Financial Statements
June 30, 2014 and 2013

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, 2014 and 2013, 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 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 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.

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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, 2014 and 2013, 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 Matters

Adoption of New Accounting Standard
As described in Note 1 to the financial statements, the Program adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* As discussed in Note 1 to the financial statements, the Program has retroactively restated the previously reported 2013 financial statements to account for loan fees in accordance with this Statement. Our opinion is not modified with respect to this matter.

Reporting Entity
As discussed in Note 1, the financial statements of the Program are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities 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, 2014 or 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 November 12, 2014 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 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

Aberdeen, South Dakota
November 12, 2014

The management discussion and analysis of the Rebuilders Loan Program's (Program) financial performance provides an overview of the Program's financial activities for the fiscal years ended June 30, 2014, 2013 and 2012. 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 11/21/2011. 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 have been granted a tax assessment reduction in 2011 are eligible to apply for a loan of up to $30,000 at a 1% interest rate for 20 years. Payments are not required for 24 months; however, interest accrues 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 is 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 be made to a homeowner who has received an initial loan under certain conditions. Supplemental loan applications were not accepted after December 31, 2013.

The North Dakota Legislature also provided for an additional $5,000,000, or so much of the sum as may be necessary, from Bank of North Dakota's (Bank) undivided profits through June 30, 2015. After June 30, 2013, repayments to the Program shall be transferred to replenish $30,000,000 (and the additional $5,000,000, if necessary) 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 $35,000,000 used to replenish the Bank's undivided profits.

The Bank of North Dakota administers the loan fund.

The Bank deducts a one-half percent service fee for administering the fund for the Bank and originating financial institutions.

There were 457 new loans totaling $9,079,975 made by the Program for the period from July 1, 2013 to June 30, 2014. There were 502 new loans totaling $13,906,289 made by the Program for the period from July 1, 2012 to June 30, 2013.

There are currently 1,578 loans outstanding. As of June 30, 2014, the gross amount of outstanding loans is $46,435,056 with an allowance for credit losses of $4,643,500 for net loans of $41,791,556. As of June 30, 2013, the gross amount of outstanding loans was $38,743,359 with an allowance for credit losses of $3,874,200 for net loans of $34,869,159.

There were no loans pending as of June 30, 2014. The application period ended December 31, 2013.

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, 2014, 2013 AND 2012

		(In Thousands)	
	2014	(Restated) 2013	(Restated) 2012
ASSETS			
CURRENT ASSETS			
Cash deposits	**$ 937**	$ 10,868	$ 132
Loans, current portion	**1,920**	325	669
Interest receivable	**320**	419	79
Total current assets	**3,177**	11,612	880
NONCURRENT ASSETS			
Loans, noncurrent portion	**39,872**	34,544	22,276
Total noncurrent assets	**39,872**	34,544	22,276
DEFERRED OUTFLOWS OF RESOURCES	**-**	-	-
Total assets and deferred outflows	**$ 43,049**	$ 46,156	$ 23,156
CURRENT LIABILITIES	**$ 2,373**	$ 215	$ 60
NONCURRENT LIABILITIES	**40,494**	45,941	-
DEFERRED INFLOWS OF RESOURCES	**-**	-	-
NET POSITION - UNRESTRICTED	**182**	-	23,096
Total liabilities, deferred inflows and net position	**$ 43,049**	$ 46,156	$ 23,156

Cash Deposits

Cash deposits decreased $9.9 million from June 30, 2013 to June 30, 2014 due to loan disbursements. Cash deposits increased $10.7 million from June 30, 2012 to June 30, 2013 due to appropriations received from the State general fund in fiscal year 2013 that had not yet been disbursed for qualifying loans.

Loans

There were 457 loans made during the fiscal year 2014 and 502 loans made during the fiscal year 2013. There were 17 delinquent loans as of June 30, 2014. There was 1 loan charge-off during 2014 totaling $5,247.

Noncurrent Liabilities

Noncurrent liabilities decreased $5.4 million from June 30, 2013 to June 30, 2014 due to repayments to the Bank of North Dakota and reclassification of noncurrent liabilities as current. Noncurrent liabilities increased $45.9 million from June 30, 2012 to June 30, 2013 due to the North Dakota Legislature's 2013 action to first require loan repayments received by the Program to replenish the Bank's undivided profits which were used to initially fund the Program and then require any other loan repayments received to be transferred to the State General Fund. (See Note 4)

Net Position

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

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION FOR THE YEARS ENDED JUNE 30, 2014, 2013 AND 2012

		(In Thousands)	
		(Restated)	(Restated)
	2014	2013	2012
OPERATING REVENUES	**$ 443**	$ 358	$ 81
OPERATING EXPENSES	**1,637**	1,645	2,853
OPERATING LOSS	**(1,194)**	(1,287)	(2,772)
NONOPERATING REVENUES	**1,376**	-	-
INCOME (LOSS) BEFORE TRANSFERS	**182**	(1,287)	(2,772)
TRANSFERS IN	-	24,132	25,868
TRANSFERS OUT	-	(45,941)	-
CHANGE IN NET POSITION	**182**	(23,096)	23,096
TOTAL NET POSITION, BEGINNING OF YEAR	-	23,096	-
TOTAL NET POSITION END OF YEAR	**$ 182**	$ -	$ 23,096

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 $774,547 and $1,324,745 for the years ended June 30, 2014, and 2013, respectively.

