MINOT PUBLIC SCHOOL DISTRICT NO. 1
MINOT, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the President and Board Members
Minot Public School District No. 1
Minot, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minot Public School District No. 1 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District'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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Minot Public School District No. 1 as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an error

As discussed in Note 19 to the financial statements, the District has recorded a prior period adjustment to its July 1, 2016 financial statements to correct capital assets in regards to construction in progress and other capital asset balances. The District has retroactively restated the previously reported net position in regards to this matter.

Our opinions are 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, budgetary comparison information, schedule of employer contributions, and schedule of employer's proportionate share of net pension liability shown on pages 4-13 and 55-59 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2018, on our consideration of the District'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 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 District's internal control over financial reporting and compliance.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 4, 2018

The discussion and analysis of Minot Public School District No. 1's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- Net position of the District decreased by $812,734.
- Governmental net position totaled $49,838,976.
- The District's general fund had $103,022,006 in total revenues and $100,435,457 in expenditures before any other financing sources or uses. Overall, the general fund balance increased by $1,938,016 for the year ended June 30, 2017, and now totals $22,386,495.

The annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Minot Public School District No. 1 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, present both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported. They include, but are not limited to the following: instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs, changing enrollment, and other factors.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets, liabilities and deferred inflows/outflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Capital Projects Fund and the Minot Air Force Base District #160 General Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Financial Analysis of the District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2017. As the table illustrates, net position decreased by 1.6% during the past fiscal year. As indicated in the financial highlights, the District's net position diminished by $812,734 for the year ended June 30, 2017. Net position may serve over time as a useful indicator of the District's financial position.

The District's June 30, 2017 net position of $49,838,976 is segregated into three separate categories: 1) net position invested in Capital Assets (net of related debt), 2) restricted net position (resources that are subject to external restrictions on how they must be spent) and 3) unrestricted net position. Table 1 shows a comparison of assets, liabilities and net position between fiscal year ended June 30, 2017 and fiscal year ended June 30, 2016.

Table 1 Net Position

	2017	Restated 2016	% Change 2017-2016
Assets			
Current assets	$ 42,759,760	$ 48,475,634	-11.79%
Capital assets (net of depreciation)	168,686,681	166,254,733	1.46%
Total assets	$ 211,446,441	$ 214,730,367	-1.53%
Deferred Outflows of Resources	$ 28,018,701	$ 17,584,020	59.34%
Liabilities			
Current liabilities	$ 14,146,795	$ 16,898,937	-16.29%
Long-term liabilities	172,246,083	161,443,908	6.69%
Total liabilities	$ 186,392,878	$ 178,342,845	4.51%
Deferred Inflows of Resources	$ 3,233,288	$ 3,319,833	-2.61%
Net Position			
Net investment in capital assets	$ 106,799,888	$ 101,207,508	6%
Restricted	14,035,766	11,428,239	22.82%
Unrestricted	(70,996,678)	(61,984,037)	14.54%
	$ 49,838,976	$ 50,651,710	-1.60%

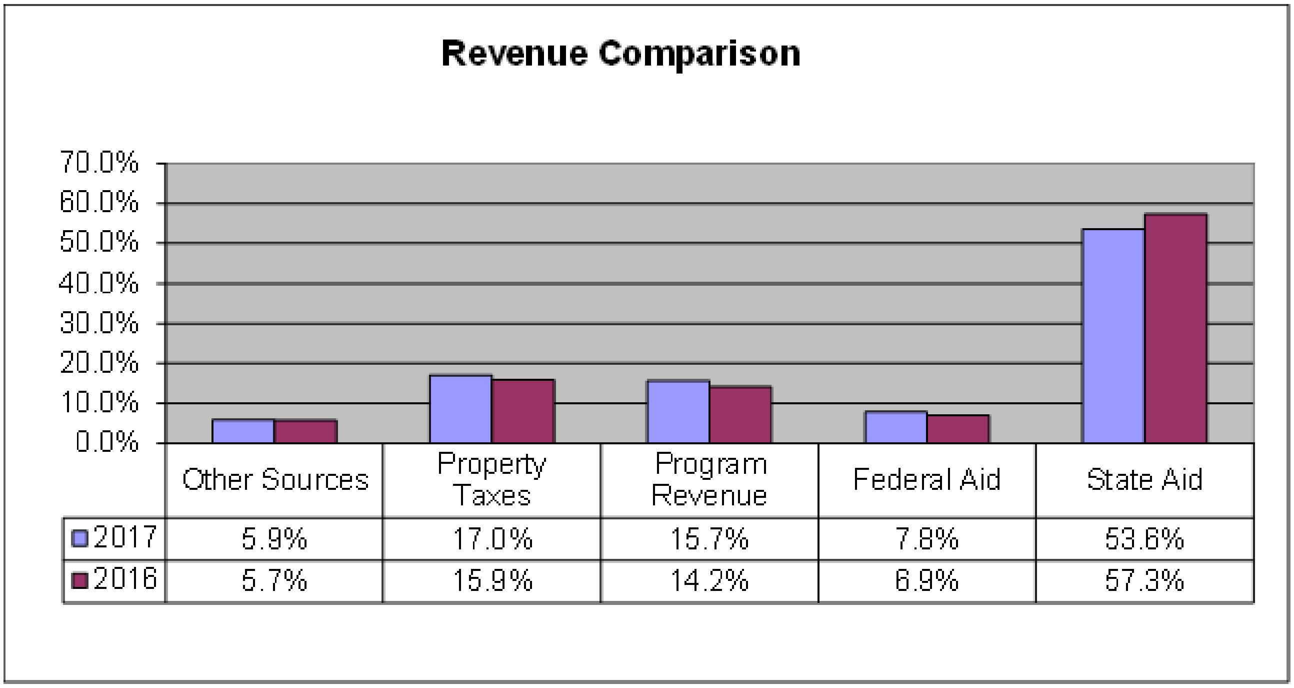
Table 2 shows the changes in net position for fiscal year ended June 30, 2017 in comparison to the year ended June 30, 2016.

