Financial Statements
June 30, 2017 and 2016

Rebuilders Loan Program

REBUILDERS LOAN PROGRAM

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Independent Auditor's Report

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of the Rebuilders Loan Program (the Program), an enterprise fund of the State of North Dakota, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program'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 Program'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 Program, as of June 30, 2017 and 2016, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 1, the financial statements of the Program are intended to present the financial position, the changes in financial position and cash flows of only that portion of the State of North Dakota that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2017 and 2016, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2017 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 effectiveness of the Program's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Eide Bailly LLP

Bismarck, North Dakota
September 12, 2017

The management discussion and analysis of the Rebuilders Loan Program's (The Program) financial performance provides an overview of the Program's financial activities for the fiscal years ended June 30, 2017, 2016 and 2015. Please read it in conjunction with the financial statements of the Program.

FINANCIAL HIGHLIGHTS:

The North Dakota Legislature appropriated $50,000,000 for the Rebuilders Loan Program during its Special Session held in November 2011. The Industrial Commission approved the Rebuilders Loan Guidelines on November 21, 2011. The first $30,000,000 for this program was transferred from Bank of North Dakota's undivided profits. The remaining $20,000,000 was funded from the General Fund.

The purpose of this Program is to help owners of homes damaged in the 2011 floods in Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland and Ward counties. Residents with flood-damaged homes that had been granted a tax assessment reduction in 2011 were eligible to apply for a loan of up to $30,000 at a 1% interest rate for 20 years. Payments were not required for 24 months; however, interest accrued during this time. Applications were not accepted after September 30, 2012.

The North Dakota Legislature amended the Rebuilders Loan Program in its 2013 Session to include the rebuilding of nonowner-occupied property and federal emergency management agency temporary housing units located in a community-approved group housing site in the disaster-impacted community. There was no deferral of principal and interest payments for a loan for nonowner-occupied property. Applications were not accepted after September 30, 2013. A supplemental loan up to $20,000 may have been made to a homeowner who had received an initial loan under certain conditions. Supplemental loan applications were not accepted after December 31, 2013.

After June 30, 2013, repayments to the Program shall be transferred to replenish $30,000,000 of the Bank's undivided profits. On an annual basis, the Bank shall transfer repayments to the State Treasurer for deposit in the State General Fund in any amount exceeding the $30,000,000 used to replenish the Bank's undivided profits.

The Bank of North Dakota administers the Program. The Bank deducts a one-half percent service fee for administering the Program for the Bank and originating financial institutions.

There were no new loans made by the Program during the fiscal years 2017 and 2016. There were two new loans totaling $80,000 made by the Program during the fiscal year 2015.

There are currently 1,321 loans outstanding. As of June 30, 2017, the gross amount of outstanding loans is $33,413,595 with an allowance for credit losses of $3,341,000 for net loans of $30,072,595. As of June 30, 2016, the gross amount of outstanding loans was $37,876,086 with an allowance for credit losses of $3,788,000 for net loans of $34,088,086. As of June 30, 2015, the gross amount of outstanding loans was $42,386,215 with an allowance for credit losses of $4,266,200 for net loans of $38,120,015.

There were no loans pending as of June 30, 2017. The application period has ended.

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REQUIRED FINANCIAL STATEMENTS:

The Program is an enterprise fund and uses the accrual basis of accounting. The basic financial statements include the statement of net position, statement of revenues, expenses, and changes in fund net position, and statement of cash flows. The statement of net position provides readers the assets and liabilities of the Program, with the differences between the two reported as net position. The statement of revenues, expenses, and changes in fund net position identifies the operating performance of the Program for the fiscal year. The statement of cash flows identifies cash flows from operating activities and investing activities and provides answers to such questions as where did the cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

CONDENSED STATEMENTS OF NET POSITION
JUNE 30, 2017, 2016 AND 2015

(In Thousands)

	2017	2016	2015
ASSETS			
CURRENT ASSETS			
Cash deposits	**$ 681**	$ 606	$ 677
Loans, current portion	**1,905**	2,007	2,122
Interest receivable	**29**	47	90
Total current assets	**2,615**	2,660	2,889
NONCURRENT ASSETS			
Loans, noncurrent portion	**28,168**	32,081	35,998
Total noncurrent assets	**28,168**	32,081	35,998
DEFERRED OUTFLOWS OF RESOURCES	**-**	-	-
Total assets and deferred outflows	**$ 30,783**	$ 34,741	$ 38,887
CURRENT LIABILITIES	**$ 1,901**	$ 2,034	$ 2,180
NONCURRENT LIABILITIES	**28,735**	32,545	36,531
DEFERRED INFLOWS OF RESOURCES	**-**	-	-
NET POSITION - UNRESTRICTED	**147**	162	176
Total liabilities, deferred inflows and net position	**$ 30,783**	$ 34,741	$ 38,887

