2023 SENATE INDUSTRY AND BUSINESS

SB 2233

2023 SENATE STANDING COMMITTEE MINUTES

Industry and Business Committee

Fort Union Room, State Capitol

SB 2233 1/23/2023

Relating to the audit of loan programs administered by the Bank of North Dakota

10:15 AM Chairman D. Larsen called the meeting to order. Members present: Chairman D. Larsen, Vice Chairman Kessel, Senator Barta, Senator Boehm, and Senator Klein

Discussion Topics:

- 3rd party audits
- Audit contract
- Money savings

10:16 AM Senator Klein introduced SB 2233 and testified in favor. No written testimony.

10:19 AM Rob Pfenning, CFO, Bank of North Dakota testified in favor of SB 2233. #14772

10:25 AM Lindsey Slappy, Auditor, ND Auditors Office testified in favor of SB 2233. #15667, #15547

10:34 AM Chairman Larsen closed the hearing.

10:35 AM Senator Barta moved to Do Pass SB 2233. Senator Boehm Seconded.

Roll Call Vote:

Senators	Vote
Senator Doug Larsen	Y
Senator Greg Kessel	Y
Senator Jeff Barta	Y
Senator Keith Boehm	Y
Senator Jerry Klein	Y

Motion passed. 5-0-0

Senator Boehm will carry the bill.

10:48 AM Chairman D. Larsen adjourned the meeting.

Brenda Cook, Committee Clerk

REPORT OF STANDING COMMITTEE SB 2233: Industry and Business Committee (Sen. Larsen, Chairman) recommends DO PASS (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2233 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.

2023 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2233

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee

Room JW327C, State Capitol

SB 2233 3/13/2023

Relating to the audit of loan programs administered by the Bank of North Dakota.

Chairman Louser called meeting to order 9:26 AM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner.

Members absent: Representatives Christy, Warrey

Discussion Topics:

- Program audit fee
- ACFR audits
- Peer review

In Favor:

Senator Jerry Klein, District 14, Fessenden, ND (no written testimony) Rob Pfennig, Chief Financial Officer, Bank of North Dakota, #23682, #24433. Linsey Slappy, Audit manager, ND Office of the State Auditor, #24393, #24434 Josh Gallion, State auditor, ND Office of the State Auditor, (no written testimony)

Chairman Louser adjourned the meeting 10:02 AM

Diane Lillis, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee

Room JW327C, State Capitol

SB 2233 3/13/2023

Relating to the audit of loan programs administered by the Bank of North Dakota.

Chairman Louser called meeting to order 11:04 AM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner.

Members absent: Representatives Christy, Warrey

Discussion Topics:

Committee action

Representative Wagner moved a do pass. Representative Ostlie seconded.

Roll call vote:

Representatives	Vote
Representative Scott Louser	Y
Representative Mitch Ostlie	Y
Representative Josh Boschee	AB
Representative Josh Christy	AB
Representative Hamida Dakane	Y
Representative Jorin Johnson	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	AB
Representative Dan Ruby	Y
Representative Austen Schauer	N
Representative Paul J. Thomas	AB
Representative Bill Tveit	Y
Representative Scott Wagner	Y
Representative Jonathan Warrey	AB

Motion passed 8-1-5

Representative Wagner to carry the bill.

Chairman Louser adjourned the meeting 11:06 AM

REPORT OF STANDING COMMITTEE

SB 2233: Industry, Business and Labor Committee (Rep. Louser, Chairman) recommends DO PASS (8 YEAS, 1 NAY, 5 ABSENT AND NOT VOTING). SB 2233 was placed on the Fourteenth order on the calendar. TESTIMONY

SB 2233

#14772



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Testimony before Senate Industry and Business January 23, 2023 Rob Pfennig, Chief Financial Officer Bank of North Dakota

Mr. Chairman and members of the Committee. I am Rob Pfennig, Chief Financial Officer for Bank of North Dakota. I am here today to support Senate Bill 2233. If passed, this bill will remove the 3rd party audit requirement for the legislatively directed loan programs administered by the Bank. The essence of this bill is to save money and gain efficiencies while maintaining accuracy and accountability. This bill does not remove the audit requirement. What it does is allow for these loan programs to be audited by the State's Auditors Office as part of the State's Annual Comprehensive Financial Report. This is the same process followed by many state agencies and a few of the Bank's administered loan programs.

