	
Interest expense	11,697
State Revolving Fund expenses	4,220
Rebate (Benefit) due to IRS	(27)
Other	325
	16,215
CHANGE IN NET POSITION	22,471
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 6)	421,957
TOTAL NET POSITION, END OF YEAR	$ 444,428

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

Grant and set-asides

Under an agreement with the North Dakota Department of Health, the PFA assists in administering the State Revolving Loan Fund. The grant proceeds are classified as non-operating revenue in the Statement of Revenues, Expenditures and Changes in Net Position.

The purpose of the Loan Fund is to provide low cost financing to local political subdivisions to finance wastewater disposal system projects and drinking water projects. The federal Environmental Protection Agency (EPA) provides capitalization grants. Capitalization grants require that the state provide 20% match which is funded through bonds issued by the PFA.

Economic Factors and Budgetary Information

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

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

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

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

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2014
(In Thousands)

ASSETS		
CURRENT ASSETS		
Restricted		
Cash and cash equivalents	$	**36,001**
Interest receivable		**4,342**
Investments		**73,456**
Municipal securities		**23,893**
Total restricted current assets		**137,692**
Total current assets		**137,692**
NONCURRENT ASSETS - RESTRICTED		
Investments		**100,824**
Municipal securities		**500,352**
Total restricted noncurrent assets		**601,176**
OTHER ASSETS		**150**
Total assets	$	**739,018**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	$	**4,769**
Derived from pension		**14**
Total deferred outflows of resources	$	**4,783**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$	**36**
Bonds payable		**17,830**
Interest payable		**2,250**
Total current liabilities		**20,116**
NONCURRENT LIABILITIES		
Rebate due to IRS		**12**
Bonds payable		**279,106**
Net Pension Liablity		**112**
Total noncurrent liabilities		**279,230**
Total liabilities	$	**299,346**
DEFERRED INFLOWS OF RESOURCES	`	
Derived from pension	$	**27**
Total deferred inflows of resources	$	**27**
NET POSITION		
Unrestricted	$	**1,434**
Restricted for debt service		**120,463**
Restricted for loan purposes		**322,531**
Total net position	$	**444,428**

See Notes to Financial Statements

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
DECEMBER 31, 2014
(In Thousands)

OPERATING REVENUES	
Investment income	$ 12,837
Grant and set-asides	1,261
Administrative fees and other	2,052
	16,150
OPERATING EXPENSES	
Interest expense	11,697
State Revolving Fund loan forgiveness	2,246
State Revolving Fund administration	1,772
State Revolving Fund set-asides	202
Rebate (Benefit) due to IRS	(27)
Salaries and benefits	201
Operating	121
Paying agent fees	3
	16,215
OPERATING LOSS	(65)
NONOPERATING REVENUE	
Grant and set-asides	16,614
Investment income	5,922
	22,536
CHANGE IN NET POSITION	22,471
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 6)	421,957
TOTAL NET POSITION, END OF YEAR	$ 444,428

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014
(In Thousands)

OPERATING ACTIVITIES	
Receipts of administrative fees from customers	$ 2,052
Grant and set-asides	1,261
Payments to service providers	(2,111)
Payments to employees	(212)
Payment of rebate to IRS	27
NET CASH FROM OPERATING ACTIVITIES	1,017
NONCAPITAL FINANCING ACTIVITIES	
Grant and set-asides	16,614
Interest paid on bonds payable	(11,901)
Principal payment on advance from Bank of North Dakota	(1,410)
Proceeds from issuance of bonds payable	42,565
Principal payments on bonds payable	(21,072)
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	24,796
INVESTING ACTIVITIES	
Interest received on investments and municipal securities	18,854
Collection of advance to Bank of North Dakota	1,410
Proceeds from maturities and sales of investments	147,406
Purchases of investments	(82,710)
Proceeds from maturities of municipal securities	38,848
Purchases of municipal securities	(129,128)
NET CASH USED FOR INVESTING ACTIVITIES	(5,320)
NET CHANGE IN CASH AND CASH EQUIVALENTS	20,493
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,508
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 36,001

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	**$**	**(65)**
Adjustments to reconcile operating loss to net cash used for operating activities:		
Net amortization (accretion) of premium (discount) on bonds payable		**903**
Reclassification of investment income and expense to other activities		**192**
Changes in assets and liabilities:		
Accounts payable		**(13)**
NET CASH FROM OPERATING ACTIVITIES	**$**	**1,017**