Loan origination fees of $185,750 and $124,500 have been paid during the years ended June 30, 2014, and 2013, respectively.

Service fee expense of $663,448 and $178,811 have been recorded during the years ended June 30, 2014, and 2013, respectively. During 2014, the Bank of North Dakota began charging servicing fees to the Program.

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

Non-Operating Revenues

During 2014, non-operating revenues consisted primarily of income relating to cancellation of debt for the 2014 decrease in the liability to the State of North Dakota General Fund.

Operating Transfers In/Out

There were no cash operating transfers during the year ended June 30, 2014. During the year ended June 30, 2013, the Program received transfers from the State Treasurer for $20,000,000 and from the Bank in the amount of $4,131,646 and recorded transfers out of $45,941,000 to establish obligations payable to the State Treasurer and the Bank.

ECONOMIC FACTORS AND FUTURE OUTLOOK

In 2013, the North Dakota Legislature provided for an additional $5,000,000, or so much of the sum as may be necessary, from Bank of North Dakota's undivided profits from June 30, 2013 through June 30, 2015, which will be repaid to the Bank from future loan repayments to the Program. The application period for the Program ended December 31, 2013, and there were no loans pending as of June 30, 2014, thus the transfer of additional funds to the Program is not likely to be necessary.

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, 2014 AND 2013

	2014	(Restated) 2013
ASSETS		
CURRENT ASSETS		
Cash deposits at the Bank of North Dakota	**$ 937,321**	$ 10,867,779
Loans, current portion	**1,919,885**	325,297
Interest receivable	**320,194**	418,862
Total current assets	**3,177,400**	11,611,938
NONCURRENT ASSETS		
Loans, net of allowance for credit losses of $4,643,500 in 2014 and $3,874,200 in 2013	**39,871,672**	34,543,862
Total noncurrent assets	**39,871,672**	34,543,862
DEFERRED OUTFLOWS OF RESOURCES	**-**	-
Total assets and deferred outflows	**$ 43,049,072**	$ 46,155,800
LIABILITIES		
CURRENT LIABILITIES		
Due to the Bank of North Dakota	**$ 2,215,853**	$ 5,707
Service fee payable	**157,403**	209,431
Total current liabilities	**2,373,256**	215,138
NONCURRENT LIABILITIES		
Due to the Bank of North Dakota	**25,918,159**	30,000,000
Due to the State of North Dakota General Fund	**14,575,545**	15,940,662
Total noncurrent liabilities	**40,493,704**	45,940,662
Total liabilities	**42,866,960**	46,155,800
DEFERRED INFLOWS OF RESOURCES	**-**	-
NET POSITION - UNRESTRICTED	**182,112**	-
Total liabilities, deferred inflows and net position	**$ 43,049,072**	$ 46,155,800

REBUILDERS LOAN PROGRAM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	(Restated) 2013
OPERATING REVENUES		
Interest on loans	$ 443,463	$ 357,622
OPERATING EXPENSES		
Loan origination fees	185,750	124,500
Service fees	663,448	178,811
Other expenses	13,275	16,586
Provision for credit loss	774,547	1,324,745
	1,637,020	1,644,642
OPERATING LOSS	(1,193,557)	(1,287,020)
NONOPERATING REVENUES		
Investment income	10,552	-
Cancellation of debt income - State General Fund	1,365,117	-
	1,375,669	-
INCOME (LOSS) BEFORE TRANSFERS	182,112	(1,287,020)
TRANSFERS IN	-	24,131,646
TRANSFERS OUT	-	(45,940,662)
CHANGE IN NET POSITION	182,112	(23,096,036)
TOTAL NET POSITION, BEGINNING OF YEAR	-	23,096,036
TOTAL NET POSITION, END OF YEAR	$ 182,112	$ -