Table 2 Changes in Net Position

Revenues	**2017**	**2016**	**Variance 2017-2016**
Program Revenues:			
Charges for services	$ 5,374,023	$ 4,786,097	$ 587,926
Operating grants and contributions	13,267,884	11,578,837	1,689,047
Capital grants and contributions	154,638	16,672	137,966
General Revenues:			
Taxes	20,434,661	18,460,999	1,973,662
State aid	64,249,841	66,229,479	(1,979,638)
Impact aid	9,048,028	7,823,720	1,224,308
Other federal aid	229,079	227,658	1,421
Other	7,103,964	6,445,719	658,245
Total revenues	$ 119,862,118	$ 115,569,181	$ 4,292,937
Expenses			
Instruction:			
Regular	$ 49,801,814	$ 43,181,397	$ 6,620,417
Special education	14,842,116	14,337,046	505,070
Career & technical education	2,977,043	2,802,519	174,524
Federal	5,349,970	3,198,573	2,151,397
Tuition	1,437,697	1,859,830	(422,133)
Support services:			
Pupil services	2,799,947	2,587,351	212,596
Instructional staff services	3,855,757	4,116,864	(261,107)
General administration services	3,369,015	3,172,921	196,094
School administration services	6,175,110	5,930,869	244,241
Business services	637,859	593,325	44,534
Operations and maintenance	8,959,817	8,215,938	743,879
Pupil transportation	2,176,861	2,017,396	159,465
Head start	3,751,658	3,738,908	12,750
Adult learning center	413,426	448,722	(35,296)
Interest expense	1,605,280	1,708,712	(103,432)
Non education services:			
Enterprise services	370,197	380,439	(10,242)
Food services	4,410,203	4,540,941	(130,738)
Community services	2,351,706	2,094,637	257,069
Extracurricular activities	1,809,688	1,753,760	55,928
Services provided another LEA	139,960	129,778	10,182
Other facilities costs	3,439,728	2,530,918	908,810
Total expenses	120,674,852	109,340,844	11,334,008
Increase (Decrease) in Net Position	(812,734)	6,228,337	(7,041,071)
Net position - beginning of year	52,302,033	44,464,101	7,837,932
Prior period adjustment - see note 19	(1,650,323)	1,609,595	(3,259,918)
Net position - beginning of year - restated	50,651,710	46,073,696	4,578,014
Net position - ending	$ 49,838,976	$ 52,302,033	$ (2,463,057)

As indicated in table 2, revenue for year ended June 30, 2017 was $119,862,118 compared to $115,569,181 for year ended June 30, 2016. The difference, $4,292,937 constituted an increase of approximately 3.7%.

Property taxes constituted 17.0%, state aid 53.6%, federal aid 7.8%, program revenue 15.7% and other sources 5.9% of the total revenues of governmental activities of the District for fiscal year 2017. A comparison of the year ended June 30, 2016 and June 30, 2017 is shown below.



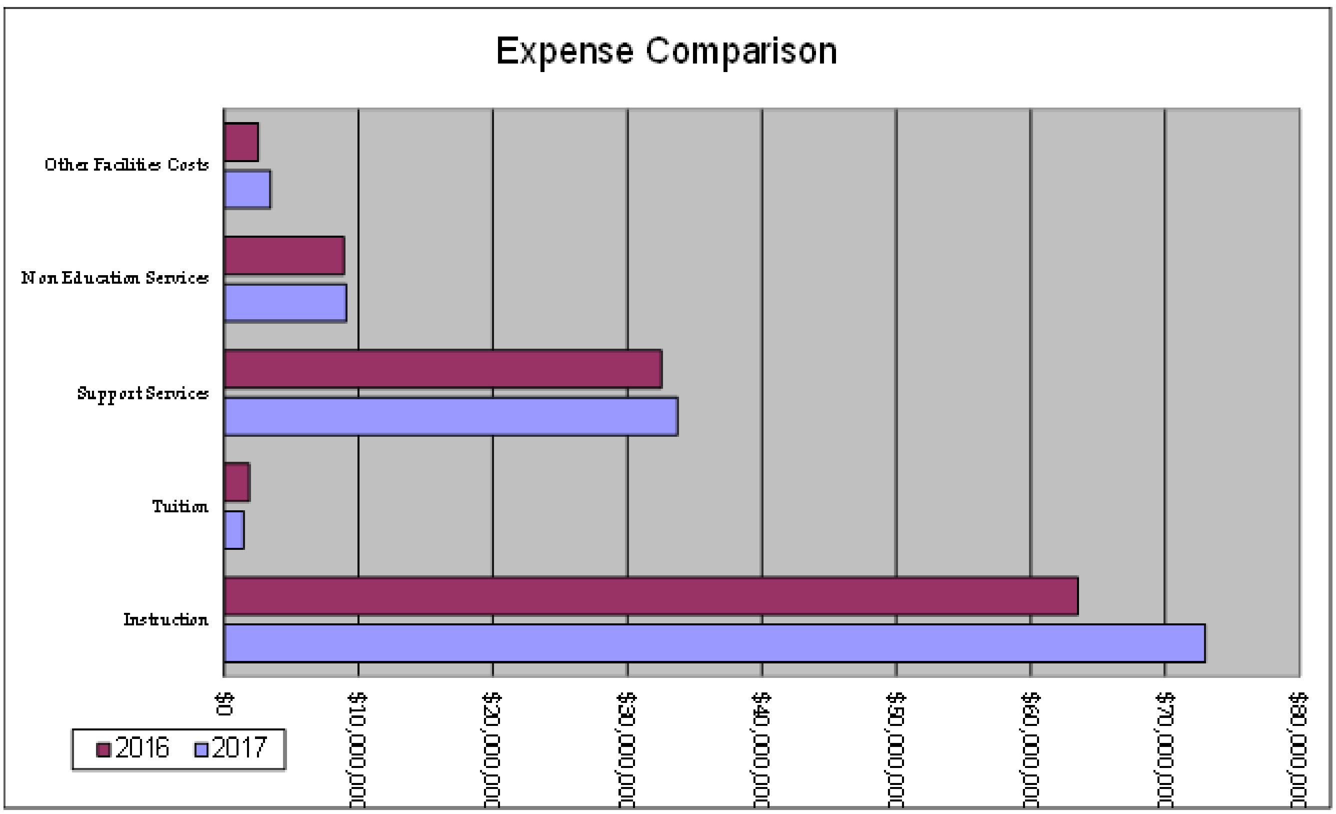
	Other Sources	Property Taxes	Program Revenue	Federal Aid	State Aid
2017	5.9%	17.0%	15.7%	7.8%	53.6%
2016	5.7%	15.9%	14.2%	6.9%	57.3%