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
STATEMENT OF APPROPRIATIONS
EIGHTEEN MONTHS ENDED DECEMBER 31, 2014
(In Thousands)

Note: Only appropriations of specific amounts are included in this statement. A reconciliation to the operating expenses on the December 31, 2014 statement of revenues and expenses follows:

	2013-2015 Appropriations	7-1-13 12-31-13 Expenditures	1-1-14 12-31-14 Expenditures	Unexpended Appropriations 12-31-14
Salaries and wages	$ 481	$ 98	$ 211	$ 172
Operating expenses	226	25	44	157
Total administrative expenses	707	123	255	329
Total expenses	$ 707	$ 123	$ 255	$ 329

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

	2014
Total appropriation expenditures for year ended December 31, 2014	**$ 255**
GASB 68 Adjustment	**(10)**
Interest expense	**11,697**
State Revolving Fund administrative fees	**4,220**
Rebate due to IRS	**(27)**
Administrative and operating expenses paid out of general operating funds	**77**
Paying agent fees	**3**
Total operating expenses	**$ 16,215**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The North Dakota Public Finance Authority (PFA) was established July 1, 1975, by the North Dakota Legislature, as provided in Chapter 6-09.4 of the North Dakota Century Code, as a separate agency of the State of North Dakota. The purpose of the PFA is to make funds available for borrowing by North Dakota political subdivisions through the issuance of its bonds and the purchase of municipal securities of the political subdivisions. The PFA has been granted all powers required in order to accomplish this purpose and is under the control and management of the North Dakota Industrial Commission.

Reporting Entity

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

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

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

Budgetary Process

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

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

Basis of Accounting and Measurement Focus

The PFA is presented in the accompanying financial statements as a proprietary fund type - an enterprise fund.

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

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

The accompanying financial statements of the North Dakota Public Finance Authority follow the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing generally accepted accounting principles for governmental entities. In accordance with Governmental Accounting Standards Board Statement No. 62, the PFA follows all applicable GASB Pronouncements as well as following accounting principles generally accepted in the United States of America.

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

The North Dakota Public Finance Authority changed accounting policies due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. This statement addresses accounting and financial reporting for pensions that are provided to the employees of the state and local governmental employers through pension plans that are administered through trusts and establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, the beginning net position has been restated.

Use of Estimates

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

Concentration of Credit Risk

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

Pensions

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

New GASB Statements

Beginning in fiscal year 2014, the PFA implemented GASB Statement No. 68 – Accounting and Financial Reporting for Pensions, which improves information provided about financial support for pensions. This statement requires net pension liability to be reported on the face of the financial statements. A prior period adjustment of $136 was made to unrestricted net position to account for these items. For this year, due to the implementation of GASB 68 and the beginning balance adjustment, comparative statements are not available.

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value. All investment income, including changes in the fair value of investments, is recognized in the statement of revenues, expenses, and changes in net position. A portion of the PFA's investments consists of nonparticipating contracts. These instruments are reported at cost. The PFA follows the bond indenture documentation on satisfying requirements for unrestricted and restricted investments.

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

Equipment and Furnishings

Equipment and furnishings are stated at cost, net of accumulated depreciation. Equipment and furnishings with a cost of $5,000 or more per unit are capitalized and reported in the accompanying financial statements. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. There is no equipment or furnishings recorded for the years ended December 31, 2014 and 2013.

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

Accumulated Unpaid Vacation and Sick Pay

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

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

Vacation and sick leave are immaterial as of December 31, 2014 and 2013 and are not accrued.

Restricted Net Position

The PFA administers the SRF federal grant programs for the North Dakota Department of Health. Grant proceeds account for a significant portion of net position. Federal law provides that the grants may only be expended for SRF program purposes. Net position is also restricted for debt service of bond issues or for the purchase of municipal securities. The PFA follows the CFP and SRF bond indentures for the repayment of restricted net position.

Operating and Non-operating Revenues

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

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

Administrative Fee Revenue

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

Grant and Set-Asides Revenue

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

State Revolving Fund Administration Expense

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

State Revolving Fund Set-Asides Expenses

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

Rebate Due to IRS

Under Internal Revenue Service Code Sections 103 and 148, earnings from nonpurpose investments in excess of bond interest expense must be remitted as rebate, once every five years, to the U.S. Treasury. Rebate is calculated biannually and the liability is accordingly adjusted.

