Financial Statements
June 30, 2017 and 2016

ASB Property and Liability Fund

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Independent Auditor's Report

To the Board of Trustees
ASB Property and Liability Fund
Pierre, South Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of ASB Property and Liability Fund (Fund) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Fund'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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2017 and 2016, and the changes in its financial position and cash flows 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 Fund reporting entity are intended to present the net position, changes in net position, and cash flows of only the activities of the Fund. They do not purport to, and do not, present fairly the financial position of the Associated School Boards Protective Trust as of June 30, 2017 and 2016, and the changes in its net position or its cash flows for the years then ended, in accordance 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 Schedule of Claims Development Information on page 13 and the Combining Schedules of the Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses on page 14 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 Schedule of Claims Development Information and the Combining Schedules of the Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses 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.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 to place the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Fund'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 Fund's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
January 18, 2018

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 1,899,382	$ 1,367,621
Receivables		
Due from member	7,818	9,168
Reinsurance recoverable on paid losses	157,622	337,081
Total assets	$ 2,064,822	$ 1,713,870
Liabilities and Net Position		
Current Liabilities		
Current portion of estimated liability for reported and unreported claims and claims adjustment expenses	$ 580,228	$ 475,916
Advance member contributions	481,911	500,461
Accounts payable	14,182	10,246
Reinsurance payable	30,276	-
Total current liabilities	1,106,597	986,623
Long-term Liabilities		
Estimated liability for reported and unreported claims and claims adjustment expenses, less current portion	199,729	302,256
Total liabilities	1,306,326	1,288,879
Net Position		
Unrestricted	758,496	424,991
Total liabilities and net position	$ 2,064,822	$ 1,713,870

	2017	2016
Operating revenues		
Member contributions earned	$ 3,015,591	$ 3,214,097
Less: Reinsurance premiums	(1,388,260)	(1,529,002)
Net operating revenues	1,627,331	1,685,095
Operating expenses		
Claims and claims adjustment expenses incurred, net	928,299	1,243,426
Underwriting gain	699,032	441,669
General and administrative expenses		
Administrative and services fees	301,579	321,799
Appraisal fees	18,432	88,225
Other	46,140	53,227
Total general and administrative expenses	366,151	463,251
Operating income (loss)	332,881	(21,582)
Nonoperating revenues		
Net investment income	624	1,822
Change in net position	333,505	(19,760)
Net position		
Beginning of year	424,991	444,751
End of year	$ 758,496	$ 424,991

	2017	2016
Operating Activities		
Contributions received	$ 2,998,391	$ 3,523,999
Reinsurance premiums paid	(1,388,260)	(1,529,002)
Underwriting and expenses of operations paid	(362,215)	(465,101)
Claims and claims adjustment expenses paid	(716,779)	(1,807,930)
Net Cash from (used for) Operating Activities	531,137	(278,034)
Investing Activity		
Investment income received	624	1,822
Net Change in Cash	531,761	(276,212)
Cash and Cash Equivalents, Beginning of Year	1,367,621	1,643,833
Cash and Cash Equivalents, End of Year	$ 1,899,382	$ 1,367,621

	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash From (Used For) Operating Activities		
Operating income (loss)	$ 332,881	$ (21,582)
(Increase) decrease in assets:		
Due from member	1,350	(9,168)
Deductibles recoverable on paid losses	-	5,000
Reinsurance recoverable on paid losses	179,459	(227,973)
Increase (decrease) in liabilities		
Estimated liability for reported and unreported claims and claims adjustment expenses	1,785	(341,531)
Advance member contributions	(18,550)	319,070
Accounts payable	3,936	(1,850)
Reinsurance payable	30,276	-
Net cash from (used for) operating activities	$ 531,137	$ (278,034)