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3

	Total Cost for Year Ended 6/30/2017	Net Cost for Year Ended 6/30/2017
Instruction	$ 72,970,943	$ 65,603,858
Tuition	1,437,697	1,437,697
Support services	33,744,730	29,071,385
Non education services	9,081,754	2,480,277
Other facilities costs	3,439,728	3,285,090
Total expenses	$ 120,674,852	$ 101,878,307

The following chart shows a comparison of cost of services for years ended June 30, 2017 and June 30, 2016. Total expenses increased to $120,674,852 for year ended June 30, 2017 from $109,340,844 for year ended June 30, 2016, an increase of approximately 10.4%.



Instruction expenses include activities dealing directly with the teaching of pupils and the interaction between teacher and pupil including regular education, special education, career and technical education and federal programs. Instruction comprised 60.5% of district expenses in 2017 compared to 58.1% in 2016.

Tuition expenses are the costs to reimburse other educational agencies for instructional services to students residing in the Minot Public School District's legal boundaries.

Support Services includes pupil's services, instructional staff services, general administration services, school administration services, business services, operation and maintenance of plant, pupil transportation services, Head Start, Adult Learning Center and interest expense.

Non Education Services include Enterprise Services, Food Services, Community Services, Extracurricular activities and Services provided another LEA.

Other facilities costs include costs associated with construction services provided by contractors hired by the district.

Financial Analysis of the District's Governmental Funds

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for using the modified accrual basis of accounting. The District's governmental funds had total revenues of $127,276,348 and expenditures of $126,658,356 for the year ended June 30, 2017 in comparison to year ended June 30, 2016 which had governmental revenue of $121,780,591 and governmental expenditures of $151,118,146. As of June 30, 2017, the unassigned fund balance of the District's general fund was $21,825,690 and total unassigned fund balance for all of the District's governmental funds was$ 7,873,457, compared to June 30, 2016 which had an unassigned fund balance of the District's general fund of $20,098,220 and an unassigned fund balance for all District governmental funds of $10,745,978. There was an increase in the District's net position and a decrease in the unassigned fund balance.

The most significant variance in any one individual fund took place in the Capital Projects Fund.

For the 2016-2017 school year there was a projected deficit of $600,000 (expenditures exceed revenue) with anticipated Revenue of $102,170,000 and anticipated Expenditures of $102,770,000. In actuality the General Fund did experience a surplus totaling $479,542 for year ended June 30, 2017.

General Fund Budgeting Highlights

The most significant variations between the final budget amounts and the actual budget amounts were in the following areas:

	Final Budget	Actual	Reason
REVENUE:			
Federal	$6,422,089	$5,129,423	Delay in reimbursement of IDEA-B Grant
EXPENDITURE:			
Regular Instruction	$42,597,626	$41,536,975	Lower than expected payroll costs.

With total variances, between budget and actual, of less than 2% in expenditures, it can be accurately stated that the district did a good job in their expenditure budget process. In regard to the revenue projections, the total variances between the revenue budget and actual was 0.5% (1/2 of 1%).

The actual revenue for the year ended June 30, 2017 was under budget projections by approximately $556,000. The actual expenditures for the year ended June 30, 2017 were under budget by approximately $2.28 million not including transfers out. The most significant revenue variance was in Federal Revenue and the most significant expenditure variance was in Regular Instruction.

Capital Assets

As of June 30, 2017, the District had $168,686,681 invested in capital assets. Table 4 shows balances as of June 30, 2016 and June 30, 2017. The third column shows the variances between those years. See note 7 to the financial statements.

Table 4

Capital Assets (Net of Depreciation) at June 30th

	2017	2016-Restated	Variance
Land	$ 4,725,335	$ 4,725,335	$ -
Construction in progress	139,377	35,744,669	(35,605,292)
Land improvements	21,056,318	15,898,730	5,157,588
Buildings and improvements	139,039,025	106,070,163	32,968,862
Furniture and equipment	3,726,626	3,815,836	(89,210)
Totals	$ 168,686,681	$ 166,254,733	$ 2,431,948

The District's Net Capital Assets for Governmental Activities increased $2,431,948 with additions of $38,320,590 (the largest was in Buildings and Improvements) and deductions of $35,888,642 (the largest deduction was in Construction in Progress).

As indicated in table 4, the School District's capital assets net of depreciation increased $2,431,948 or in other words 1.5% as indicated on Table 1.

Debt Administration

As of June 30, 2017, the District had $60,990,483 in outstanding long-term debt compared to $64,036,918 as of June 30, 2016, excluding unamortized bond premium of $896,310. Of the $60,990,483 in outstanding debt, $3,277,401 is due within one year in comparison to $2,730,947 in the previous year. The district issued no new debt in the fiscal year which ended June 30, 2017. The bond rates for the existing debt instruments range from 1.75% to 2.85% for the 2011 Refunding issuance, 2.0% to 3.125% for the 2011 G.O. issuance 1.5% to 2% for the 2012 G.O. issuance and 2.57% for the 2012B issuance, 2.75% to 3.50% for 2014 G.O. issuance, 1.72% for the 2014B G.O. issuance, 2.0% to 4.0% for the 2015 G.O. issuance, 2%-3% for the 216 G.O. issuance and 2% for the 2016B Lease Revenue Refunding issuance. See note 10 to the financial statements.