NOTE 2 - DEPOSITS AND INVESTMENTS

DEPOSITS

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

	Bank Balance
Cash and cash equivalents	$ 36,001
Certificates of deposit	10,758
Bank of North Dakota - investment contract	36,958
Total deposits	$ 83,717

Custodial and Concentration Credit Risk

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

INVESTMENTS

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

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

Interest Rate Risk

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

As of December 31, 2014, the following table summarizes investment by investment type and maturity (amounts are in thousands):

Investment Type	Total Fair Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
US Treasuries	$ 59,490	$ 32,333	$ 27,157	$ -	$ -
Commercial Paper	21,485	21,485	-	-	-
	80,975	$ 53,818	$ 27,157	$ -	$ -
Investments not subject to categorization:					
Guaranteed Investment Contracts:					
MBIA	20,054				
Natixis Funding Corp.	25,535				
Total Guaranteed Investment Contracts	45,589				
Total investments	$126,564				

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The PFA's North Dakota State Revolving Fund Program Master Trust Indenture restricts investments in Guaranteed Investment Contracts (GICs) and Bank Investment Contracts (BICs) issued, at the time the contract is entered into, a long-term debt rating by Moody's, at least equal to the better of (i) "A" or (ii) the then current rating assigned by Moody's to the Bonds without regard to credit enhancement for long-term obligations.

As of December 31, 2014, the following table summarizes investment by investment type and credit rating (amounts are in thousands):

	Credit Rating*			
Investment Type	Total Fair Value	AAA	AA	A
Commercial Paper	$ 21,485	$ -	$ -	$ 21,485
US Government	59,490			
Total Debt Securities	$ 80,975			

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

NOTE 3 - MUNICIPAL SECURITIES

Obligations of North Dakota political subdivisions are classified separately on the balance sheet as “municipal securities.” These investment securities are primarily obligations of cities, school districts and water organizations, and are pledged to the various bond issues. Due to the maturity of these securities, a market value is not readily available. The PFA intends to hold these securities to maturity. No future losses for market value decline are anticipated and an allowance has not been provided. The PFA had the following municipal securities as of December 31, 2014:

Capital Financing Program	**$**	**117,295**
State Revolving Fund Program		**406,950**
		524,245
Less current portion		**23,893**
	$	**500,352**

NOTE 4 - BONDS PAYABLE

Changes in Bonds Payable

The following is a summary of changes in bonds payable for the years ended December 31, 2014:

Balance, December 31, 2013	$	276,346
Issuance of bonds payable		42,565
Principal payments on bonds payable		(21,072)
Net accretion of premiums and discounts on bonds payable		(903)
Balance, December 31, 2014	$	296,936

Bonds Payable

The bonds of the PFA have been issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the PFA and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

Maturities of Bonds Payable

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

Years Ending December 31,	Principal	Interest	Total Debt Service
2015	$ 17,830	$ 11,950	$ 29,780
2016	17,925	11,339	29,264
2017	22,575	10,705	33,280
2018	17,620	9,967	27,587
2019	17,460	9,281	26,741
2020-2024	76,020	35,612	111,632
2025-2029	70,005	18,230	88,235
2030-2034	40,545	3,754	44,299
2035-2039	1,760	295	2,055
2040-2041	470	23	493
Premiums	14,726	(14,726)	-
	$ 296,936	$ 96,430	$ 393,366

The following summarizes the PFA's bonds outstanding at December 31, 2014:

Description and Due Date	Interest Rate	Original Value	Balance
Series 1996-SRF Serial Bonds 10/1/05-10/1/17 (net of premium)	5.10-6.00	$ 29,845	**$ 204**
Series 1998-CFP Serial Bonds 6/1/05-6/1/23	4.20-5.25	9,695	**205**
Series 1998-SRF Serial Bonds 10/1/05-10/1/19 (net of premium)	4.00-5.50	35,965	**5,440**
Series 1999-CFP Serial Bonds 6/1/05-6/1/23	4.80-8.25	4,530	**160**
Series 2004-CFP Serial Bonds 6/1/05-6/1/24	2.00 - 4.90	880	**180**
Series 2005-SRF Serial Bonds 10/1/06-10/1/23 (net of premium)	3.00 - 5.00	36,210	**2,659**
Series 2006-CFP Serial Bonds 6/1/07-6/1/31	4.25 - 5.00	1,385	**465**
Series 2006-IDBP Serial Bonds 6/1/07-6/1/31	4.00 - 5.00	1,360	**1,090**
Series 2008-SRF Serial Bonds 10/1/09-10/1/28 (net of premium)	3.25 - 5.50	46,100	**35,093**
Series 2008-IDBP Serial Bonds 6/1/09-6/1/33	6.60 - 6.75	2,000	**1,760**
Series 2009-CFP Serial Bonds 6/1/10-6/1/34	2.00 - 4.88	2,125	**1,790**
Series 2009-IDBP Serial Bonds 6/1/10-6/1/34	3.00 - 6.00	1,500	**1,325**