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Cash Deposits

Cash deposits increased $75 thousand from June 30, 2016 to June 30, 2017 due to principal payments received. Cash deposits decreased $71 thousand from June 30, 2015 to June 30, 2016 due to repayments to the Bank of North Dakota. Cash deposits decreased $260 thousand from June 30, 2014 to June 30, 2015 due to repayments to the Bank.

Loans

There were no loans made during the fiscal year 2017 or 2016, and two loans made during the fiscal year 2015. There were 51 delinquent loans as of June 30, 2017. There were 32 loan charge-offs during 2017 totaling $671,009.

Noncurrent Liabilities

Noncurrent liabilities decreased $3.8 million from June 30, 2016 to June 30, 2017, decreased $4 million from June 30, 2015 to June 30, 2016, and decreased $4 million from June 30, 2014 to June 30, 2015 due to repayments to the Bank.

Net Position

North Dakota Legislative action in 2013 required that loan repayments received by the Program first be used to replenish the Bank's undivided profits and then required all other loan repayments received to be transferred to the State General Fund. Therefore, net position of the Program is minimal.

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CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED JUNE 30, 2017, 2016 AND 2015

(In Thousands)

	2017	2016	2015
OPERATING REVENUES	**$ 335**	$ 405	$ 429
OPERATING EXPENSES	**571**	304	89
OPERATING INCOME/(LOSS)	**(236)**	101	340
NONOPERATING INCOME/(LOSS)	**221**	(115)	(346)
CHANGE IN NET POSITION	**(15)**	(14)	(6)
TOTAL NET POSITION, BEGINNING OF YEAR	**162**	176	182
TOTAL NET POSITION END OF YEAR	**$ 147**	$ 162	$ 176

Revenue

Revenue is from interest accrued on loans outstanding. The interest rate earned on these loans is 1%.

Expenses

The provision for credit loss was $221,909, ($113,683), and ($347,300) for the years ended June 30, 2017, 2016, and 2015, respectively.

No loan origination fees were paid during the years ended June 30, 2017 and 2016. Loan origination fees of $1,000 were paid during the year ended June 30, 2015.

Service fee expenses of $334,147, $404,312, and $429,368 have been recorded during the years ended June 30, 2017, 2016, and 2015, respectively.

Other expenses are for the independent audit of the financial records and reimbursement to the Bank for salary and benefit expenses, advertising expenses, and legal expenses for the Program.

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Non-Operating Income/(Loss)

During 2017, non-operating income consisted primarily of income relating to cancellation of debt for the 2017 decrease in the liability to the State of North Dakota General Fund. During 2016 and 2015, non-operating loss consisted primarily of loss relating to reinstatement of debt for the increases in the liability to the State of North Dakota General Fund.

ECONOMIC FACTORS AND FUTURE OUTLOOK

North Dakota Legislative action in 2013 required that loan repayments received by the Program first be used to replenish the Bank of North Dakota's undivided profits and then required all other loan repayments received to be transferred to the State General Fund. As of June 30, 2017, the Program owed the Bank $15,824,202 and owed the General Fund $14,815,785.

CONTACTING THE PROGRAM'S FINANCIAL MANAGEMENT

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

REBUILDERS LOAN PROGRAM
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	$ 681,524	$ 606,136
Loans, current portion	1,904,969	2,007,033
Interest receivable	28,851	46,623
Total current assets	2,615,344	2,659,792
NONCURRENT ASSETS		
Loans, net of allowance for credit losses of \$3,341,000 in 2017 and \$3,788,000 in 2016	28,167,626	32,081,053
Total noncurrent assets	28,167,626	32,081,053
DEFERRED OUTFLOWS OF RESOURCES	-	-
Total assets and deferred outflows	$ 30,782,970	$ 34,740,845
LIABILITIES		
CURRENT LIABILITIES		
Due to the Bank of North Dakota	$ 1,892,198	$ 2,023,607
Service fee payable	8,922	9,805
Total current liabilities	1,901,120	2,033,412
NONCURRENT LIABILITIES		
Due to the Bank of North Dakota	13,919,233	17,508,455
Due to the State of North Dakota General Fund	14,815,785	15,036,838
Total noncurrent liabilities	28,735,018	32,545,293
Total liabilities	30,636,138	34,578,705
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION - UNRESTRICTED	146,832	162,140
Total liabilities, deferred inflows and net position	$ 30,782,970	$ 34,740,845