Note 1 - Principal Business Activity and Significant Accounting Policies

Reporting Entity

ASB Property and Liability Fund (Fund) is one of three sub-funds of the Associated School Boards Protective Trust (Trust). The Trust is a separate legal entity pursuant to South Dakota Codified law formed under the joint powers provisions as provided for in the laws. The Trust is governed by a Joint Powers Agreement and Bylaws (Bylaws). Each member also annually signs a Participation Agreement, which also binds the member to adhere to the Trust's Bylaws. The Fund was formed in 1991 to provide property and liability coverage for member organizations belonging to the Associated School Boards of South Dakota (ASBSD). To be eligible for membership, an applicant must be a public agency and be a member of ASBSD. There were 47 and 52 members of the Fund as of June 30, 2017 and 2016, respectively, which were primarily school districts in the state of South Dakota. The objective of the Fund is to formulate, develop, and administer on behalf of the member organizations, a program of property and liability coverage through pooling risks, self-insurance and joint purchases of insurance. The three sub-funds are supervised by a seven member Associated School Boards Protective Trust Board of Trustees (Board of Trustees).

The Fund operates as a single proprietary fund, more specifically as an enterprise fund. The Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Fund's principal ongoing operations. Nonoperating revenues and expenses result primarily from investment activities.

The Fund is exposed to various risks of loss related to torts and errors and omissions. The Fund has commercial insurance to mitigate its risks.

The Fund's contract with its members provides for assessment provisions from the members. Members agree to continue membership in the Fund for one year and may withdraw from the Fund for any year thereafter upon giving written notice to the Fund in accordance with the applicable agreements. A member is liable for additional assessments as determined by the Board of Trustees. Any member whose membership has been terminated by the Fund will only retain an interest in any accrued or current excess contributions as determined by the Board of Trustees.

In the event of termination or dissolution of the Fund, all assets in excess of liabilities, including a sufficient reserve for unreported liabilities shall be returned to the then active members on a pro-rata basis as determined by the Board of Trustees and at such point in time that the Board of Trustees is assured all liabilities have been satisfied.

Basis of Presentation

The financial statements have been prepared using the accrual basis of accounting. The Pool prepares its financial statements primarily following the guidance of Governmental Accounting Standards Board (GASB) Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues (as amended by subsequent GASB statements) along with other applicable standards issued by the GASB. GASB Statement No. 10 establishes accounting and financial reporting standards for risk financing and insurance-related activities of public entity risk pools.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements 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 estimated liability for reported an unreported claims and claims adjustment expenses and amounts recoverable from reinsurers under excess of loss and aggregate coverages.

Cash and Cash Equivalents

For purposes of reporting the statements of cash flows, the Fund includes as cash equivalents all highly liquid investments with an original maturity of three months or less at the date of acquisition and which are not subject to withdrawal restrictions or penalties.

Receivables

Receivables are recorded based on amounts due from members and other third party payers, and amounts estimated to be received or recovered from reinsurers and other third party payers. The Fund evaluates the collectability of such receivables monthly based on the reinsurers, members or other third party payers' financial condition, credit history, and current economic conditions. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Reinsurance

In the normal course of business, the Fund seeks to reduce the loss that may arise from events that cause unfavorable underwriting results, by reinsuring certain levels of risk in various areas of exposure with other insurance enterprises or reinsurers.

Amounts recoverable from reinsurers under excess of loss and aggregate coverages are estimated in a manner consistent with the development of the estimated liability for reported and unreported claims and claims adjustment expenses.

Amounts recoverable from reinsurers that relate to paid claims and claim adjustment expenses are classified as assets, net of an allowance for any estimated uncollectible amounts, and as a reduction to claims expenses incurred. Estimated amounts recoverable from reinsurers that related to unpaid claims and claims adjustment expenses are recorded as a reduction of insurance liabilities and claims expenses incurred. Reinsurance premiums paid and reinsurance recoveries on claims are netted against related earned member contributions and claims and claims adjustment expenses incurred, respectively.

Amounts payable to reinsurers relate to overpayments received from reinsurance companies. In the normal course of business, reinsurance companies may pay large claims in advance in order to provide the Fund adequate financing. The amounts left over are returned to the reinsurance company when the claims are closed.