Table 5

Outstanding Debt at June 30, 2017

2011 Lease revenue refunding bonds	1,575,000
2011 General obligation bonds	7,000,000
2012 General obligation bonds	415,000
2012B General obligation bonds	7,953,895
2014 General obligation bonds	9,945,000
2014B General obligation bonds	17,406,588
2015 General obligation bonds	8,430,000
2016A General Obligation Bonds	5,260,000
2016B Lease Revenue Refunding Bonds	3,005,000
Total	$ 60,990,483

For the Future

The 2017-2018 preliminary budget includes a projected deficit of $3.3 million which is attributable to a variety of factors: 1) an approximate 7% decrease in the school district's taxable valuation which is the basis for all local property tax revenue, 2) a decrease in the hub city revenue which is based on the economics of the oil & gas industry and the N.D. Legislature and 3) an increase in the deduct on our state aid (Minot was not on the "formula" due to certain annual limits in the increase in the local wealth deduct portion of the state aid formula).

The School Board and Administration continues to keep a very close eye on student enrollment in the District and the taxable valuation of the District. Enrollment held relatively steady for the 2016-2017 school year. However, the District has many challenges ahead including but not limited to building and staffing demands. Since many of the District's major revenue sources, state aid and federal aid just to name two, are based on average daily membership, enrollment or average daily attendance, any substantial change in student numbers significantly impacts those major sources of revenue and with the declining price of oil, the population in the area will decrease and as a result, so could student enrollment and taxable valuations.

The district's reserves remain strong, but that could be strained should the need to deficit spend continue.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report and/or a copy of the Minot Air Force Base District No. 160 report by contacting Scott Moum, Business Manager, Minot Public School District, 215 2nd St SE, Minot ND 58701, or email at **Scott.Moum@minot.k12.nd.us.**

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and equivalents	$ 24,135,228
Taxes receivable	2,421,809
Due from other governmental agencies (net of allowance of $708,579)	15,252,448
Inventories	389,470
Other assets	560,805
Total current assets	42,759,760
Non-current assets:	
Capital assets (depreciable)	221,691,577
Land	4,725,335
Construction in progress	139,377
Less: accumulated depreciation	(57,869,608)
Total non-current assets	168,686,681
Total assets	211,446,441
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow - pension	28,018,701
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	9,663,526
Accrued interest	388,178
Compensated absences	715,394
Current portion of bonds payable	3,277,401
Unearned revenue	102,296
Total current liabilities	14,146,795
Non-current liabilities	
Net pension liability	113,636,691
Non-current portion of bonds payable	58,609,392
Total non-current liabilities	172,246,083
Total liabilities	186,392,878
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow - pension	3,233,288
NET POSITION	
Net investment in capital assets	106,799,888
Restricted for:	
Capital projects	125,839
MAFB District #160	7,512,526
Debt service	2,283,246
Unavailable tax revenue - debt service	199,442
Self funded health insurance	3,914,713
Unrestricted	(70,996,678)
Total net position	$ 49,838,976

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenue			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	$ 49,801,814	$ 452,404	$ 66,280	$ -	$ (49,283,130)
Special education	14,842,116	952,392	385,452	-	(13,504,272)
Vocational education	2,977,043	-	696,108	-	(2,280,935)
Federal	5,349,970	-	4,814,449	-	(535,521)
Total instruction	72,970,943	1,404,796	5,962,289	-	(65,603,858)
Tuition:	1,437,697	-	-	-	(1,437,697)
Support services:					
Pupil services	2,799,947	-	-	-	(2,799,947)
Instructional staff services	3,855,757	-	-	-	(3,855,757)
General administration services	3,369,015	-	-	-	(3,369,015)
School administration services	6,175,110	-	-	-	(6,175,110)
Business services	637,859	-	-	-	(637,859)
Operations and maintenance	8,959,817	-	134,786	-	(8,825,031)
Pupil transportation services	2,176,861	-	399,576	-	(1,777,285)
Head start	3,751,658	-	3,706,236	-	(45,422)
Adult learning center	413,426	13,596	419,151	-	19,321
Interest expense	1,605,280	-	-	-	(1,605,280)
Total support services	33,744,730	13,596	4,659,749	-	(29,071,385)
Non-education services:					
Enterprise services	370,197	-	-	-	(370,197)
Food services	4,410,203	2,195,622	1,748,713	-	(465,868)
Community services	2,351,706	1,512,332	897,133	-	57,759
Extracurricular	1,809,688	247,677	-	-	(1,562,011)
Services provided another LEA	139,960	-	-	-	(139,960)
Total non-education services	9,081,754	3,955,631	2,645,846	-	(2,480,277)
Other facilities costs:	3,439,728	-	-	154,638	(3,285,090)
Total governmental activities	$ 120,674,852	$ 5,374,023	$ 13,267,884	$ 154,638	(101,878,307)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	16,276,479
Property taxes, other	1,347,178
Other taxes	2,811,004
State aid not restricted for specific purpose:	
Per pupil aid and other state aid	64,249,841
Federal aid not restricted for a specific purpose:	
Impact aid	9,048,028
Other federal aid	229,079
Interest income and other revenues	7,103,964
Total general revenues	101,065,573
Change in net position	(812,734)
Total net position, beginning of year, as previously reported	52,302,033
Prior period adjustment - see note 19	(1,650,323)
Net position - beginning of year	50,651,710
Net position - ending	$ 49,838,976