Description and Due Date	Interest Rate	Original Value	Balance
Series 2011-CFP			
Serial Bonds 6/1/12-6/1/41	2.00 - 5.50	3,730	**3,345**
Serial Bonds 6/1/14-6/1/17	2.00*	9,142	**5,020**
Series 2011-SRF			
Serial Bonds 10/1/12-10/1/31 (net of premium)	3.00 - 5.00	101,210	**101,023**
Series 2012-SRF			
Serial Bonds 10/1/12-10/1/25 (net of premium)	0.24 - 5.00	37,605	**36,697**
Series 2012-CFP			
Serial Bonds 6/1/13-6/1/41	2.00 - 3.75	9,635	**9,010**
Series 2013-CFP			
Serial Bonds 6/1/14-6/1/33	3.00 - 4.00	51,375	**49,630**
Series 2014-CFP			
Serial Bonds 6/1/15-6/1/34	2.00 - 5.00	41,840	**41,840**
			$ 296,936

*Bonds are at a variable rate. The variable rate is adjusted monthly to the greater of (a) three-month LIBOR plus one percent or (b) two percent, or at such other rate the Executive Director may approve. The rate as of December 31, 2014 is presented.

The PFA issued $19,705 of revenue bonds (Series 2012A SRF Bonds) with an average interest rate of 4.52 percent on August 29, 2012. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all the future debt service payments on the refunded bonds. As of December 31, 2014, $16,575 of bonds outstanding is considered defeased and the liability has been removed from the balance sheet. The reacquisition price exceeded the net carrying amount of the old debt by $2,093. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is the same as the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 13 years by $1,617 and resulted in an economic gain of $1,479.

NOTE 5 - RESTATEMENT OF NET POSITION

The beginning net position has been restated to reflect the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The effect on beginning net position presented is as follows:

Beginning of yet net position, as previously reported	$422,093
Restatement for accounting for pensions	(136)
Beginning of year net position, as restated	$421,957

NOTE 6 - PENSION PLAN

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven 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; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. NDPERS has no provision 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). The annual 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. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of 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.

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 25 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

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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

At 12/31/2014, the Employer reported a liability of $112 for its proportionate share of the net pension liability. The net pension liability was measured as of 7/1/2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 7/1/2014, the Employer's proportion was 0.017653 percent.

For the year ended 12/31/2014, the Employer recognized pension expense of $11. At 12/31/2014, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$4	$0
Net difference between projected and actual earnings on pension plan investments	0	27
Employer contributions subsequent to the measurement date	10	0
Total	$14	$27

$10 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2014.

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:	
2015	$ 5
2016	5
2017	5
2018	5
2019	5
2020	1
Thereafter	0

Actuarial Assumptions

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.85% per annum for four years, then 4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years.. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for NDPERS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.55%
International Fixed Income	5%	0.90%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	**Current Discount Rate (8%)**	**1% Increase (9%)**
Employer's proportionate share of the net pension liability	$173	$112	$61

Pension plan fiduciary net position

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

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained by writing to NDPERS; 400 East Broadway, Suite 505; P.O. Box 1657; Bismarck, ND 58502-1657.