Currently the Bank has 17 individual financial statement audits per year, including the Bank's financial statements. This bill will enable BND to utilize the Auditor's office for 13 of the audits related to the legislatively directed loan programs administered by the Bank. This change will save an estimated \$160,000 a biennium related to audit costs. In addition, it will reduce man hours related to these audits by approximately 50 percent or 250 hours per year. As an example, one loan program, Addiction Counselor Internship loses money due to audit costs.

As these administered loan programs continue to be successful and grow it is important that we seek efficient and effective management of them while maintaining accuracy and accountability and I believe this bill does just that.

I appreciate your consideration of SB 2233 and will stand for any questions.

Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2021

		Addiction Counselor Internship		Dest		Community Water Facility				Fire and	Guaranteed
ASSETS	0	Loan		Bonding		Loan		Edutech		Tornado	Student Loan
Current Assets:											
Cash Deposits at the Bank of ND	\$	95,922	S	65,624	\$	22,232,000	¢	1,008,103	¢	040.000	
Cash and Cash Equivalents				1,731,443		22,202,000	Ψ	1,008,103	Φ	312,262 \$	50,011,804
Investments at the Bank of ND		_								2,283,236	
Investments		_		2,101,781				1.00			
Accounts Receivable - Net		_		151,219				0 700		20,474,754	
Interest Receivable - Net		616		23,096		137,000		2,730		5,749	
Intergovernmental Receivable - Net		_		20,000		137,000				135,086	—
Due from Other Funds		_		_				4,629		-	
Prepaid Items		10000000000000000000000000000000000000		_		-					
Inventory		_		1		-		·		342,065	
Loans and Notes Receivable - Net		7,331				CO1 000					-
Other Assets		1,001		-		601,000				-	_
Restricted Cash at the Bank of ND				_		_					
Restricted Cash and Cash Equivalents						-				-	4,536
Restricted Investments at the Bank of ND		_						-			
Restricted Loans Receivable - Net				_							<u> </u>
Total Current Assets		103,869		4.072.402							-
		103,869		4,073,163	_	22,970,000		1,015,462		23,553,152	50,016,340
Noncurrent Assets:											
Loans and Notes Receivable - Net		84,265				13,466,000					
Other Noncurrent Assets						10,100,000					· · · · ·
Capital Assets:											
Nondepreciable		_		_		0200 m					
Depreciable, Net		_		_		_					—
Total Noncurrent Assets	2.	84,265				13,466,000	-				_
Total Assets					_	10,400,000			_		17-17
Iotal Assets		188,134		4,073,163		36,436,000		1,015,462		23,553,152	50,016,340
DEFERRED OUTFLOWS OF RESOURCES											
Decrease in Fair Value of Hedging Derivatives											
Derived from Pensions				_						-	
Derived from OPEB		10 million and 10 million				_					1
		((1997)	_
Total Deferred Outflows of Resources	-			100	-	-		_			
LIABILITIES						1015 					
Current Liabilities:											
Accounts Payable				266				7,688		399	_
Accrued Payroll								15,383		_	
Securities Lending Collateral				5,979		_				74.012	
Interest Payable				1,756				_		21,662	
Intergovernmental Payable								_		4,415	6,004,536
Due to Other Funds				-		18,000		45,647		4,410	
Claims/Judgments Payable		- <u></u>		134,068						1,808,842	151,626
Compensated Absences Payable		<u> </u>		_		_				1,000,042	
Bonds Payable		-				_		_			1000 C
Unearned Revenue				-						-	
Total Current Liabilities				142.069		18,000		68,718		-	
New york to be structured				. 12,000		10,000		66,718	_	1,909,330	6,156,162
Noncurrent Liabilities:											
Compensated Absences Payable		- 		—							
Bonds Payable		<u></u>				—					
Financial Derivative Instrument				<u></u> //						_	
Net Pension Liability						<u></u>		· · · · · ·			
Net Pension OPEB										_	
Other Noncurrent Liabilities	-					-					22 227 076
Total Noncurrent Liabilities							-	-			23,337,976
Total Liabilities						1000 (1000 a)		20	-		23,337,970
				142,069		18,000		68,718		1,909,330	29,494,138
DEFERRED INFLOWS OF RESOURCES											
Derived from Pensions											
Derived from OPEB		-		_						_	C
	_							-			
Total Deferred Inflows of Resources		-						_		_	
Net Position									-		
Net Investment in Capital Assets											
Restricted for:		_						-		-	_
Debt Service											
Other						1 <u></u>		·			
Unrestricted		—		—		\rightarrow		-			
en calloled		188,134		3,931,094	_	36,418,000		946,744		21,643,822	20,522,202
Total Net Position	¢	400 404 -		0.00	_						
	φ	188,134 \$		3,931,094 \$		36,418,000 \$	1	946,744 \$		21,643,822 \$	20,522,202

