Financial Statements
June 30, 2017 and 2016

ASB Workers' Compensation Fund

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Independent Auditor's Report

The Board of Trustees
ASB Workers' Compensation Fund
Pierre, South Dakota

Report on the Financial Statements
We have audited the accompanying financial statements of ASB Workers' Compensation 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 the 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.

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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 its 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 15 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 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

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	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 4,145,093	$ 2,300,477
Receivables		
Member contributions	129,417	79,747
Current portion of annuities receivable	10,924	10,924
Accrued interest from South Dakota School District Benefit Fund	-	58,104
Reinsurance recoverable on paid losses	64,683	132,987
Advance to South Dakota School District Benefit Fund	600,000	600,000
Accounts receivable	-	11,194
Certificates of deposit	1,303,190	852,679
Total current assets	6,253,307	4,046,112
Noncurrent Assets		
Advance to South Dakota School District Benefit Fund, less current position	6,600,000	7,200,000
Due from South Dakota School District Benefit Fund	-	797,373
Annuities receivable, less current position	42,510	53,434
Certificates of deposit	1,953,711	2,108,945
Investments in debt securities	382,182	412,968
Total noncurrent assets	8,978,403	10,572,720
Total assets	$ 15,231,710	$ 14,618,832

See Notes to Financial Statements

	2017	2016
Liabilities and Net Position		
Current Liabilities		
Current portion of estimated liability for reported and unreported claims and claims adjustment expenses	1,013,798	973,937
Advance member contributions	287,831	460,188
Member contributions refundable	88,702	191,682
Accounts payable	4,421	-
Total current liabilities	1,394,752	1,625,807
Long-term Liabilities		
Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses, less current portion	1,231,108	1,582,587
Total liabilities	2,625,860	3,208,394
Net Position		
Unrestricted	12,605,850	11,410,438
Total liabilities and net position	$ 15,231,710	$ 14,618,832

	2017	2016
Operating Revenues		
Member contributions earned	$ 2,581,847	$ 2,417,475
Less: Reinsurance premiums	(137,290)	(116,916)
Net operating revenues	2,444,557	2,300,559
Operating expenses		
Claims and claim adjustment expenses incurred	1,097,334	1,288,525
Underwriting gain	1,347,223	1,012,034
General and administrative expenses		
Administrative and service fees	259,946	242,986
Other	39,440	43,225
Total general and administrative expenses	299,386	286,211
Operating Income	1,047,837	725,823
Nonoperating revenues		
Net investment income	147,575	208,592
Change in net position	1,195,412	934,415
Net Position		
Beginning of year	11,410,438	10,476,023
End of year	$ 12,605,850	$ 11,410,438

	2017	2016
Operating Activities		
Contributions received	$ 2,268,034	$ 2,398,573
Reinsurance premiums paid	(137,290)	(116,916)
Underwriting and expenses of operations paid	(288,462)	(275,287)
Claims and claims adjustment expenses paid	(1,340,648)	(1,173,527)
Dividend payable payments to members	-	(500,000)
Net Cash from Operating Activities	501,634	332,843
Investing Activities		
Certificates of deposit		
Purchases	(1,146,000)	(100,000)
Maturities and redemptions	848,980	639,000
Bonds		
Maturities and redemptions	-	250,000
Net investment income received	242,629	203,749
Net Cash from (used for) Investing activities	(54,391)	992,749
Non-Capital Financing Activities		
Net receipts on South Dakota School District Benefit Fund Advance	1,397,373	600,000
Net Cash from Non-Capital Financing Activities	1,397,373	600,000
Net Change in Cash and Cash Equivalents	1,844,616	1,925,592
Cash and Cash Equivalents at Beginning of Year	2,300,477	374,885
Cash and Cash Equivalents at End of Year	$ 4,145,093	$ 2,300,477
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income	$ 1,047,837	$ 725,823
(Increase) decrease in assets:		
Member contributions receivable	(49,670)	(7,351)
Annuities receivable	10,924	10,924
Reinsurance recoverable on paid losses	68,304	48,478
Accounts receivable	11,194	(11,194)
Increase (decrease) in liabilities:		
Estimated liability for reported and unreported claims and claims adjustment expenses	(311,618)	66,520
Advance member contributions	(172,357)	9,746
Member contributions refundable	(102,980)	(10,103)
Dividends payable	-	(500,000)
Net cash from operating activities	$ 501,634	$ 332,843
Supplemental Disclosures of Cash Flow Information		
Financing activities		
Net decrease in the fair value of investments	$ (30,786)	$ (260,254)

Note 1 - Nature of Business and Significant Accounting Policies

Reporting Entity

ASB Workers' Compensation 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 provision as provided for in the law. 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 1989 to provide workers' compensation 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 83 and 82 members of the Fund as of June 30, 2017 and 2016, respectively, which are 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 workers' compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. 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 ongoing operations. Nonoperating revenues and expenses result primarily from investment activities.