REBUILDERS LOAN PROGRAM
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	(Restated) 2013
OPERATING ACTIVITIES		
Service fees paid to Bank of North Dakota	**$ (151,455)**	$ -
Service fees paid to other banks	**(273,759)**	(9,184)
Payment of other expenses	**(13,275)**	(31,415)
NET CASH USED FOR OPERATING ACTIVITIES	**(438,489)**	(40,599)
NON-CAPITAL FINANCING ACTIVITIES		
Repayments to Bank of North Dakota	**(2,161,958)**	-
Transfer from Bank of North Dakota	**-**	4,131,646
Transfer from State of North Dakota General Fund	**-**	20,000,000
NET CASH FROM (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	**(2,161,958)**	24,131,646
INVESTING ACTIVITIES		
Investment income received	**10,552**	-
Loan interest received	**542,131**	18,368
Loans advanced	**(9,079,975)**	(13,917,239)
Proceeds from principal collections on loans	**1,383,031**	668,431
Origination fees paid	**(185,750)**	(124,500)
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	**(7,330,011)**	(13,354,940)
NET CHANGE IN CASH	**(9,930,458)**	10,736,107
CASH, BEGINNING OF YEAR	**10,867,779**	131,672
CASH, END OF YEAR	**$ 937,321**	$ 10,867,779
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	**$ (1,193,557)**	$ (1,287,020)
Adjustments to reconcile operating loss to net cash used for operating activities		
Adjustment for provision for credit loss	**774,547**	1,324,745
Increase (decrease) in service fee payable to outside lender	**(52,028)**	169,627
Increase (decrease) in service fee payable to the BND	**290,262**	(14,829)
Reclassification of items to other activities		
Loan origination fees	**185,750**	124,500
Interest income on loans	**(443,463)**	(357,622)
NET CASH USED FOR OPERATING ACTIVITIES	**$ (438,489)**	$ (40,599)

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 have been granted a tax assessment reduction in 2011 are eligible to apply for a loan of up to $30,000 at a 1% interest rate for 20 years. Payments are not required for 24 months; however, interest accrues 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 is no deferral of principal and interest payments for a loan for nonowner-occupied property. A supplemental loan up to $20,000 may be made to a homeowner who has 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.

The North Dakota Legislature also provided for an additional $5,000,000, or so much of the sum as may be necessary, from Bank of North Dakota's (Bank) undivided profits through June 30, 2015. After June 30, 2013, repayments to the Program shall be transferred to replenish $30,000,000 (and the additional $5,000,000, if necessary) 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 $35,000,000 used to replenish the Bank's undivided profits.

The Bank administers the loan fund 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.

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.

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 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.

Reclassifications

Certain items in the 2013 financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the 2013 change in net position.

New GAAP Implementation

The Program implemented the following new pronouncement during the year ended June 30, 2014:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* was effective for financial reporting periods beginning after December 15, 2012. The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as expenses and revenues, such as debt issuance costs, fees and costs associated with mortgage banking activities, lending activities, and loan purchases.

GASB Statement 65 specifically changes the reporting of and recognition for the loan origination fees paid by the Program. Previously, loan origination fees were amortized over the estimated lives of the acquired loans. Under the new requirements, these fees will be recognized as an expense in the period incurred. The following financial statement line items for fiscal year 2013 were affected by the change in accounting principle:

STATEMENT OF NET POSITION JUNE 30, 2013:

	As Originally Reported	As Adjusted	Effect of Change
Loan origination fees, current	$ 17,768	$ -	$ (17,768)
Total current assets	11,629,706	11,611,938	(17,768)
Loan origination fees, noncurrent	319,814	-	(319,814)
Total noncurrent assets	34,863,676	34,543,862	(319,814)
Total assets	46,493,382	46,155,800	(337,582)
Due to the State of North Dakota General Fund	16,278,244	15,940,662	(337,582)
Total liabilities	46,493,382	46,155,800	(337,582)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2013:

	As Originally Reported	As Adjusted	Effect of Change
Loan origination fee	$ 17,768	$ 124,500	$ 106,732
Total operating expenses	1,537,910	1,644,642	106,732
Operating loss	(1,180,288)	(1,287,020)	(106,732)
TRANSFERS OUT	(46,278,244)	(45,940,662)	337,582
CHANGE IN NET POSITION	(23,326,886)	(23,096,036)	230,850
TOTAL NET POSITION, BEGINING OF YEAR	23,326,886	23,096,036	(230,850)

STATEMENT OF CASH FLOWS JUNE 30, 2013:

	As Originally Reported	As Adjusted	Effect of Change
Operating income (loss)	$ (1,180,288)	$ (1,287,020)	$ (106,732)
Adjustment for origination fee amortization	17,768	-	(17,768)
Reclassification of items to other activities			
Loan origination fees	-	124,500	124,500

NOTE 2 - DEPOSITS

The carrying value and bank balance of the Program's cash deposits at June 30, 2014 and 2013 was $937,321 and $10,867,779, 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 Fund 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 Fund's deposits are uncollateralized and all of the deposits are deposited in the Bank of North Dakota and are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