Combining Statement of Revenues, Expenses and Changes in Fund Net Position Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2021

	Addiction Counselor Internship Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan
OPERATING REVENUES						
Sales and Services	s — s	1,240	s –	\$ 216,689 \$	1,046,989 \$	6,973,189
Grants and Contributions	—	-		—	-	-
Royalties and Rents	-	-	_	-		
Interest and Investment Income	3,229	_	503,000	-	-	
Miscellaneous	-	19,875	-	-	-	-
Total Operating Revenues	3,229	21,115	503,000	216,689	1,046,989	6,973,189
OPERATING EXPENSES						
Cost of Sales and Services	-	_	_	-	-	-
Salaries and Benefits		—		182,762	—	
Operating	5,950	-	90,000	142,134	653,522	6,364,286
Claims	_	58,691		-	4,290,040	
Interest	. <u></u>			_		
Depreciation		—		-		
Miscellaneous	—	-		-	73,985	· <u></u> ·
Total Operating Expenses	5,950	58,691	90,000	324,896	5,017,547	6,364,286
Operating Income (Loss)	(2,721)	(37,576)	413,000	(108,207)	(3,970,558)	608,903
NONOPERATING REVENUES (EXPENSES)						
Grants and Contracts	-	-	-	-	-	-
Interest and Investment Income	90	67,139	28,000	—	3,489,505	71,430
Interest Expense	-	(4,432)	·	_	(52,794)	
Gain (Loss) on Sale of Capital Assets	—	-	-	-	_	-
Other	—	—	121,000	-	-	
Total Nonoperating Revenues (Expenses)	90	62,707	149,000	÷	3,436,711	71,430
Income (Loss) Before Contributions and Transfers	(2,631)	25,131	562,000	(108,207)	(533,847)	680,333
Transfers In		_		_	-	
Transfer Out	-	-	-	-	—	—
Change in Net Position	(2,631)	25,131	562,000	(108,207)	(533,847)	680,333
Total Net Position - Beginning of Year, as Restated	190,765	3,905,963	35,856,000	1,054,951	22,177,669	19,841,869
Total Net Position - End of Year	\$ 188,134 \$	3,931,094	\$ 36,418,000	\$	21,643,822 \$	20,522,202

Testimony for Senate Bill 2233

Chairman Larsen and members of the committee my name is Lindsey Slappy. I am an audit manager for the State Auditor's Office. I am here to support Senate Bill 2233.

I have been working with the Bank of North Dakota on a new approach for the audits of the legislatively directed loan programs. The current law requires that the audits of the legislatively directly loan programs must be completed by a CPA firm. It does not give us the flexibility to complete these audits within our office. This is different than all the other state agencies. Our office does contract for audits of other state agencies but those are done at our discretion.

Our office does currently spend time on these legislatively directed audits. There would be some time built into the RFP process as well as the approval of each of the 13 reports. The private firms submit the reports to our office for review and approval prior to issuance. These reports are then incorporated into the Annual Comprehensive Financial Report (ACFR). I have provided an example of how the information is presented in the ACFR. Each of the individual loan programs can be found in their own column. The main difference is the information isn't contained within its own separate cover.