NOTE 7 - STATE REVOLVING LOAN FUND

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

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

As of December 31, 2014 the following Loan Fund transactions had occurred:

Municipal securities purchased	$	**85,120**
EPA grant funds received		**17,796**

NOTE 8 - REBATE DUE TO IRS

Under Internal Revenue Service Code Sections 103 and 148, earnings from non-purpose investments in excess of bond interest expense must be remitted as a rebate, once every five years, to the U.S. Treasury. A detail of the cumulative rebate at December 31, 2014 is as follows:

1996A SRF bonds	$	**6**
1998A SRF bonds		**6**
Rebate due to IRS		**12**
Long-term rebate due to IRS	$	**12**

NOTE 9 - RELATED PARTY TRANSACTIONS

All cash accounts of the PFA are deposited in the Bank of North Dakota. All investments are under the safekeeping of the Bank of North Dakota. The Bank of North Dakota acts as paying agent for all bonds and as trustee for the 1996, 1998, 2005, 2008, 2011 and 2012 State Revolving Fund Bonds.

The PFA had the following transactions with related parties summarized as follows:

Bank of North Dakota		
Cash and cash equivalents - restricted	$	**36,001**
Interest receivable		**5**
Certificates of deposit recorded as investments (no current portion)		**10,758**
Municipal securities		**552**
Bank investment contract (1)		**36,958**
Bond Payable (2)		**5,020**
Expenses		
Registrar, paying agent and trustee fees		**102**
Account analysis		**2**
Treasury fees		**3**
Letter of credit fees		**229**
Office of the Attorney General		
Legal fees		**39**
Information Technology Department		
Telecommunications and data		**3**

(1). The bank investment contract in conjunction with the SRF 2001A bond issue was awarded to the Bank of North Dakota. The investment contract is at a fixed rate and matures on October 1, 2021.

(2). Bonds Payable were issued to the Bank of North Dakota to fund disaster loans to political subdivisions. (See Note 4).

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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

The PFA is a party to credit related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet.
The PFA’s exposure to credit loss is represented by the contractual amount of these commitments. The PFA follows the same credit policies in making commitments as it does for on-balance-sheet instruments. Commitments to extend credit totaled $265,932 as of December 31, 2014.

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

The PFA purchased letters of credit from the Bank of North Dakota in order to fund the reserves for the Capital Financing Program Bonds. As of December 31, 2014, $17,995 of credit was available through these letters of credit and no funds have been advanced.

NOTE 11 - RISK MANAGEMENT

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

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

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

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

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

NOTE 12 - SUBSEQUENT EVENT

On February 11, 2015 the PFA issued $1,945 of Capital Financing Program Bonds, Series 2015A. The proceeds of the bonds will be used to fund a loan to the City of Minot to finance an exposition hall remodel.

(In Thousands)

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

	2014
1. Employer's proportion of the net pension liability (asset)	0.017653%
2. Employer's proportionate share of the net pension liability (asset)	$112
3. Employer's covered-employee payroll	$149
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	75.35%
5. Plan fiduciary net position as a percentage of the total pension liability	77.70%%

*Complete data for this schedule is not available prior to 2014.

Data is reported is measured as of 7/1/2014.

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

	2014
Statutorily required contribution	$19
Contributions in relation to the statutorily required contribution	($10)
Contribution deficiency (excess)	($8)
District's covered-employee payroll	$153
Contributions as a percentage of covered-employee payroll	6.80%

*Complete data for this schedule is not available prior to 2014.

Data reported is measured as of 7/1/2014.

Supplementary Information

North Dakota Public Finance Authority

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014
(In Thousands)

	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
ASSETS				
CURRENT ASSETS				
Restricted				
Restricted cash and cash equivalents	$ 4,679	$ 30,921	$ 401	$ 36,001
Interest receivable	2,282	1,692	368	4,342
Investments	46,696	26,760	-	73,456
Municipal securities	10,674	8,964	4,255	23,893
Total restricted current assets	64,331	68,337	5,024	137,692
Total current assets	64,331	68,337	5,024	137,692
NONCURRENT ASSETS - RESTRICTED				
Investments	32,471	68,353	-	100,824
Municipal securities	220,774	166,538	113,040	500,352
Total restricted noncurrent assets	253,245	234,891	113,040	601,176
OTHER ASSETS	-	-	150	150
Total assets	$ 317,576	$ 303,228	$ 118,214	$ 739,018
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on bond refunding	$ 2,826	$ 1,943	$ -	$ 4,769
Derived from pension	-	-	14	14
Total deferred outflows of resources	$ 2,826	$ 1,943	$ 14	$ 4,783
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 8	$ 6	$ 22	$ 36
Bonds payable	7,438	6,087	4,305	17,830
Interest payable	727	1,148	375	2,250
Total current liabilities	8,173	7,241	4,702	20,116
NONCURRENT LIABILITIES				
Rebate due to IRS	8	4	-	12
Bonds payable	69,525	98,064	111,517	279,106
Net Pension Liability	-	-	112	112
Total noncurrent liabilities	69,533	98,068	111,629	279,230
Total liabilities	$ 77,706	$ 105,309	$ 116,331	$ 299,346
DEFERRED INFLOWS OF RESOURCES				
Derived from pension	$ -	$ -	$ 27	$ 27
Total deferred inflows of resources	$ -	$ -	$ 27	$ 27
NET POSITION				
Unrestricted	$ -	$ -	$ 1,434	$ 1,434
Restricted for debt service	44,140	75,887	436	120,463
Restricted for loan purposes	198,556	123,975	-	322,531
Total net position	$ 242,696	$ 199,862	$ 1,870	$ 444,428