Income Taxes

The Fund's income is excludable from income tax under section 115 of the Internal Revenue Code. A private letter ruling on the Fund's tax exempt status has not been requested.

Member Contributions

Members are billed annually in advance for member contributions. Income from such contributions is recorded as earned during the coverage period. Contributions received in advance for coverage in the following policy year are recorded as advance member contributions. Revenue is reduced by reinsurance premiums ceded to reinsurance companies.

Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses

The coverage offered by the Fund is on an occurrence basis, except for errors and omission coverage, which is on a claims-made basis. Occurrence basis coverage provides for payment of claims that occur during the period of coverage regardless of when the claim is reported. Claims-made coverage provides for the payment of claims that are reported during the policy period. The estimated liability for reported and unreported claims and claims adjustment expenses is based upon data developed by an external actuary. Industry experience and statistics were used to develop the estimated liability. The claims history of the Fund was also considered. The liability includes estimates of the costs to settle individual claims which have been reported, plus a provision for claims and costs incurred but not yet reported. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Claims are reduced for subrogation when payment is measurable and likely to be received. Given the nature of subrogation, recoveries are considered suspect until payment is received. The liability is reported at present value using a 0.6% discount factor as of June 30, 2017 and is not reported at present value as of June 30, 2016.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management of the Fund believes the estimated liability for reported and unreported claims and claims adjustment expenses is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated. An independent actuary assisted management with the establishment of estimated claims liabilities.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the financial statements. The Fund has no deferred inflows or outflows of resources.

Any surplus monies for a fiscal year in excess of the amount necessary to fulfill all obligations of the Fund for that year may be refunded to the members at the discretion of the Board of Trustees. No dividends were declared by the Board of Trustees during the fiscal years ended June 30, 2017 and 2016. Discretionary dividends are reported as an expense of the Fund in the year declared.

Premium Deficiency Reserve

To the extent that premiums received or to be received for specific classes of business are insufficient to cover estimated costs over the life of the underlying contracts, the Fund establishes an accrual for the related premium deficiency. The Fund anticipates investment income in determining if a premium deficiency exists. During 2017 and 2016, there was no premium deficiency reserve recorded.

Subsequent Events

The Fund has evaluated subsequent events through January 18, 2018, the date which the financial statements were available to be issued.

Note 2 - Deposits

The Fund's cash accounts are comprised of deposit and demand accounts, which have bank balances totaling $1,928,095 and $1,503,387 as of June 30, 2017 and 2016, respectively. Custodial credit risk is the risk that in the event of a bank failure, the Fund's deposits may not be returned to it. As of June 30, 2017 and 2016, deposits of $1,678,095 and $1,253,387, respectively, were exposed to custodial credit risk, as they were uninsured, and the collateral was held by the pledging bank, not in the Fund's name.

Note 3 - Service Agreements

The Fund has an agreement with Claim Associates, Inc. (CAI) to provide property and liability claims administration services for claims incurred. The agreement provides that CAI be paid a $3,500 claim administration fee per year plus a rate per hour for the services provided to administer the claims. The agreement also provides that CAI be paid a $2,500 reporting and filing fee per year. The term of the agreement is for three years expiring on June 30, 2017 and the agreement may be terminated by either party upon sixty days written notice. The agreement with CAI was renewed beginning July 1, 2017 for another three years and will expire on June 30, 2020. Total fees incurred under this agreement for the fiscal years ended June 30, 2017 and 2016 were $148,895 and $155,905, respectively, and are included in claims adjustment expenses in the statement of revenues, expenses and changes in net position.

Effective December 1, 2014, the Fund entered into an agreement with CAI for appraisal and loss control services and will remit monthly payments in the amount of $7,235 over the 17 month contract period subject to terms of the agreement. On June 1, 2016 this contract was extended through May 31, 2019. In the new agreement, the Fund will remit monthly payments based on the time and expense incurred to perform the appraisal and loss control services. Total fees incurred under this agreement for the fiscal years ended June 30, 2017 and 2016 were $18,432 and $72,353, respectively, and are included in general and administrative expenses in the statements of revenues, expenses and changes in net position.