Under the new approach, the Bank of North Dakota would still prepare the financial information and submit it to the Office of Management and Budget to include in the ACFR. This information would then be included and subjected for audit in the audit of the ACFR. This would prevent loan funds that have as few as a single loan from needing an individual audit. There are a variety of required standards that must be followed if each loan fund is audited separately. Putting all of this information into the ACFR testing would help reduce auditing time. We would be able to build the activity into our current testing and still present the information in a way that you could see it by individual loan program. The auditing processes we would apply for these loan funds would be the same as those applied for the other state agencies.

The final component to the change is related to billing. Since the ACFR is really an audit for the Office of Management and Budget, we do not actually bill for the ACFR. This means the individual loan funds would not be paying for their audit services.

This concludes my testimony and I can answer any questions.

#23682



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Testimony before House Industry, Business, and Labor March 10, 2023 Rob Pfennig, Chief Financial Officer Bank of North Dakota

Mr. Chairman and members of the Committee. I am Rob Pfennig, Chief Financial Officer for Bank of North Dakota. I am here today to support Senate Bill 2233. If passed, this bill will remove the 3rd party audit requirement for the legislatively directed loan programs administered by the Bank. The essence of this bill is to save money and gain efficiencies while maintaining transparency, and accountability. This bill does not remove the audit requirement. What it does, is allow for these loan programs to be audited by the State's Auditors Office as part of the State's Annual Comprehensive Financial Report. This is the same process followed by many state agencies and a few of the Bank's administered loan programs.

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As these administered loan programs continue to be successful and grow it is important that we seek efficient and effective management of them while maintaining transparency and accountability and I believe this bill does just that.

I appreciate your consideration of SB 2233 and will stand for any questions.

Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2021

Date of Lossing of ADD \$ 95,022 \$ 65524 \$ 22,222,000 \$ 1,008,100 \$ 310,252 \$ 66 Cash Departments in the Sank of ND	ASSETS	Addiction Counselor Internship Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed
Cash Deposits at the Bank of ND \$ 9.5.22 \$ 66524 \$ 2.2.32.00 \$ 1.009,103 \$ 312.322 \$ 66 Cesh and Cash Explorements Total Add					Luttech	Tornado	Student Loan
Cell and Cash Equivalents 1,731.443 2,22,200 5 1,001,03 5 12,232.25 6 Investments 10 2,101,751 - - 2,233,256 Investments 10 2,203,256 - 2,203,256 - 2,203,256 Investments 10 - 2,203,256 - - 2,203,256 Investments 10 - - 2,203,256 - - 2,203,256 Investments 10 - - - - 2,203,256 - - - 2,203,256 - - - 2,203,256 - - - - 2,203,256 - <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>							
Investments at file Services 1,731,443 1,731,443 1,731,443 2,281,255 0 Accounts Receivable - Net 151,781 1,721,78	Cash and Cash Envirolute	\$ 95,922 \$	65,624 \$	22,232,000	\$ 1 008 103 s	210.000	
Investments 2,10,121			1,731,443		1,000,100 1		\$ 50,011,80
Accounts Resolvable - Nat			(a) (a)			2,283,236	8.
Interest Revealed - Net		·	2,101,781		0.000	-	
Interim reconside - Net 616 23.086 137.000 J.2 S.7/49 Due france Net Findewinke - Net -		_				20,474,754	3 4
Intergovermental Resolution - 13,000 - 13,000 Due franc Mois Pravido - - 4,223 - Priventory - - - 342,065 Date Stand Mois Revolution - Net 7,331 - 00,000 - - Restricted Cash and Deak of ND - - - - - - Restricted Cash and Deak of ND -		616			2,730	5,749	-
Due from Other Funds	Intergovernmental Receivable - Net	515	23,096	137,000	_	135,086	-
Prepaid lisms	Due from Other Funds	_			4,629		14
Iventory			-				-
Lears and Noise Receivable - Net 7,31 - 601,000 - - Restricted Cash at the Bank of ND -		1. <u></u>	1.000		_	342 065	-
Other Assets 1.001 691,000		-	-	· · · · · · · · · · · · · · · · · · ·		342,065	1
Restricted Cash at Cash Equivalence		7,331	_	601 000	1995-14		-
Restricted Cash and Cash Equivalents			_	001,000	_		-
Restricted Investments at the Bank of ND	Restricted Cash at the Bank of ND	_	51000.00		1000		-
Restricted Investments at the Bank of ND	Restricted Cash and Cash Equivalents						4,53
Residued Loans Rescivable - Net	Restricted Investments at the Bank of ND		-	-	3 	<u> </u>	
Total Current Assets 103.869 4.073.163 22.970,000 1,015.462 23.953,152 50 Noncurrent Assets 84.265 - 13.466,000 -	Restricted Loans Receivable - Not		2 7		-		
Noncurrent Assets: 0.0009 4.0/3,163 22,570,000 1,015,462 23,553,152 50 Cars and Moles Reveauble - Net 84,205 - 13,466,000 - <td>Total Current Assats</td> <td></td> <td>And the second second</td> <td></td> <td></td> <td></td> <td>50 C</td>	Total Current Assats		And the second				50 C
Noncurrent Assets: Lans and Moles Rescuedule - Net 84,265 13,466,000	Total Odifent Assets	103,869	4,073,163	22,970,000	1.015.462	22 552 450	
Lans and Notes Receivable - Net 84,265 13,466,000	Noncurrent Assets				1,010,402	23,553,152	50,016,34
Other Noncurrent Assets: Image: Control of the Noncurrent Assets: Image: Control of the Noncurrent Assets Image: Control of the Noncurent Assets <td></td> <td>15</td> <td></td> <td></td> <td>8</td> <td></td> <td></td>		15			8		
Capital Assets:	Other Noncurrent Assal	84,265	-	13,466,000	_		
Nondepreciable					(1997) (1997)	-	-
Depreciable, Net					-		
Total Noncurrent Assets 84,853 - 1,3465,000 - - Total Assets 188,134 4,073,163 36,436,000 1,015,462 23,553,152 50, DEFERRED OUTFLOWS OF RESOURCES - <td></td> <td>_</td> <td></td> <td></td> <td></td> <td></td> <td></td>		_					
Total Assets	Depreciable, Net		20.00		-	—	
Total Assets	Total Noncurrent Assets	84 965			-	_	
Image: 100.124 4.073,163 36,436,000 1.015,462 23,553,152 50, Decrease in Fair Value of Hedging Derivatives.		04,203	-	13,466,000	-	_	
DEFERED OUTFLOWS OF RESOURCES 0.005,462 23,553,152 50, Derived from Pensions	Total Assets	188 134	4 072 462				
Derenker OUTLOWS OF RESOURCES		100,154	4,073,163	36,436,000	1,015,462	23,553,152	50,016,340
Derived from Pensions	DEFERRED OUTFLOWS OF RESOURCES						
Derived from Pensions	Decrease in Fair Value of Hedging Derivatives						
Derived from OPEB	Derived from Pensions	-				-	_
Total Deformed Outflows of Resources		_	3 	C			
LUABILITIES		-					
LUABILITIES	Total Deferred Outflows of Resources	-					_
LABILITIES Current Liabilities: Accounds Payoble Current Liabilities: Accounds Payoble Current Liabilities Compensated Absences Payoble Claims/durgments Payoble Claims/dur			Sec. 1			-	
Accounts Payable 266 7,688 399 Accured Payroll - - 15,833 - Securities Lending Collateral - - - 74,012 Interest Payable - 1,756 - - 21,662 Due to Other Funds - - - 4,415 6,0 Compensated Absences Payable - - - 1,808,842 Bond's Payable - - - - - Uneamed Revenue - - - - - - Unsamed Revenue - <td< td=""><td>LIABILITIES</td><td></td><td></td><td></td><td></td><td></td><td></td></td<>	LIABILITIES						