The Fund is exposed to various risks of loss related to torts, 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 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 the 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 disclosures 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 related to the determination of estimated fair values of investments, the estimated liability for reported and unreported claims and claims adjustment expenses and amounts recoverable from reinsurers under excess of loss 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 and 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.

Annuities receivable are stated at amortized cost, adjusted for unearned discounts. Unearned discounts are amortized by the interest method over the remaining contractual term of the related annuity, and reported as an adjustment to interest income.

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 of 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.

Investments

The Fund reports investments (other than certificates of deposit) at fair value in the statement of net position with changes in the fair value of investments reported as investment income. Certificates of deposit are stated at cost.

Dividend and interest income are recognized when earned.

The calculation of realized gains and losses is independent of the calculation of the net increase (decrease) in the fair value of investments. Realized gains and losses on investments that had been held for more than one year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

All investments with an original maturity of one year or less are recorded as current assets.

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 exempt status has not been requested.

Member Contributions

Members are billed annually in advance for a deposit contribution. After the end of the policy year, members are billed or (refunded) any additional (excess) contributions as a result of payroll audits. 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. The Fund anticipates investment income in determining if a premium deficiency exists.

Estimated Liability for Reported and Unreported Claims and Claims Adjustment Expenses

The coverage offered by the Fund is on an occurrence basis which provides for payment of claims that occur during the period of coverage regardless of when the claim is reported. The estimated liability for reported and unreported claims and claims adjustment expenses is based upon data developed by the Fund's administrator. 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 claim 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 received, as subrogation amounts are immaterial. The liability is calculated at present value using a 2.0% and 0.6% discount factor as of June 30, 2017 and 2016, respectively.

Premium Deficiency Reserve

To the extent that premiums received or to be received for specific classes of business are insufficient to cover estimated healthcare and other costs over the life of the underlying contracts, the Fund establishes an accrual for the related premium deficiency. For the years ended June 30, 2017 and 2016, there was no premium deficiency reserve recorded.

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.

Note 2 - Deposits and Investments

Authorized Investments

The Fund's investment policy and South Dakota Codified Law 4-5-6 authorize investments only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are insecurities described in (a) above and repurchase agreements described in (b) above. In addition, the Fund's investment policy allows for investments in certificates of deposit of banks which are insured by the FDIC or any similar organization.

Custodial Credit Risk

The Fund's deposits are comprised of deposit, money market funds, savings accounts and demand accounts, which have bank balances totaling $7,450,536 and $5,344,107 as of June 30, 2017 and 2016, respectively. Custodial credit risk on deposits 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 $2,709,732 and $1,774,426, 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. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (i.e. broker-dealer) to a transaction, the Fund will not be able to recover the value of its investments that are in the possession of another party. As of June 30, 2017 and 2016, investments of $382,182 and $412,968 were exposed to custodial credit risk as they were uninsured and not registered in the Fund's name.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Maturities of most fixed income securities are limited to 10 years as a means to managing exposure to fair value losses arising from increasing interest rates.

As of June 30, 2017, the Fund had the following fixed income securities and maturities:

Investment Type	Fair Value/ Carrying Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More Than 10
U.S. treasury issues	$ 382,182	$ -	$ -	$ 382,182	$ -
Certificates of deposit	3,256,901	1,303,190	1,953,711	-	-
	$ 3,639,083	$ 1,303,190	$ 1,953,711	$ 382,182	$ -

As of June 30, 2016, the Fund had the following fixed income securities and maturities:

Investment Type	Fair Value/ Carrying Value	Investment Maturities (in Years) Less Than 1	1 - 5	6 - 10	More Than 10
U.S. treasury issues	$ 412,968	$ -	$ -	$ 412,968	$ -
Certificates of deposit	2,961,624	852,679	2,108,945	-	-
	$ 3,374,592	$ 852,679	$ 2,108,945	$ 412,968	$ -

The net decrease in the fair value of investments during the years ended June 30, 2017 and 2016 was $34,485 and $10,254, respectively. These amounts take into account all changes in fair value (including purchases and sales) that occurred during the year.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Trust's investment policy does not address credit ratings.