Note 4 - Reinsurance

The Fund utilizes reinsurance agreements to limit maximum loss and minimize exposures on larger risks. The liability reinsurance agreements in effect for the fiscal years ended June 30, 2017 and 2016 provide that individual claims in excess of $100,000 per occurrence to a reinsurer limit of $5,000,000 and $2,000,000, respectively, per occurrence are indemnified. The 2017 and 2016 agreements also provide an aggregate stop loss protection amount for aggregate claims in excess of $551,950 and $619,780, respectively.

The property reinsurance agreements in effect for the fiscal year ended June 30, 2017 and 2016 provide that individual claims in excess of $100,000 to a reinsurer limit of $250,000,000 per occurrence are indemnified. The agreements also provide an aggregate stop loss protection amount for aggregate windstorm and hail claims in excess of $750,000. All covered windstorm and hail losses between $10,000 and $500,000 apply to erode the aggregate deductible. For the loss occurrence in which the aggregate windstorm and hail deductible is eroded, a minimum and a final in any one occurrence deductible of $150,000 applies. The agreements also provide an aggregate stop loss protection amount for aggregate all other losses in excess of $400,000. All covered other losses between $500 and $100,000 apply to erode the aggregate deductible. For the loss occurrence in which the aggregate other losses deductible is eroded, a minimum and a final in any one occurrence of $25,000 applies. Flood, earthquake, equipment breakdown and vehicle losses do not erode any of the aggregate deductibles.

The crime policy reinsurance agreements in effect for the fiscal years ended June 30, 2017 and 2016 provide that individual claims in excess of $10,000 to a limit defined in the policy, which ranges from $50,000 to $200,000 per crime loss type are indemnified.

The boiler and machinery reinsurance agreements in effect for the fiscal years ended June 30, 2017 and 2016 provide that individual claims in excess of $5,000 to a limit defined in the policy, which ranges from $15,000 to $5,000,000 per breakdown type are indemnified.

The Fund would be liable for any obligations that the reinsurance companies are unable to meet under the reinsurance agreements. Reinsurance amounts of $1,001,475 and $464,598 were deducted from the estimated liability for reported and unreported claims and claims adjustment expenses as of June 30, 2017 and 2016, respectively. During the fiscal years ended June 30, 2017 and 2016, claims expense was net of $943,693 and $1,174,253, respectively, of recoveries from reinsurance companies under contract.

Note 5 - Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses

The Fund establishes liabilities for both reported and unreported covered events, which includes estimates of both future payments of claims and related claims adjustment expenses. The following is a summary of the changes in those aggregate liabilities for the fiscal years ended June 30, 2017 and 2016.

	2017	2016
Reported and unreported claims and claims adjustment expense liabilities at beginning of year	$ 778,172	$ 1,119,703
Less deductibles recoverable on paid losses at beginning of year	-	(5,000)
Less reinsurance recoverable at beginning of year	(337,081)	(109,108)
	(337,081)	(114,108)
Incurred claims and claims adjustment expenses		
Provision for insured events of the current year	1,219,563	1,345,579
Provision for insured events of prior years	(291,264)	(102,153)
Total incurred claims and claims adjustment expenses	928,299	1,243,426
Payments:		
Claims and claims adjustment expenses attributable to insured events of the current year	684,868	958,382
Claims and claims adjustment expenses attributable to insured events of prior years	31,911	849,548
Total payments	716,779	1,807,930
Plus net reinsurance (payable) recoverable at end of year	127,346	337,081
Reported and unreported claims and claims adjustment expense liabilities at end of year	$ 779,957	$ 778,172

The 2017 and 2016 decrease in the prior year provisions of incurred claims and claims adjustment expenses resulted from changes in loss development experience as more information became known and payments made.