Accrued Payroll 200 7,688 399 Securities Lending Collateral 5,979 15,383 74,012 Interest Payable 1,756 21,662 74,012 Intergovernmental Payable 1,756 21,662 62,000 Claims/Judgments Payable 134,068 1 1,800,00 45,647 1 Compensated Absences Payable 134,068 1 1,808,842 1 1 Bonds Payable 142,069 18,000 68,718 1,909,330 6,1 Noncurrent Liabilities 142,069 18,000 68,718 1,909,330 6,1 Net Pension Liabilities 1 1 1 1 1 Other Noncurrent Liabilities 1 1 23,3 1,909,330 29,40 Other Noncurrent Liabilities 1 1 1 23,3 1,909,330 29,40 Derived from OPEB 1 142,069 18,000 68,718 1,909,330 29,40 Derived from OPEB 1 1 142,069 18,000 68,718 1,909,330 29,40 Derived from OPEB<	Current Liabilities:						
Accrued Payroll 200 7,688 399 Securities Lending Collateral 5,979 15,383 74,012 Interest Payable 1,756 21,662 74,012 Intergovernmental Payable 1,756 21,662 62,000 Claims/Judgments Payable 134,068 1 1,800,00 45,647 1 Compensated Absences Payable 134,068 1 1,808,842 1 1 Bonds Payable 142,069 18,000 68,718 1,909,330 6,1 Noncurrent Liabilities 142,069 18,000 68,718 1,909,330 6,1 Net Pension Liabilities 1 1 1 1 1 Other Noncurrent Liabilities 1 1 23,3 1,909,330 29,40 Other Noncurrent Liabilities 1 1 1 23,3 1,909,330 29,40 Derived from OPEB 1 142,069 18,000 68,718 1,909,330 29,40 Derived from OPEB 1 1 142,069 18,000 68,718 1,909,330 29,40 Derived from OPEB<	Accounts Payable		12000				
Securifies Lending Collateral - 5,979 - 15,383 - Interest Payable - 74,012 74,012 21,662 100 Due to Other Funds - - 21,662 66,000 66,000 45,9547 - 1,808,842 Compensated Absences Payable -			266		7,688	300	
Interest Payable - 5,979 - - 74,012 Intergovernmental Payable - 1,756 - - 21,662 Due to Other Funds - - 18,000 45,647 - 1 Compensated Absences Payable - - 134,088 - - - 1 Une to Other Funds - - - - - - - 1 Compensated Absences Payable -							
Intergovernmental Payable - 1,756 - - 21,662 Due to Other Funds - - 14,056 - 4,415 6,0 Compensated Absences Payable - 134,066 - - 1 1 Unearned Revenue - - - - - 1 Total Current Liabilities: - - - - - - - - 1 Noncurrent Liabilities: -		-	5,979	-			
Intergrowernmental Payable			1.756				-
Claims/Judgments Payable 134,066 18,000 45,647 1 Compensated Absences Payable 134,066 1 1,808,842 1 Bonds Payable 1 142,069 18,000 68,718 1,909,330 6,1 Noncurrent Liabilities: 142,069 18,000 68,718 1,909,330 6,1 Compensated Absences Payable 1							
Claims/Judgments Payable - 134,066 - 1,800,45,647 - 1 Bonds Payable -						4,415	6,004,536
Compensated Absences Payable 134,000 - - 1,808,842 Bonds Payable - - - - - Unearmed Revenue - - - - - - Total Current Liabilities: - 142,069 18,000 68,718 1,909,330 6,1 Compensated Absences Payable - - - - - - Bonds Payable - - - - - - - Bonds Payable - - - - - - - - Bonds Payable -	Claims/Judgments Payable			18,000	45,647	-	151,626
Bonds Payable	Compensated Absences Pavable		134,068	-	-	1 808 842	101,020
Unearmed Revenue	Bonds Pavable					.,	
Total Current Liabilities		· · · · ·		-		_	
Noncurrent Liabilities: 18,000 68,718 1,909,330 6,1 Compensated Absences Payable			-		~		
Noncurrent Liabilities: Superior Superior <td>Total Current Liabilities</td> <td></td> <td>142 069</td> <td>40.000</td> <td>17-10-10-10-10-10-10-10-10-10-10-10-10-10-</td> <td></td> <td></td>	Total Current Liabilities		142 069	40.000	17-10-10-10-10-10-10-10-10-10-10-10-10-10-		
Compensated Absences Payable	N		142,003	18,000	68,718	1,909,330	6,156,162
Bonds Payable							
Financial Derivative Instrument							
Net Pension Liability			2(+)			e e 🛥	_
Net Pension Liability	Financial Derivative Instrument				-	_	
Net Pension OPEB		_					
Other Noncurrent Liabilities		-		1.000	_		12-22
Total Noncurrent Liabilities				1 million (1997)			-
Total Liabilities - - - - 23,33 DEFERRED INFLOWS OF RESOURCES - 142,069 18,000 68,718 1,909,330 29,45 Derived from Pensions - - - - - - 23,33 29,45 Derived from OPEB - </td <td></td> <td></td> <td>_</td> <td>-</td> <td></td> <td>-</td> <td></td>			_	-		-	
Instruction - 142,069 18,000 68,718 1,909,330 29,41 Derived from Pensions -	Iotal Noncurrent Liabilities		_			-	23.337,976
Instruction - 142,069 18,000 68,718 1,909,330 29,41 Derived from Pensions -	Fotol Liebilities						23,337,976
DEFERRED INFLOWS OF RESOURCES Derived from Pensions Derived from Pensions Derived from OPEB Derived from OPEB Derived Inflows of Resources Deterved Inflows	Iotal Liabilities		142.069	18 000	60 740		
Derived from Pensions	DEFERRED INELOWS OF RECOURSES			10,000	06,/18	1,909,330	29,494,138
Derived from OPEB	Derived from Pensions						
International Deferred Inflows of Resources	Derived from Pensions		_				
Net Position	Derived from OPEB					-	
Iet Position	Intel Deferred I-R		S)	7 		
let Position	oral Deletred Inflows of Resources		_				
Net Investment In Capital Assets	let Position			-		-	-
Restricted for:							
Restricted for:	Net investment in Capital Assets		1				
Other	Restricted for:				_		_
Other	Debt Service						
Unrestricted 188,134 3,931,094 36,418,000 046,744		1 2 - C			<u> </u>	2 million 1	
105,134 3,931,094 36,418,000 046,744						_	
20 52 52 52 52 52 52 52 52 52 52 52 52 52	omeanicied	188,134	3,931,094	36 418 000	046 744	-	_
				50,110,000	940,744	21,643,822	20.522.202
otal Net Position \$ 188,134 \$ 3,931,094 \$ 36,418,000 \$ 946,744 \$ 21,643,822 \$ 20,52	olal Net Position	\$ 199 474 6			1.525.5		