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Capital Projects - MPSD	MAFB District #160	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 10,846,016	$ -	$ 5,716,119	$ 2,800,381	$ 19,362,516
Taxes receivable	1,952,886	10,588	-	458,335	2,421,809
Due from other funds	14,206,444	-	-	-	14,206,444
Receivable from other governments	3,667,145	561,147	1,733,385	399,612	6,361,289
Inventories	-	-	-	389,470	389,470
Other assets	560,805	-	-	-	560,805
Total assets	$ 31,233,296	$ 571,735	$ 7,449,504	$ 4,047,798	$ 43,302,333
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 6,562,521	$ 117,972	$ 15,151	$ 676,258	$ 7,371,902
Due to other funds	1,433,624	14,206,444	-	-	15,640,068
Unearned revenue	-	-	-	102,297	102,297
Total liabilities	7,996,145	14,324,416	15,151	778,555	23,114,267
Deferred inflows of resources:					
Unavailable tax revenue	850,656	4,447	-	199,442	1,054,545
Fund balances:					
Nonspendable					
Inventory	-	-	-	389,470	389,470
Other assets	560,805	-	-	-	560,805
Restricted					
Debt service	-	-	-	2,671,424	2,671,424
Minot Air Force Base District No. 160	-	-	7,434,353	78,173	7,512,526
Capital projects funds	-	-	-	125,839	125,839
Unassigned	21,825,690	(13,757,128)	-	(195,105)	7,873,457
Total fund balances	22,386,495	(13,757,128)	7,434,353	3,069,801	19,133,521
Total liabilities, deferred inflows of resources, and fund balances	$ 31,233,296	$ 571,735	$ 7,449,504	$ 4,047,798	$ 43,302,333

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
DISTRICT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balance, governmental funds	$	19,133,521
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		168,686,681
Certain assets are not available to pay current period expenditures and therefore are reported as unavailable revenue in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		8,891,158
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and, therefore are unavailable in the governmental funds.		1,054,546
The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		3,914,713
Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities that are not financial resources, and therefore are not reported as deferred outflows/(inflows) of resources in the governmental funds.		
Deferred inflow - pension		(3,233,288)
Deferred outflow - pension		28,018,701
Certain short-term liabilities are not recognized as an expenditure in the govermental funds until they are due. All liabilities both current and long-term are reported in the Statement of Net Position.		(715,394)
Certain long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Net pension liability		(113,636,691)
Bonds payable, accrued interest, and unamortized bond premium		(62,274,971)
Net position of governmental activities in the Statement of Net Position	$	49,838,976

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects - MPSD	MAFB District #160	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local sources					
Property taxes	$ 20,804,140	$ 114,425	$ -	$ -	$ 20,918,565
Other local sources	8,127,574	-	35,161	7,803,031	15,965,766
County sources	1,437,500	-	-	-	1,437,500
State sources	64,120,207	-	-	73,505	64,193,712
Federal sources	6,283,810	1,015,026	9,277,106	5,936,088	22,512,030
Other sources	2,248,775	-	-	-	2,248,775
Total revenues	103,022,006	1,129,451	9,312,267	13,812,624	127,276,348
EXPENDITURES					
Instruction:					
Regular	41,607,293	-	-	-	41,607,293
Special education	14,723,818	-	-	-	14,723,818
Vocational education	2,903,339	-	-	-	2,903,339
Federal	4,929,386	-	-	-	4,929,386
Total instruction	64,163,836	-	-	-	64,163,836
Tuition:	1,437,697	-	-	-	1,437,697
Support services:					
Pupil services	2,875,222	-	5,000,000	-	7,875,222
Instructional staff services	3,647,913	-	-	-	3,647,913
General administration services	3,091,175	-	54,286	-	3,145,461
School administration services	6,151,793	-	-	-	6,151,793
Business services	633,398	-	14,600	-	647,998
Operations and maintenance	9,307,338	-	2,010,557	-	11,317,895
Pupil transportation services	1,966,186	-	141,377	-	2,107,563
Lease payments	689,918	-	-	-	689,918
Head start	-	-	-	3,744,670	3,744,670
Adult learning center	-	-	-	440,730	440,730
Other	-	-	-	4,015	4,015
Total support services	28,362,943	-	7,220,820	4,189,415	39,773,178

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Capital Projects - MPSD	MAFB District #160	Other Governmental Funds	Total Governmental Funds
Debt service:					
Principal	$ -	$ -	$ -	$ 3,046,434	$ 3,046,434
Interest	-	-	-	1,569,231	1,569,231
Total debt service	-	-	-	4,615,665	4,615,665
Non-education services:					
Enterprise services	369,540	-	-	-	369,540
Food service	-	-	-	4,397,108	4,397,108
Community services	2,262,339	-	-	-	2,262,339
Extra curricular	1,849,453	-	-	-	1,849,453
Services provided another LEA	139,960	-	-	-	139,960
Total non education services	4,621,292	-	-	4,397,108	9,018,400
Capital outlays	1,849,689	5,723,426	-	76,465	7,649,580
Total expenditures	100,435,457	5,723,426	7,220,820	13,278,653	126,658,356
Excess of revenues over (under) expenditures	2,586,549	(4,593,975)	2,091,447	533,971	617,992
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	48,202	-	-	-	48,202
Transfers in	-	-	-	696,735	696,735
Transfers out	(696,735)	-	-	-	(696,735)
Total other financing sources and uses	(648,533)	-	-	696,735	48,202
Net change in fund balances	1,938,016	(4,593,975)	2,091,447	1,230,706	666,194
Fund balances - beginning	20,448,479	(9,163,153)	5,342,906	1,839,095	18,467,327
Fund balances - ending	$ 22,386,495	$ (13,757,128)	$ 7,434,353	$ 3,069,801	$ 19,133,521

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Net change in fund balances - total governmental funds:	$	666,194
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which the capital outlays that were capitalized $7,820,956 exceeded depreciation $5,245,035 in the current period.		2,575,921
Loss on disposal of capital assets		(143,974)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. This amount is the net change in these items which include property taxes receivable and amounts due from FEMA.		(2,524,718)
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.		3,046,434
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Net change in accrued interest not reflected on governmental funds		263,738
Net change in compensated absences and early retirement obligations		(171,455)
Net change in net pension liability		(14,509,061)
Changes in deferred inflows relating to net pension liability		86,545
Changes in deferred outflows relating to net pension liability		10,434,681
Internal service funds are used by the District to account for its self funded health insurance plan. The net revenue of the internal service fund is reported with governmental activities.		(651,036)
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activites. This is the amount by which premiums and discounts exceed current year amortization.		113,997
Change in net position of governmental activities	$	(812,734)