Note 6 - Related Party Transactions

ASBSD is a private nonprofit membership corporation comprised of local school districts organized for the purpose of reducing the burdens of government and promoting the exchange and dissemination of information and ideas designed for the efficient administration and conduct of public school affairs, for the purpose of research, for the improvement of school administration and for the purpose of promoting the general welfare of public school systems in the state of South Dakota. ASBSD is the sponsoring organization of the Fund.

The Trust oversees three sub-funds known as the ASB Property and Liability Fund, ASB Workers' Compensation Fund, and the South Dakota School District Benefit Fund.

The Trust has an agreement with ASBSD in which ASBSD provides to the Trust, administrative oversight in the implementation and management of the Trust's activities including performing investment, promotion and accounting services for the Fund, among other activities. Under the agreement, ASBSD receives an administrative fee of ten percent of the contributions earned, including agent fees, from member school districts on behalf of the Fund. Amounts incurred by the Fund under the agreement during the fiscal years ended June 30, 2017 and 2016, were $301,579 and $321,799, respectively. The agreement shall remain in force for a period of two years beginning July 1, 2015. The agreement was renewed for a period of three years beginning July 1, 2017.

Note 7 - Contingencies

The Fund is a party to various legal actions and is subject to various claims arising in the ordinary course of business. Management believes that the disposition of these matters will not have a material adverse effect on the Fund's financial position or results of operations.

Required Supplementary Information
June 30, 2017 and 2016

ASB Property and Liability Fund

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net earned member contributions and investment income:										
Earned	$ 3,188,657	$ 2,141,968	$ 2,159,292	$ 2,455,297	$ 2,298,666	$ 2,356,098	$ 2,572,877	$ 2,779,108	$ 3,215,919	$ 3,016,215
Ceded	(1,444,663)	(1,032,932)	(1,192,834)	(1,134,914)	(1,062,560)	(1,132,358)	(1,127,904)	(1,258,163)	(1,529,002)	(1,388,260)
Net earned	1,743,994	1,109,036	966,458	1,320,383	1,236,106	1,223,740	1,444,973	1,520,945	1,686,917	1,627,955
Unallocated expenses	415,654	500,736	322,618	326,017	366,400	406,991	446,780	391,367	463,251	366,151
Estimated claims and expenses, end of policy year										
Incurred	1,067,440	2,361,479	1,700,804	1,918,252	1,466,533	974,178	4,074,242	3,330,496	2,519,832	2,165,453
Ceded	68,958	758,551	590,208	812,592	363,590	14,766	2,275,371	2,366,414	1,174,253	945,890
Net incurred	998,482	1,602,928	1,110,596	1,105,660	1,102,943	959,412	1,798,871	964,082	1,345,579	1,219,563
Net paid (cumulative) as of:										
End of policy year	624,930	996,199	731,910	689,229	400,913	465,318	633,089	171,405	802,477	535,973
One year later	878,844	1,007,788	1,110,049	906,875	734,473	624,365	1,000,617	799,752	929,580	
Two years later	846,342	1,000,007	999,555	1,107,150	611,221	623,410	1,001,423	808,075		
Three years later	898,689	1,002,813	886,550	922,293	686,581	618,626	1,003,767			
Four years later	1,066,392	1,043,522	862,583	897,503	686,581	623,428				
Five years later	1,238,437	922,093	926,938	917,041	686,581					
Six years later	1,105,297	960,003	841,669	917,041						
Seven years later	1,090,297	971,747	841,669							
Eight years later	1,090,350	946,526								
Nine years later	1,090,350									
Reestimated ceded claims and expenses	1,052,554	874,775	1,863,169	198,454	2,968,863	1,015,223	6,590,826	200,200	-	129,970
Reestimated net incurred claims and expenses:										
End of policy year	998,482	1,502,928	1,110,596	1,105,660	1,102,943	959,412	1,772,222	762,890	1,283,486	996,000
One year later	1,108,590	1,095,000	10,392,263	1,106,348	876,707	806,436	1,278,302	951,913	1,163,545	
Two years later	995,370	1,028,240	989,697	1,231,609	755,407	685,271	1,045,582	832,000		
Three years later	1,040,149	1,062,899	989,697	1,038,236	686,611	619,083	1,014,582			
Four years later	1,172,358	1,104,208	933,374	977,412	686,581	623,884				
Five years later	1,245,005	975,585	938,002	917,041	686,581					
Six years later	1,105,297	1,025,739	841,669	917,041						
Seven years later	1,090,297	971,747	841,669							
Eight years later	1,090,350	946,526								
Nine years later	1,090,350									
Increase (decrease) in estimated net incurred claims and expenses from end of policy year	91,868	(556,402)	(268,927)	(188,619)	(416,362)	(335,528)	(757,640)	69,110	(119,941)	-