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2014
(In Thousands)

	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
OPERATING REVENUES				
Investment income	$ 4,666	$ 4,352	$ 3,819	$ 12,837
Grant and set-asides	331	930	-	1,261
Administrative fees and other	900	872	280	2,052
	5,897	6,154	4,099	16,150
OPERATING EXPENSES				
Interest expense	3,200	4,428	4,069	11,697
State Revolving Fund loan forgiveness	564	1,682	-	2,246
State Revolving Fund administration	601	1,171	-	1,772
State Revolving Fund set-asides	-	202	-	202
Rebate (Benefit) due to IRS	-	(27)	-	(27)
Salaries and benefits	-	-	201	201
Operating	-	-	121	121
Paying agent fees	-	-	3	3
	4,365	7,456	4,394	16,215
OPERATING GAIN (LOSS)	1,532	(1,302)	(295)	(65)
NONOPERATING REVENUE				
Grant and set-asides	8,717	7,897	-	16,614
Investment income	2,849	2,849	224	5,922
	11,566	10,746	224	22,536
CHANGE IN NET POSITION	13,098	9,444	(71)	22,471
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED (SEE NOTE 6)	229,598	190,418	1,941	421,957
TOTAL NET POSITION, END OF YEAR	$ 242,696	$ 199,862	$ 1,870	$ 444,428

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
COMBINING STATEMENT CASH FLOWS
YEAR ENDED DECEMBER 31, 2014
(In Thousands)

	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
OPERATING ACTIVITIES				
Receipts of administrative fees from customers	$ 900	$ 872	$ 280	$ 2,052
Grant and set-asides	331	930	-	1,261
Payments to service providers	(604)	(1,375)	(132)	(2,111)
Payments to employees	-	-	(212)	(212)
Payment of rebate to IRS	-	27	-	27
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	627	454	(64)	1,017
NONCAPITAL FINANCING ACTIVITIES				
Grant and set-asides	8,717	7,897	-	16,614
Interest paid on bonds payable	(3,158)	(4,800)	(3,943)	(11,901)
Principal payment on advance from Bank of North Dakota	-	-	(1,410)	(1,410)
Proceeds from issuance of bonds payable	-	-	42,565	42,565
Principal payments on bonds payable	(8,236)	(5,324)	(7,512)	(21,072)
NET CASH FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	(2,677)	(2,227)	29,700	24,796
INVESTING ACTIVITIES				
Interest received on investments and municipal securities	7,561	7,356	3,937	18,854
Collection of advance to Bank of North Dakota	-	-	1,410	1,410
Proceeds from maturities and sales of investments	71,409	75,816	181	147,406
Purchases of investments	(26,534)	(56,176)	-	(82,710)
Proceeds from maturities of municipal securities	16,491	13,345	9,012	38,848
Purchases of municipal securities	(70,849)	(14,271)	(44,008)	(129,128)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	(1,922)	26,070	(29,468)	(5,320)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,972)	24,297	168	20,493
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,651	6,624	233	15,508
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 4,679	$ 30,921	$ 401	$ 36,001

COMBINING STATEMENT OF CASH FLOWS – CONTINUED
YEAR ENDED DECEMBER 31, 2014
(In Thousands)

	Clean Water SRF	Drinking Water SRF	Capital Financing Program	Total
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES				
Operating gain (loss)	$ 1,532	$ (1,302)	$ (295)	$ (65)
Adjustments to reconcile operating loss to net cash used for operating activities				
Net amortization (accretion) of premium (discount) on bonds payable	382	523	(2)	903
Reclassification of investment income and expense to other activities	(1,284)	1,235	241	192
Changes in assets and liabilities				
Accounts payable	(3)	(2)	(8)	(13)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	$ 627	$ 454	$ (64)	$ 1,017