Combining Statement of Revenues, Expenses and **Changes in Fund Net Position Nonmajor Enterprise Funds** For the Fiscal Year Ended June 30, 2021

Addiction Counselor Internship Loan Community Water Facility Loan Fire and Tornado Guaranteed Student Loan Bonding Edutech OPERATING REVENUES Sales and Services s - \$ 1,240 S \$ 216,689 \$ 1,046,989 \$ 6,973,189 Grants and Contributions Royalties and Rents _ Interest and Investment Income 3,229 _ 503,000 Miscellaneous 19,875 _ -_ Total Operating Revenues 3.229 21,115 503,000 216,689 1,046,989 6,973,189 **OPERATING EXPENSES** Cost of Sales and Services Salaries and Benefits 182,762 _ Operating 5,950 90,000 142,134 653,522 6,364,286 Claims 58 691 4,290,040 _ Interest _ _ -_ Depreciation _ _ Miscellaneous 73,985 5,950 58,691 90,000 324,896 5,017,547 6,364,286 Total Operating Expenses Operating Income (Loss) (2,721) (37,576) 413,000 (108,207) (3,970,558) 608,903 NONOPERATING REVENUES (EXPENSES) Grants and Contracts Interest and Investment Income 90 67,139 28,000 _ 3,489,505 71,430 Interest Expense -(4,432) _ (52,794) Gain (Loss) on Sale of Capital Assets --_ _ 121,000 Other _ _ -Total Nonoperating Revenues (Expenses) 90 62,707 149,000 3,436,711 71,430 -(2,631) 25,131 562,000 (108,207) (533,847) 680,333 Income (Loss) Before Contributions and Transfers Transfers In --Transfer Out Change in Net Position (2,631) 25,131 562,000 (108,207) (533,847) 680,333 Total Net Position - Beginning of Year, as Restated 190,765 3,905,963 35,856,000 1,054,951 22,177,669 19,841,869 Total Net Position - End of Year 188,134 \$ 3,931,094 \$ 36,418,000 \$ 946,744 S 21,643.822 \$ 20,522,202