	2017			2016		
	Property	Liability	Total	Property	Liability	Total
Reported and unreported claims and claims adjustment expense liabilities at beginning of year	$ 282,597	$ 495,575	$ 778,172	$ 495,155	$ 624,548	$ 1,119,703
Less deductibles recoverable on paid losses at beginning of year	-	-	-	-	(5,000)	(5,000)
Less reinsurance recoverable at beginning of year	(25,609)	(311,472)	(337,081)	(25,206)	(83,902)	(109,108)
	(25,609)	(311,472)	(337,081)	(25,206)	(88,902)	(114,108)
Incurred claims and claims adjustment expenses:						
Provision for insured events of the current year	773,954	445,609	1,219,563	919,451	426,128	1,345,579
Provision for insured events of the prior years	(57,053)	(234,211)	(291,264)	69,550	(171,703)	(102,153)
Total incurred claims and claims adjustment expenses	716,901	211,398	928,299	989,001	254,425	1,243,426
Payments:						
Claims and claims adjustment expenses attributable to insured events of the current year	575,615	109,253	684,868	784,590	173,792	958,382
Claims and claims adjustment expenses attributable to insured events of prior years	30,646	1,265	31,911	417,372	432,176	849,548
	606,261	110,518	716,779	1,201,962	605,968	1,807,930
Plus deductibles recoverable on paid losses at end of year	-	-	-	-	-	-
Plus reinsurance recoverable (less payable) at end of year	127,346	-	127,346	25,609	311,472	337,081
Reported and unreported claims and claims adjustment expense liabilities at end of year	$ 494,974	$ 284,983	$ 779,957	$ 282,597	$ 495,575	$ 778,172

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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*

To the Board of Trustees
ASB Property and Liability Fund
Pierre, South 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 ASB Property and Liability Fund (Fund) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 18, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. See 2017-A and 2017-B in the schedule of findings and responses.

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Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

ASB Property and Liability Fund's Response to Findings
The Fund's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 fund'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 fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
January 18, 2018

CPAs & BUSINESS ADVISORS

Schedule of Findings and Responses

Finding 2017- A

Significant Deficiency in Internal Control over Financial Reporting – Preparation of Financial Statements

Condition – The Fund does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the Fund's financial statements.

Effect – The disclosures in the financial statements could be incomplete.

Cause – The Fund does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation – This circumstance is not unusual in a Fund of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials and Planned Corrective Actions: Management of the Fund concurs and will review the recommendation for future remedy. The governing board does receive quarterly financial statements prepared by Management, but the governing board agrees it is too costly and time prohibitive for Management to prepare the financial statements. The governing board request the auditors prepare the financial statements. We understand the risk related to having the auditor prepare the financial statements and will review the risk associated with such as an on-going item.

Finding 2017- B

Significant Deficiency in Internal Control over Financial Reporting – Segregation of Duties

Condition – The Fund does not have enough staff to adequately separate duties in cash receipts, cash disbursements, accounts payable and purchasing, and general ledger maintenance and reconciliation.

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Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Effect – Inadequate segregation of duties could adversely affect the Fund's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause – There is a limited amount of office employees involved in the internal control process.

Recommendation – While we recognize that your staff may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the Fund. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

View of Responsible Officials and Planned Corrective Actions: Management of the Fund concurs and will review the recommendation above to determine if there are possible cost effective methods that would assist in mitigating the risk related to segregation of duties.