Concentration of Credit Risk

The Trust's investment policy also provides that no single security shall comprise more than 5% of the total investment portfolio with the exception of obligations of the U.S. government and its fully-guaranteed agencies. There were no such securities comprising more than 5% of the total investment portfolio. The investment policy also provides for the following allowable asset ranges by asset class:

	Minimum	Maximum
Cash equivalents	2%	20%
Certificates of deposit	0%	90%
U.S. government securities	0%	90%
Agency securities	0%	25%
Corporate Bonds	0%	10%
School District Bonds	0%	10%

Note 3 - Service Agreements

The Fund has an agreement with Claims Associates, Inc. (CAI) to provide workers' compensation claims administrative services for claims incurred. The agreement provides that CAI be paid the cost of all expenses related to the employment of those individuals hired by CAI whose full-time services are devoted to meeting the obligations of CAI under the agreement (Selected Employees), plus an annual administrative fee of $25,000. In addition, the agreement provides that the Fund compensate CAI for overhead costs such as equipment, office supplies and telephone expenses and includes a $2,500 reporting and filing fee per year. The term of the agreement is for the three years expiring on June 30, 2017. The agreement with CAI was renewed beginning July 1, 2017 for another three years and will expire on June 30, 2020. Total fees under this agreement for the fiscal years ended June 30, 2017 and 2016 were $330,010 and $310,042, respectively, and are included in claims and claims adjustment expenses incurred in the statements of revenues, expenses and changes in net position.

The Fund maintains agency accounts with BankWest. Fees incurred to BankWest during the fiscal years ended June 30, 2017 and 2016 were $8,748 and $10,299, respectively, and are netted against investment income 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. During each of the fiscal years ended June 30, 2017 and 2016, the reinsurance agreement provided that individual claims in excess of $600,000 to a reinsurer employers' liability limit of $2,000,000 and $1,000,000 during 2017 and 2016, respectively, were indemnified. Meanwhile, during 2017 and 2016 the indemnification of statutory benefits was unlimited by the reinsurer.

The Fund would be liable for any obligations that the reinsurance companies are unable to meet under the reinsurance agreements. Reinsurance of $930,846 and $999,317 was deducted from the estimated liability for reported and unreported claims and claim 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 $64,683 and $132,987, 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	$ 2,556,524	$ 2,490,004
Incurred claims and claims adjustment expenses		
Provision for insured events of the current year	1,646,592	1,276,000
Provision for insured events of prior years	(549,258)	12,525
Total incurred claims and claims adjustment expenses	1,097,334	1,288,525
Payments		
Claims and claims adjustment expenses attributable to insured events of the current year	818,978	426,336
Claims and claims adjustment expenses attributable to insured events of prior years	521,670	747,191
Total payments	1,340,648	1,173,527
Less reinsurance recoverable at beginning of year	(132,987)	(181,465)
Plus reinsurance recoverable at end of year	64,683	132,987
Reported and unreported claims and claims adjustment expense liabilities at end of year	$ 2,244,906	$ 2,556,524

The 2017 decrease and 2016 increase in prior year provisions of incurred claims and claims adjustment expenses resulted from positive and adverse loss development experience, respectively, 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.

Administration Agreement

The Trust oversees three sub-funds known as the ASB Workers' Compensation Fund, ASB Property and Liability Fund, and South Dakota School District Benefit Fund (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, by ASBSD 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 $259,443 and $242,974, respectively. The agreement shall remain in force for a period of two years beginning July 1, 2015.

Dividend

Dividends payable are recorded when declared by the Board of Trustees. In April 2012, the Board of Trustees of the Fund provided that the Fund distribute a $2,000,000 dividend to its members. Those members who maintain workers' compensation coverage and do not participate in the Benefit Fund will be paid the dividend over a four year period beginning in fiscal year 2013. The remaining dividend payable balances as of June 30, 2017 and 2016 were $0.

On April 22, 2014, the dividend was amended for Common Members (members of both workers' compensation and Benefit Fund), that the dividend will be paid directly from the Fund to the Common Members with half of such amounts to be paid in fiscal year 2014 and the remainder paid equally in fiscal years 2015 and 2016. In connection with this amendment, $0 and $797,372 was due from the Benefit Fund as of June 30, 2017 and 2016, respectively, as the dividend will no longer be used by the Benefit Fund as a reduction of its contributions from Common Members and therefore, the money previously paid to the Benefit Fund is due back to the Workers' Compensation Fund. The amount was paid off during fiscal year 2017.

Advances

The Bylaws provide that the separate identity and liability of all three sub-funds will be maintained at all times, and under no circumstances are the Board of Trustees authorized to commingle those separate sub-funds. To insure liquidity of each sub-fund, the Bylaws provide that the Board of Trustees may borrow or loan necessary funds from any source willing to lend, including sub-funds, upon such terms as the Board of Trustees may determine, as set forth in written notes, and the Chair and Secretary/Treasurer of the Board of Trustees are authorized to execute such notes, including lines of credit, on behalf of the Trust.