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Legislative Directed Loan Programs Administered by BND



BND Balance Sheet

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Balance Sheet \$ in thousands Cash and due from banks	12/31/2022 405,718	
Federal funds sold	44,605	
Securities	4,344,352	Loans "On
Loans Commercial Farm Residential Student Less allowance for loan loss	3,199,277 709,866 351,076 <u>1,104,408</u> 5,364,627 (108,752) 5,255,875	Balance Sheet" in which BND participates with a Lead FI and takes the Risk / Reward that
Other assets	145,265	contributes to
Total assets	10,195,815	the earnings at the end of the year.
Deposits - Non-interest bearing Interest bearing	632,498 7,679,449	
Federal funds purchased and repurchase agreements	205,845	
Borrowings - Short-term	675,000	
Other liabilities Total liabilities	<u> </u>	The funding for these loans is
Equity Total liabilities and equity	<u> </u>	backed by the "Capital" of BND.

Legislative Directed Programs

Why "Off Balance Sheet"

- Established by the Legislature
- Long-term fixed interest rate at 2%.
- Provides for up to 30 / 40 Year Terms

Procedurally:

- BND underwrites and administers loans
- Principal and interest returned to the funds
- BND receives a .50bp service fee
- Audits of the Funds



VS

Legislatively Directed Loan Programs

BND administers 23 programs and \$904 million in assets for the Legislature



- BND currently administers programs that serve a wide range of purposes, including school construction, water projects, general and medical infrastructure, and disaster recovery.
- *Infrastructure Revolving Fund includes \$52 million to be transferred from BND's capital.
- ** HB 1187 created The
 Rebuilders Permanent Loan Fund
 (RPLF) during the 67th Legislative
 Session. This permanent
 revolving loan fund was
 established by transferring \$50
 million in loans and cash from the
 Small Employer Loan Fund
 (SELF) created by BND during
 the Covid 19 pandemic to the
 RPLF.
- ***The Water Infrastructure Revolving Loan Fund was created by HB 1431. The Fund combined previously reported Community Water and State Water – Revolving Loan Fund.



Testimony for Senate Bill 2233

Chairman Larsen and members of the committee my name is Lindsey Slappy. I am an audit manager for the State Auditor's Office. I am here to support Senate Bill 2233.

I have been working with the Bank of North Dakota on a new approach for the audits of the legislatively directed loan programs. The current law requires that the audits of the legislatively directly loan programs must be completed by a CPA firm. It does not give us the flexibility to complete these audits within our office. This is different than all the other state agencies. Our office does contract for audits of other state agencies but those are done at our discretion.

Our office does currently spend time on these legislatively directed audits. There would be some time built into the RFP process as well as the approval of each of the 13 reports. The private firms submit the reports to our office for review and approval prior to issuance. These reports are then incorporated into the Annual Comprehensive Financial Report (ACFR). I have provided an example of how the information is presented in the ACFR. Each of the individual loan programs can be found in their own column. The main difference is the information isn't contained within its own separate cover.

Under the new approach, the Bank of North Dakota would still prepare the financial information and submit it to the Office of Management and Budget to include in the ACFR. This information would then be included and subjected for audit in the audit of the ACFR. This would prevent loan funds that have as few as a single loan from needing an individual audit. There are a variety of required standards that must be followed if each loan fund is audited separately. Putting all of this information into the ACFR testing would help reduce auditing time. We would be able to build the activity into our current testing and still present the information in a way that you could see it by individual loan program. The auditing processes we would apply for these loan funds would be the same as those applied for the other state agencies.

The final component to the change is related to billing. Since the ACFR is really an audit for the Office of Management and Budget, we do not actually bill for the ACFR. This means the individual loan funds would not be paying for their audit services.

This concludes my testimony and I can answer any questions.