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2017

		Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	4,772,713
Due from other funds		1,433,624
Total assets		6,206,337
LIABILITIES		
Current liabilities:		
Incurred but not reported claims		858,000
Unearned health insurance premiums		1,433,624
Total liabilities		2,291,624
NET POSITION		
Restricted - self funded health insurance	$	3,914,713

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Internal Service Fund
REVENUES	
Premium revenue	$ 11,522,116
HSA contributions	1,173,497
	12,695,613
OPERATING EXPENSES	
Stop loss premiums and administrative fees	3,424,344
Insurance claims	9,128,776
HSA claims	1,129,104
Total operating expenses	13,682,224
Operating income	(986,611)
NON-OPERATING REVENUES	
Interest and investment revenue	335,575
Change in net position	(651,036)
Total net position - beginning of year	4,565,749
Total net position - end of year	$ 3,914,713

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Internal Service Fund
Cash flows from operating activities	
Cash received from charges to other funds	$ 12,695,613
Cash paid to insurance claims and stop loss premiums	(13,475,224)
Net cash provided by operating activities	(779,611)
Cash flows from investing activities	
Interest on investments	335,575
Net cash provided by investing activities	335,575
Net change in cash and cash equivalents	(444,036)
Cash and cash equivalents - beginning of year	5,216,749
Cash and cash equivalents - end of year	$ 4,772,713
Reconciliation of operating loss to net cash provided by operating activities:	
Operating income	$ (986,611)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Accounts payable and accrued liabilities	207,000
Net cash used by operating activities	$ (779,611)

See Notes to the Financial Statements

MINOT PUBLIC SCHOOL DISTRICT NO. 1
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS
JUNE 30, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 1,587,661
Accounts receivable	429,902
Total assets	$ 2,017,563
LIABILITIES	
Due to student activity groups/starbase/cooperative	$ 2,017,563

See Notes to the Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Principal Activity

The Minot Public School District operates the public schools in the City of Minot, North Dakota. There are twelve elementary schools, three middle schools and two high schools. Two elementary schools and one middle school are located on the Minot Air Force Base, a U.S. Air Force installation.

Reporting Entity

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization’s governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

Based on the above criteria, the Minot Air Force Base District No. 160 and the Minot School District Building Authority are included in the District’s reporting entity as blended component units.

The Minot Air Force Base School District No. 160 contracts with the Minot Public School District to provide educational services for the pupils that reside in the Minot Air Force Base District. A copy of the Minot Air Base District No. 160 financial statements may be obtained through a request of the District's management.

The Minot School District Building Authority leases various facilities and capital improvements to the Minot Public School District. The Building Authority does not prepare external financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Minot Public School District No. 1’s significant accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These statements display information about the District as a whole.

The Statement of Net Position presents the financial condition of the governmental activities of the District at year-end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program, grants, and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements do not include fiduciary funds or component units that are fiduciary in nature.

Fund Financial Statements

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund accounting – The District's funds consist of the following:

Governmental Funds

Governmental funds are utilized to account for most of the Districts' governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds are as follows:

General fund – This fund is the general operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund.

Capital projects fund – This fund accounts for the acquisition and construction of the District's major capital facilities.

Minot Air Force Base District #160 fund – This fund accounts for the activity at the Minot Air Force Base School District which is included as a blended component unit.

Internal Service Funds

The reporting focus of internal service funds is on services provided by one fund of the District to another fund on a cost reimbursement basis. The District's only internal service fund consists of the following:

Self-funded Health Insurance Fund – The fund accounts for the financial transactions related to the District's self-funded health insurance plan.

Fiduciary Funds

The reporting focus of fiduciary funds is on net position and changes in net position. The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency funds consist of the following:

Student Activity Fund – The fund accounts for the financial transactions related to the District's student activity programs.

Starbase Fund – The fund accounts for the financial transactions related to the Starbase programs.

Mid-Dakota Education Cooperative – The fund accounts for the financial transactions related to the Mid-Dakota Education Cooperative.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred outflows/inflows of resources associated with the operation of the District are included in the Statement of Net Position.

Fund Financial Statements:

The governmental funds are accounted for using a flow of current financial resources measurement focus. Under this measurement focus, only current assets, current liabilities and current deferred outflows/inflows of resources are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Fiduciary funds also use the economic resources measurement focus.

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District's internal service fund also uses the accrual basis of accounting.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

Revenues-Exchange and Non-Exchange Transactions

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Cash and Cash Equivalents

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Receivables from Other Governments

Intergovernmental receivables consist of reimbursements due for expenses in the operation of various programs, credits from the State and federal dollars in regards to flood reimbursements. The amount consists of a mix of state and federal dollars. Management has set up an allowance of $708,579 which it feels may not be collectible in relation to prior year flood reimbursements they continue to collect on.

Inventories

Inventories in governmental funds consist of expendable supplies held for consumption. They are stated at cost determined on a first-in, first-out basis. They are recorded as expenditures at the time individual inventory items are used.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year.

The District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at their acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. Interest associated with construction in progress is capitalized as part of the asset's original cost. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Land Improvements	20 years
Buildings and Improvements	50 years
Equipment and Fixtures	5 to 20 years
Vehicles	8 years

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District's government wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Unearned Grant Revenue/Unavailable Revenues

Unearned grant revenue/unavailable revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned grant revenue/unavailable revenue.

On the governmental fund financial statements, receivables that will also not be collected during the availability period have been reported as unearned grant revenue/unavailable revenue.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. Although employees accrue sick leave on an annual basis, this accrual vests only if the employee is eligible for and elects to take advantage of the District's early retirement policy. The liability includes the employees who are currently eligible to receive termination benefits. The amount is based on accumulated sick leave and employees wage rates at fiscal yearend, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave upon notification of the employee's election for early retirement.