REBUILDERS LOAN PROGRAM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
OPERATING REVENUES		
Interest on loans	**$ 334,820**	$ 404,929
OPERATING EXPENSES		
Service fees	**334,147**	404,312
Other expenses	**15,308**	13,622
Provision for credit loss	**221,909**	(113,683)
	571,364	304,251
OPERATING INCOME/(LOSS)	**(236,544)**	100,678
NONOPERATING REVENUES		
Investment Income	**183**	188
Cancellation of debt income - State General Fund	**221,053**	-
	221,236	188
NONOPERATING EXPENSES		
Reinstatement of debt expense - State General Fund	**-**	(114,488)
NONOPERATING INCOME/(LOSS)	**221,236**	(114,300)
CHANGE IN NET POSITION	**(15,308)**	(13,622)
TOTAL NET POSITION, BEGINNING OF YEAR	**162,140**	175,762
TOTAL NET POSITION, END OF YEAR	**$ 146,832**	$ 162,140

REBUILDERS LOAN PROGRAM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
OPERATING ACTIVITIES		
Service fees paid to Bank of North Dakota	**$ (191,598)**	$ (210,289)
Service fees paid to other banks	**(172,777)**	(225,351)
Payment of other expenses	**(15,308)**	(13,622)
NET CASH USED FOR OPERATING ACTIVITIES	**(379,683)**	(449,262)
NON-CAPITAL FINANCING ACTIVITIES		
Payment on Due to the Bank of North Dakota	**(3,691,286)**	(4,215,840)
NET CASH USED FOR NON-CAPITAL FUNDING ACTIVITIES	**(3,691,286)**	(4,215,840)
INVESTING ACTIVITIES		
Investment income received	**183**	188
Loan interest received	**352,592**	448,771
Proceeds from principal collections on loans	**3,793,582**	4,145,612
NET CASH FROM INVESTING ACTIVITIES	**4,146,357**	4,594,571
NET CHANGE IN CASH	**75,388**	(70,531)
CASH, BEGINNING OF YEAR	**606,136**	676,667
CASH, END OF YEAR	**$ 681,524**	$ 606,136
RECONCILIATION OF OPERATING INCOME/LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating income (loss)	**$ (236,544)**	$ 100,678
Adjustments to reconcile operating income to net cash used for operating activities		
Adjustment for provision for credit loss	**221,909**	(113,683)
Decrease in service fee payable to outside lender	**(883)**	(30,045)
Decrease in service fee payable to BND	**(29,345)**	(1,283)
Reclassification of items to other activities		
Interest income on loans	**(334,820)**	(404,929)
NET CASH USED FOR OPERATING ACTIVITIES	**$ (379,683)**	$ (449,262)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Section 6-09-46 of the North Dakota Century Code (NDCC) established the Rebuilders Loan Program (the Program). The purpose of this Program is to help owners of homes damaged in the 2011 floods in Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland and Ward counties. Residents with flood-damaged homes that had been granted a tax assessment reduction in 2011 were eligible to apply for a loan of up to $30,000 at a 1% interest rate for 20 years. Payments were not required for 24 months; however, interest accrued during this time. Applications were not accepted after September 30, 2012.

The North Dakota Legislature amended the Rebuilders Loan Program in its 2013 Session to include the rebuilding of nonowner-occupied property and federal emergency management agency temporary housing units located in a community-approved group housing site in the disaster-impacted community. There was no deferral of principal and interest payments for a loan for nonowner-occupied property. A supplemental loan up to $20,000 may have been made to a homeowner who had received an initial loan under certain conditions. Applications were not accepted after September 30, 2013. Supplemental loan applications were not accepted after December 31, 2013.

The North Dakota Legislature appropriated $50,000,000 for the Rebuilders Loan Program during its Special Session held in November 2011. The first $30,000,000 for this program was transferred from Bank of North Dakota's undivided profits. The remaining $20,000,000 was transferred by the State of North Dakota's General Fund.