NORTH DAKOTA PUBLIC FINANCE AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS **EXHIBIT A-1**
YEAR ENDED DECEMBER 31, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures (In Thousands)
ENVIRONMENTAL PROTECTION AGENCY		
Passed Through the North Dakota Department of Health		
Capitalization Grants for Clean Water State Revolving Funds	66.458	$ 9,048
Capitalization Grants for Drinking Water State Revolving Funds	66.468	8,748
Total Environmental Protection Agency		$ 17,796

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting.

NOTE 1 - AGENCY OR PASS-THROUGH NUMBER

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

NOTE 2 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the North Dakota Public Finance Authority provided federal awards to sub-recipients as follows:

The above awards consist entirely of loans advanced to the sub-recipients.

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

Program Title	Federal CFDA Number	(In Thousands)
Capitalization Grants for Clean Water State Revolving Funds	66.458	$ 8,717
Capitalization Grants for Drinking Water State Revolving Funds	66.468	7,897
		$ 16,614

A. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Industrial Commission
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 business-type activities of North Dakota Public Finance Authority, an enterprise fund of the State of North Dakota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the North Dakota Public Finance Authority's basic financial statements, and have issued our report thereon dated March 18, 2015.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered North Dakota Public Finance Authority's internal control over financial reporting (internal control) 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 North Dakota Public Finance Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of North Dakota Public Finance Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 yet been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether North Dakota Public Finance Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Eide Bailly LLP

Bismarck, North Dakota
March 18, 2015

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance Required by OMB Circular A-133

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

Report on Compliance for the Major Federal Program
We have audited North Dakota Public Finance Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the North Dakota Public Finance Authority's major federal program for the year ended December 31, 2014. North Dakota Public Finance Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for the North Dakota Public Finance Authority's major federal program based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Dakota Public Finance Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of North Dakota Public Finance Authority's compliance.

Opinion on the Major Federal Program
In our opinion, North Dakota Public Finance Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major Federal program for the year ended December 31, 2014.

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Report on Internal Control over Compliance

Management of North Dakota Public Finance Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Dakota Public Finance Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the North Dakota Public Finance Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Bismarck, North Dakota
March 18, 2015

Section I – Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Capitalization Grants for Clean Water State Revolving Funds	66.458

Dollar threshold used to distinguish between Type A and Type B programs	$533,880
Auditee qualified as a low-risk auditee	Yes

Section II – Financial Statement Findings

There are no findings relating to the financial statements, which are required to be reported in accordance with Generally Accepted Government Auditing Standards.

Section III – Federal Award Findings and Questioned Costs

There are no findings or questioned costs relating to the federal award programs which are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

CPAs & BUSINESS ADVISORS

Independent Auditor's Specific Comments Requested by the North Dakota Legislative Audit and Fiscal Review Committee Year Ended December 31, 2014

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 regarding the December 31, 2014 audit of the North Dakota Public Finance Authority are as follows:

Audit Report Communications

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. Was action taken on prior audit findings and recommendations?

   There were no findings from the prior year

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

   Yes, a separate management letter has been issued and is attached following this report. There were no additional findings or recommendations noted in this letter.

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Audit Committee Communications

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

   Emphasis of Matter: During the year, GASB 68 –*Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27* was implemented. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the financial statements.

2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of these 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.

   The North Dakota Public Finance Authority has one critical information technology system. There were no exceptions identified that were related to this application.

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

Eide Bailly LLP

Bismarck, North Dakota
March 18, 2015

CPAs & BUSINESS ADVISORS

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

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

We have audited the financial statements of the business-type activities, of North Dakota Public Finance Authority for the years ended December 31, 2014 and 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, 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 November 24, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by North Dakota Public Finance Authority are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, North Dakota Public Finance Authority changed accounting policies related reporting for pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68- *Accounting and Financial Reporting for Pensions*, in 2014. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the financial statements. We noted no transactions entered into by North Dakota Public Finance Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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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 uncorrected or corrected misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 18, 2015.

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 North Dakota Public Finance Authority auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, 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.

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

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

Eide Bailly LLP

Bismarck, North Dakota
March 18, 2015