Long-Term Debt

In the District-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (NDPERS) and Teachers' Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by NDPERS and TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 District's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as inventory.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the North Dakota Department of Public Instruction.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the School Board.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the School Board and/or management.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund activities within the District's governmental activities and its business–type activities are eliminated in the Statement of Activities.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item reported on the statement of net position as deferred pension outflows, which represents the actuarial differences within the NDPERS and TFFR pension plans as well as contributions to the plans made after the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of item which qualify for reporting in this category. One the items, unavailable revenue – delinquent taxes, is reported only in the governmental funds balance sheet. This amount, which is from delinquent property taxes, is deferred and recognized as an inflow of resources in the period that the amount become available. The other item is reported on the statement of net position as deferred pension inflows, which represents the actuarial differences within the NDPERS and TFFR pension. See note 11 for further details.

Budgets and Budgetary Accounting

The District's Board follows the procedures established by North Dakota law for the budgetary process. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. Formal budgetary integration is employed as a management control device during the year for the general fund. The School Board must adopt the final budget on or before August 15. The final budget must be filed with the county auditor by August 15.

The budget may be amended during the year by the Board; however, no amendment changing the taxes levied can be made after October 10.

All appropriations lapse at the close of the Districts' fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

Revenue Recognition

Taxes receivable consists of current and delinquent uncollected taxes at June 30, 2017.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half of the taxes has not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the school district.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, "Revenue Recognition - Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government - wide financial statements. Property taxes are limited by state laws. All school district tax levies are in compliance with state laws.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to other funds for health insurance premiums. Operating expenses for the internal service fund include the cost of claims and related administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expense.

Expenses and Expenditures

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

As discussed in note 13, the District has established a self-funded health insurance plan. Because of the inherent uncertainties associated with estimating the accrued liability for claims, it is at least reasonably possible that the estimate used will change within the near term.

NOTE 3 DEPOSITS

Custodial Credit Risk:
This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments, or collateral securities that are in possession of an outside party.

According to state statutes, deposits must be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

The District has a deposit policy which requires all cash accounts to be kept at local banks.

The District maintains cash on deposit at various financial institutions. The amounts on deposit were insured by the FDIC up to $250,000 per applicable financial institution. At June 30, 2017, none of the District's deposits were exposed to custodial credit risk, as all deposits were covered by FDIC coverage and pledged collateral through local financial institutions. $31,084,857 of the District's deposits are covered by pledged securities held in the District's name.

Credit Risk:
The District may invest idle funds as authorized in North Dakota Statutes, as follows:

(a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United Sates, or its agencies, instrumentalities, or organizations created by an act of congress.
(b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
(c) Certificates of deposits fully insured by the federal deposit insurance corporation.
(d) Obligations of the state.

As of June 30, 2017, the District had no investments.

NOTE 4 TAXES RECEIVABLE AND DUE FROM OTHER GOVERNMENTS

Property Tax Receivable:	
General fund	$ 1,952,886
Other governmental funds	468,923
	$ 2,421,809
Due from Other Governments:	
General fund	
In-state LEAs	$ 978,654
Department of Public Instruction	2,304,655
Department of Career and Tech	341,448
Other	42,388
Total general fund	3,667,145
Capital Projects	
FEMA	9,452,306
MAFB #160	
Department of Defense	229,079
Department of Education	1,504,306
Total MAFB #160	1,733,385
Other governmental funds	
Department of Public Instruction	207,508
Headstart	192,104
Total other governmental funds	399,612
Total due from other governments	$ 15,252,448

NOTE 5 INTERFUND RECEIVABLES/PAYABLES

The District's interfund receivables and payables consisted of the following as of June 30, 2017:

Fund	Due From	Due To	
General Fund	$ 14,206,444	$ 1,433,624	
Self Funded Health	1,433,624	-	(2)
Capital Projects	-	14,206,444	(1)
	$ 15,640,068	$ 15,640,068	

(1) The General Fund has recorded a due from the Capital Projects Fund for $14,206,444 to offset a negative cash balance. This is not expected to be repaid within the next year.
(2) The General Fund owes the Self-Funded Health Insurance premium paid in for the months of July and August for employees that aren't 12 month employees. This is expected to be repaid within a couple months after year end.

NOTE 6 OTHER ASSETS

The District's other assets consist of the following as of June 30, 2017:

Other assets:	
Construction house and lots	$ 560,805

NOTE 7 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Restated 7/1/2016	Additions	Deductions	6/30/2017
Capital assets not being depreciated:				
Land	$ 4,725,335	$ -	$ -	$ 4,725,335
Construction in Progress	35,744,669	139,377	(35,744,669)	139,377
Total capital assets not being depreciated	40,470,004	139,377	(35,744,669)	4,864,712
Capital assets being depreciated				
Land improvements	23,134,139	6,273,276	(17,444)	29,389,971
Building and improvements	138,952,039	36,399,288	(169,036)	175,182,291
Equipment and furniture	17,544,426	753,684	(1,178,795)	17,119,315
Total capital assets at historical cost	179,630,604	43,426,248	(1,365,275)	221,691,577
Less accumulated depreciation				
Land improvements	7,235,409	1,109,668	(11,424)	8,333,653
Building and improvements	32,881,876	3,323,807	(62,417)	36,143,266
Equipment and furniture	13,728,590	811,560	(1,147,461)	13,392,689
Total accumulated depreciation	53,845,875	5,245,035	(1,221,302)	57,869,608
Total capital assets being depreciated, net	125,784,729	38,181,213	(143,973)	163,821,969
	$ 166,254,733	$ 38,320,590	$ (35,888,642)	$ 168,686,681

In the governmental activities section of the Statement of Activities, depreciation was charged to expense in the following governmental functions:

Instruction:	
Regular	$ 4,565,919
Special education	30,092
Support services:	
Instruction staff services	120,865
General administrative services	39,333
Head Start	3,484
Operations and maintenance	193,729
Pupil transportation	216,668
Non-education services:	
Extracurricular	40,556
Food service	34,389
Total	$ 5,245,035

NOTE 8 ACCOUNTS PAYABLE

The following amounts were recorded as payables as of June 30, 2017:

Trade Payables	
General fund	$ 278,702
Capital projects fund	117,972
MAFB #160	15,151
Other funds	14,941
Total trade payables	426,766
Accrued Salaries & Benefits	
General fund	6,283,819
Other funds	661,317
Total accrued salaries & benefits	6,945,136
Total Governmental Fund Payable	$ 7,371,902
Internal Service Fund	
Incurred but not reported claims	$ 858,000

NOTE 9 COMPENSATED ABSENCES

A summary of activity during the year for the compensated liabilities for the year ended June 30, 2017 is as follows:

	Compensated Absences and Early Retirement Obligations
Balance, July 1, 2016	$ 543,939
Additions	840,252
Reductions	(668,797)
Balance, June 30, 2017	$ 715,394
Due within one year	$ 715,394

The compensated absence amount is $609,054 at June 30, 2017. The sick leave and honorarium balance is $106,340 as of June 30, 2017. Sick leave is paid out at $20 per day up to 180 days, with the maximum amount paid to an employee of $3,600. Honorarium is paid to employees who submit their resignation by February 15th who are considered full-time employees and have been with the District for at least fifteen years. They receive $1,000 plus an additional $50 for each year of service after fifteen years.