After June 30, 2013, repayments to the Program shall be transferred to replenish $30,000,000 of the Bank's undivided profits. On an annual basis, the Bank shall transfer repayments to the State Treasurer for deposit in the State General Fund in any amount exceeding the $30,000,000 used to replenish the Bank's undivided profits.

The Bank administers the loan program and transfers the money appropriated for this Program from its undivided profits. The Bank deducts a service fee for administering the Program for the Bank and originating financial institutions.

Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, the Program should include all component units over which the Program exercises such aspects as (1) appointing a voting majority of an organization's governing body and (2) has the ability to impose its will on that organization, or (3) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Program.

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

Accounting Standards and Adoptions of Accounting Policies

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

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Fund Accounting

The Program is an enterprise fund and uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All enterprise funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Net position is segregated into (1) net invested in capital assets, (2) restricted (distinguishing between major categories of restrictions) and (3) unrestricted. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statements of cash flows presents the cash flows for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for credit losses.

Significant Group Concentrations of Credit Risk

All of the Program's business is with customers within the State of North Dakota. Concentrations of credit risk are present in the Program.

Cash and Cash Equivalents

The Program considers all cash and time deposits with original maturities of three months or less to be cash and cash equivalents for the purpose of reporting cash flows.

Loans

Loans are stated at their outstanding unpaid principal balance less an allowance for credit losses. Interest income on loans is accrued at a specific rate of 1% on the unpaid principal balance.

The accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

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Allowance for Credit Losses

The Program uses the allowance method in providing for credit losses. Accordingly, the allowance is increased or reduced by the current year's provision for credit losses charged to operations and reduced by net charge-offs.

The adequacy of the allowance for credit losses and the provisions for credit losses charged to operations are based on management's evaluation of a number of factors, including recent loan loss experience, continuous evaluation of the loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. Loans are charged to the allowance when management believes the collection of the principal is doubtful.

A loan is considered impaired when, based on current information and events, it is probable that the Program will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Loan Origination Fees

The Program pays a loan origination fee of $250 or $500 per loan. Loan origination fees are expensed as incurred.

Credit Related Financial Instruments

In the ordinary course of business, the Program has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Operating and Non-operating Revenues

Operating revenues consist of interest income on the loans. All other revenues are classified as non-operating.

NOTE 2 - DEPOSITS

The carrying value and bank balance of the Program's cash deposits at June 30, 2017 and 2016 was $681,524 and $606,136, respectively. Of the bank amounts, none were covered by depository insurance and all are uncollateralized. These monies are deposited in the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

Custodial and Concentration of Credit Risk

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

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NOTE 3 - LOANS

A description of Program loans is included under "Nature of Operations" in Note 1. A summary of the balances of loans are as follows:

	2017	2016
Loans, current portion	**$ 1,904,969**	$ 2,007,033
Loans, noncurrent portion	**31,508,626**	35,869,053
Total loans	**33,413,595**	37,876,086
Allowance for credit losses	**3,341,000**	3,788,000
Total loans, net	**$ 30,072,595**	$ 34,088,086

Changes in the balances of loans are as follows:

Balance, June 30, 2015	**$ 42,386,215**
Loan advances	**-**
Principal collections	**(4,145,612)**
Charge-offs	**(364,517)**
Balance, June 30, 2016	**37,876,086**
Loan advances	**-**
Principal collections	**(3,791,482)**
Charge-offs	**(671,009)**
Balance, June 30, 2017	**$ 33,413,595**

Changes in allowance for credit losses are as follows:

	2017	2016
Balance, beginning of year	**$ 3,788,000**	$ 4,266,200
Provision for credit losses	**221,909**	(113,683)
Charge-offs	**(671,009)**	(364,517)
Recoveries	**2,100**	-
Balance, end of year	**$ 3,341,000**	$ 3,788,000

There were no impaired loans as of June 30, 2017 and 2016. There were two loans on nonaccrual status as of June 30, 2017 and no loans on nonaccrual status as of June 30, 2016. There were 38 loans 90 days or more past due as of June 30, 2017 and 53 loans 90 days or more past due as of June 30, 2016.

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NOTE 4 - RELATED PARTY TRANSACTIONS

The Program is supervised and administered by the Bank of North Dakota (the Bank). All cash accounts are deposited in the Bank.