During the years ended June 30, 2017 and 2016 the Fund provided advances to the Benefit Fund of $0 and $8,285,000, respectively. The advances are subject to an oral agreement whereby interest is earned at a rate of 1.63% for July 1, 2014 through June 30, 2017 and monthly principal payments of $50,000, plus interest, will be made until at which time the advance is repaid. The advance was made to help the Benefit Fund pay operating costs. As of June 30, 2017 and 2016, respectively, $7,200,000 and $7,800,000 of the advance remains outstanding.

As of June 30, 2017 and 2016, respectively, $132,731 and $150,000 was recorded as interest income related to the advances and dividend receivable.

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.

Note 8 - Subsequent Events

As of September 11, 2017, the $7,200,000 advance receivable from the Benefit Fund due as of June 30, 2017 has been repaid.

The administrative agreement between ASBSD and the Fund was renewed for a period of three years beginning July 1, 2017.

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

Required Supplementary Information
June 30, 2017 and 2016

ASB Workers' Compensation Fund

ASB Workers' Compensation Fund

Ten–Year Schedule of Claims Development Information – Unaudited

Years Ended June 30, 2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net earned member contributions and investment income:										
Earned	$3,379,584	$ 2,927,775	$ 3,009,388	$ 2,021,809	$ 2,297,761	$ 2,303,254	$ 2,376,135	$ 2,398,609	$ 2,626,067	2,729,422
Ceded	(98,500)	(104,020)	(118,212)	(89,947)	(97,177)	(108,802)	(110,774)	(113,207)	(116,916)	(137,290)
Net earned	3,281,084	2,823,755	2,891,176	1,931,862	2,200,584	2,194,452	2,265,361	2,285,402	2,509,151	2,592,132
Unallocated Expenses	596,591	475,631	362,177	304,210	2,304,624	313,109	335,667	279,813	286,211	299,386
Estimated claims and expenses, end of policy year:										
Incurred	3,672,026	3,153,597	3,436,171	2,384,077	2,051,332	1,827,207	1,783,391	1,424,373	1,408,987	1,711,275
Ceded	-	109,359	41,573	79,094	151,723	64,271	49,391	181,373	132,987	64,683
Net incurred	3,672,026	3,044,238	3,394,598	2,304,983	1,899,609	1,762,936	1,734,000	1,243,000	1,276,000	1,646,592
Net paid (cumulative) as of:										
End of policy year	892,851	811,378	769,517	707,037	703,565	717,651	559,203	394,733	426,336	544,141
One year later	1,345,203	1,119,054	1,244,095	825,144	1,030,276	788,577	1,297,391	727,795	847,768	
Two years later	1,603,635	1,238,107	1,397,644	878,293	834,409	898,847	1,389,964	763,256		
Three years later	1,839,755	1,271,422	1,451,718	875,863	839,645	927,239	1,443,408			
Four years later	1,968,616	1,285,329	1,476,709	876,011	840,607	901,614				
Five years later	2,033,702	1,288,895	1,474,380	876,682	845,636					
Six years later	2,245,621	1,292,937	1,474,581	883,071						
Seven years later	2,256,160	1,293,720	1,467,368							
Eight years later	2,256,160	1,303,238								
Nine years later	2,240,416									
Reestimated ceded claims and expenses	27,500	-	-	-	-	-	-	-	-	-
Reestimated net incurred claims and expenses:										
End of policy year	3,672,026	3,044,238	3,394,598	2,304,983	1,899,609	1,762,936	1,734,000	1,243,000	1,276,000	1,441,000
One year later	2,541,000	1,890,748	2,215,999	1,361,707	1,455,559	1,277,000	1,770,000	1,027,000	1,187,000	
Two years later	2,382,999	1,610,999	1,909,000	1,022,798	1,019,000	1,129,000	1,699,000	835,000		
Three years later	2,358,000	1,389,000	1,735,147	875,863	925,000	990,000	1,667,000			
Four years later	2,254,001	1,369,000	1,554,000	901,000	891,000	901,614				
Five years later	2,291,001	1,398,000	1,505,000	876,682	845,636					
Six years later	2,354,000	1,380,000	1,474,581	883,071						
Seven years later	2,256,160	1,323,000	1,467,368							
Eight years later	2,256,160	1,303,238								
Nine years later	2,240,416									
Decrease in estimated net incurred claims and expenses from end of policy year.	(1,415,866)	(1,741,000)	(1,927,230)	(1,421,912)	(1,053,973)	(861,322)	(67,000)	(408,000)	(89,000)	-

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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 Workers' Compensation 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 Workers' Compensation 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 Worker's Compensation 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

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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 related liabilities, 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.