NOTE 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:

	2014	2013
Loans, current portion	**$ 1,919,885**	$ 325,297
Loans, noncurrent portion	**44,515,171**	38,418,692
Total loans	**46,435,056**	38,743,989
Allowance for credit losses	**4,643,500**	3,874,200
Total loans, net	**$ 41,791,556**	$ 34,869,789

Changes in the balances of loans are as follows:

Balance, June 30, 2012	**$ 25,494,551**
Loan advances	**13,918,289**
Principal collections	**(669,481)**
Balance, June 30, 2013	**38,743,359**
Loan advances	**9,079,975**
Principal collections	**(1,383,031)**
Charge-offs	**(5,247)**
Balance, June 30, 2014	**$ 46,435,056**

Changes in allowance for credit losses are as follows:

	2014	2013
Balance, beginning of year	**$ 3,874,200**	$ 2,549,455
Provision of credit losses	**774,547**	1,324,745
Charge-offs	**(5,247)**	-
Balance, end of year	**$ 4,643,500**	$ 3,874,200

There were no impaired loans as of June 30, 2014 and 2013. There were no loans on nonaccrual status. There were two loans 90 days or more past due as of June 30, 2014 and no loans 90 days or more past due as of June 30, 2013.

NOTE 4 - RELATED PARTY TRANSACTIONS

The Program is supervised and administered by 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 $27,824,768 and $30,000,000 as of June 30, 2014 and 2013, 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 $14,575,545 and $15,940,662 as of June 30, 2014 and 2013, respectively. During the year ended June 30, 2014, the decrease in the liability to the General Fund was reflected as cancellation of debt income in the amount of $1,365,117.

The Bank charged the Program for operating expenses totaling $13,275 and $16,586 for the years ended June 30, 2014 and 2013, respectively, of which the Program owed the Bank $13,275 as of June 30, 2014 and $5,707 as of June 30, 2013.

During 2014, the Bank began charging servicing fees to the Program. The Bank charged the Program servicing fees totaling $331,724 for the year ended June 30, 2014, of which the Program owed the Bank $295,969 as of June 30, 2014.

NOTE 5 - LOAN COMMITMENTS

The Program 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 Program's exposure to credit loss is represented by the contractual amount of these commitments. The Program follows the same credit policies in making commitments as it does for on-balance-sheet instruments. The application period ended December 31, 2013. There are no pending applications.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

NOTE 6 - RISK MANAGEMENT

The Fund is exposed to various risks of loss related to torts and errors and omissions. The Fund 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.

CPAs & BUSINESS ADVISORS

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, 2014, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated November 12, 2014.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. 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 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

Aberdeen, South Dakota
November 12, 2014

Exhibit A-2

**Independent Auditor's Comments Requested by the
North Dakota Legislative Audit and Fiscal Review Committee**

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 regarding the June 30, 2014 audit of the Rebuilders Loan Program are as follows:

Audit Report Communications:

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

   Unmodified

2. Was there compliance with statues, laws, rules, 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?

   Yes, the material audit adjustment from prior year was recorded by management. Also, Accounting Services reviews new legislation more thoroughly to identify items that require more in-depth analysis of proper accounting treatment.

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

   No

Audit Committee Communications:

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

   None

2. Identify any significant accounting estimates, the process used by management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

   Management’s estimate of 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 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 in the six report questions to be addressed by auditors 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

Aberdeen, South Dakota
November 12, 2014

CPAs & BUSINESS ADVISORS

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), an enterprise fund of the State of North Dakota, for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 21, 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 the Program are described in Note 1 to the financial statements. During 2014, the Program implemented GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* which changed the accounting treatment for loan fees paid by the Program. Accordingly, the financial statements for the fiscal year ended June 30, 2013 have been restated to adjust the activity related to these loan fees, including an adjustment to decrease net position as of July 1, 2012 by $230,850. No other new accounting policies were adopted and the application of other existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Fund's financial statements was:

> Management's estimate of allowance for loan 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 loan losses in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. The following misstatement, which was corrected by management, was identified during the audit:

Due to General Fund	$81,346	
Cancellation of Debt Income		($81,346)
To adjust the obligation to the State General Fund for estimated future expenses.		

In addition, the following summarizes uncorrected misstatements of the financial statements, for which management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Overstatement of non-operating revenues	$184,835	
Understatement of beginning net position		($184,835)

The effect of this uncorrected misstatement is an overstatement of the change in net position of approximately $184,835 for the year ended June 30, 2014, related to the overstatement of the obligation due to the State General Fund as of June 30, 2013.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to 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.

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

Aberdeen, South Dakota
November 12, 2014