The North Dakota Legislature appropriated $50,000,000 for the Rebuilders Loan Program during its Special Session held in November 2011. The first $30,000,000 for this program was transferred from Bank of North Dakota's undivided profits, of which $4,131,646 and $25,868,354 was received during the years ended June 30, 2013 and 2012, respectively. The remaining $20,000,000 was transferred by the State of North Dakota's General Fund during the year ended June 30, 2013.

During 2013, the North Dakota Legislature revised the program to require that after June 30, 2013, loan repayments received by the Program shall be transferred back to the Bank to replenish $30,000,000 of the Bank's undivided profits. As such, the Program owed the Bank $15,824,202 and $19,515,488 as of June 30, 2017 and 2016, respectively. In addition, the legislation required that after the Bank's undivided profits are replenished, any repayments received by the Program shall be transferred to the State Treasurer for deposit in the State General Fund after payment of program expenses. As such, the Program also owed the General Fund $14,815,785 and $15,036,838 as of June 30, 2017 and 2016, respectively. During the year ended June 30, 2017, the decrease in the liability to the General Fund was reflected as cancellation of debt income in the amount of $221,053. During the year ended June 30, 2016, the increase in the liability to the General Fund was reflected as reinstatement of debt expense in the amount of $114,488.

The Bank charged the Program for operating expenses totaling $15,308 and $13,622 for the years ended June 30, 2017 and 2016, respectively, of which the Program owed the Bank nothing as of June 30, 2017 and 2016.

The Bank charged the Program servicing fees totaling $162,253 and $209,006 for the years ended June 30, 2017 and 2016, respectively. The Bank owed the Program a refund of $12,771 as of June 30, 2017, and the Program owed the Bank $16,574 as of June 30, 2016.

NOTE 5 - RISK MANAGEMENT

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

> The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of State Agencies resulting from the elimination of the State's sovereign immunity. The RMF manages the tort liability of the State, its agencies' employees, and the University System. All State agencies participating in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of $250,000 per person and $1,000,000 per occurrence.
>
> The State Bonding Fund currently provides the Fund with blanket employee fidelity bond coverage in the amount of $2,000,000. The State Bonding Fund does not currently charge any premium for this coverage.

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

Exhibit A-1

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 Rebuilders Loan Program (the Program), an enterprise fund of the State of North Dakota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements and have issued our report thereon dated September 12, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

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

Our consideration of internal control 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 over financial reporting 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 the Program's financial statements are free of 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 Program'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
September 12, 2017

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Exhibit A-2

Rebuilders Loan Program
Independent Auditor's Comments Requested by the North Dakota Legislative Audit and Fiscal Review Committee
Year Ended June 30, 2017

The Industrial Commission
State of North Dakota
Bismarck, North Dakota

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

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

   Unmodified

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

   Yes

3. Was internal control adequate and functioning effectively?

   Yes

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

   No

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

   There were no prior year findings or recommendations.

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

   No

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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.

   None

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

   Management's estimate of the allowance for credit losses is based on management's evaluation of a number of factors, including recent loan loss experience, continuous evaluation of the loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. We evaluated key factors and assumptions used to develop the allowance for credit losses in determining that it is reasonable in relation to the financial statements taken as a whole.

3. Identify any significant audit adjustments.

   None

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

   None

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

   None

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

   None

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

   None

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

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

This report is intended solely for the information and use of the North Dakota Industrial Commission, Legislative Audit and Fiscal Review Committee, Bank of North Dakota Advisory Board 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
September 12, 2017

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Exhibit B-1

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

We have audited the financial statements of the Rebuilders Loan Program (the Program) as of and for the year ended June 30, 2017, and have issued our report thereon dated September 12, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 17, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

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

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

Planned Scope and Timing of the Audit

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

Compliance with All Ethics Requirements Regarding Independence

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

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Program is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is:

Management's estimate of the allowance for credit losses is based on management's evaluation of a number of factors, including recent loan loss experience, continuous evaluation of the loan portfolio quality, current and anticipated economic conditions, and other pertinent factors. We evaluated the key factors and assumptions used to develop the allowance for credit losses and determined that it is reasonable in relation to the basic financial statements taken as a whole.

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

Significant Difficulties Encountered during the Audit

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements identified as a result of our audit procedures.

Disagreements with Management

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

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter dated September 12, 2017.

Management's Consultations with Other Accountants

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

Other Significant Matters, Findings, or Issues

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

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

Eide Bailly LLP

Bismarck, North Dakota
September 12, 2017