NOTE 10 LONG TERM DEBT OBLIGATIONS

Lease Revenue Refunding Bonds of 2011 – The bonds were issued to refinance the Lease Revenue Bonds of 2003. The bonds carry interest rates of 1.75% to 2.85% and are scheduled to mature in May 2023. Payments are to be made out of the Sinking and Interest fund.

General Obligation School Building Bonds, Series 2011 – The District issued $7,000,000 of general obligation bonds for the purpose of financing the purchase of land and constructing a new middle school, new additions to Lewis and Clark and Longfellow elementary schools, and to repair, renovate and improve school buildings and property. The bonds carry interest rates of 2.000% to 3.125% and are scheduled to mature in 2032. Payments are to be made out of the Sinking and Interest fund.

General Obligation School Building Bonds, Series 2012 – The District issued $2,000,000 of general obligation bonds for the purpose of financing the purchase of land and constructing a new middle school, new additions to Lewis and Clark and Longfellow elementary schools, and to repair, renovate and improve school buildings and property. The bonds carry interest rates of 1.5% to 2.0% and are scheduled to mature in late 2017. Payments are to be made out of the Sinking and Interest fund.

General Obligation School Building Bonds, Series 2012B – The District issued $10,000,000 of general obligation bonds for the purpose of financing the purchase of land and constructing a new middle school, new additions to Lewis and Clark and Longfellow elementary schools, and to repair, renovate and improve school buildings and property. The bond carries an interest rate of 2.57% and is scheduled to mature in 2032. Payments are to be made out of the Sinking and Interest fund.

General Obligation School Building Bonds, Series 2014 – The District issued $9,945,000 of general obligation bonds for the purpose of financing the construction of a new elementary school, new additions to Edison and Perkett elementary schools, and to repair, renovate and improve school buildings and property. The bond carries an interest rate of 2.75%-3.50% and is scheduled to mature in 2034. Payments are to be made out of the Sinking and Interest fund.

General Obligation School Building Bonds, Series 2014B – The District issued $20,000,000 of general obligation bonds for the purpose of financing school improvement construction projects. The bond carries an interest rate of 1.72% and is scheduled to mature in 2034. Payments are to be made out of the Sinking and Interest fund.

General Obligation School Building Bonds, Series 2015 – The District issued $9,205,000 of general obligation bonds for the purpose of financing the construction of a new elementary school, new additions to Edison and Perkett elementary schools, and to repair, renovate and improve school buildings and property. The bond carries an interest rate of 2.00%-4.00% and is scheduled to mature in 2025. Payments are to be made out of the Sinking and Interest fund

General Obligation School Building Bonds, Series 2016A – The District issued $5,260,000 of general obligation bonds for the purpose of constructing, repairing, renovating and improving school property resulting from the flood of 2011. The bond carries an interest rate of 2.00%-3.00% and is scheduled to mature in 2026. Payments are to be made out of the Sinking and Interest fund

Lease Revenue Refunding Bonds, Series 2016B – The District issued $3,310,000 in bonds to be used for the purpose of refunding the Lease Revenue Bonds of 2007. The bond carries an interest rate of 2.00% and is scheduled to mature in 2026. Payments are to be made out of the Sinking and Interest fund

Net Pension Liability – The District has a net pension liability of $98,237,700 for their portion retirement liabilities for TFFR and $15,398,991 for NDPERS as of June 30, 2017.

A summary of long-term liability transactions for the year ended June 30, 2017 follows:

	Bonds Payable
Balance, July 1, 2016	$ 64,036,917
Reductions	(3,046,434)
Balance, June 30, 2017	$ 60,990,483
Unamortized Bond Premium	896,310
Net Pension Liability *	113,636,691
Total Debt and Bond Premium	$ 175,523,484
Due within one year	$ 3,277,401

*See Note 11 for more information on the net pension liability.

Following is a schedule of the future expected principal and interest requirements to retire the long-term debt obligations as of June 30, 2017:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 3,277,401	$ 1,465,246	$ 4,742,647
2019	3,678,740	1,401,582	5,080,322
2020	3,765,946	1,313,126	5,079,072
2021	3,853,731	1,221,659	5,075,390
2022	3,957,095	1,131,942	5,089,037
2023 - 2027	19,932,105	4,211,162	24,143,267
2028 - 2032	16,585,675	1,989,041	18,574,716
2033 - 2034	5,939,790	253,068	6,192,858
Total	$ 60,990,483	$ 12,986,826	$ 73,977,309

NOTE 11 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers' Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or the sum of age and years of service credit equals or exceeds 85. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 1 Non-grandfathered

A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Tier 2

A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

Death and Disability Benefits - Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions - Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the District reported a liability of $98,237,700 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At June 30, 2016, the Employer's proportion was 6.705377 percent, which was a decrease of 0.087333 percent from its proportionate measured as of June 30, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of $8,814,673. At June 30, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 463,971	$ (465,131)
Changes of assumptions	8,205,688	-
Net difference between projected and actual earnings on pension plan investments	8,166,214	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(1,860,554)
Employer contributions subsequent to the measurement date	5,727,812	-
Total	$ 22,563,685	$ (2,325,685)

$5,727,812 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 2,687,503
2019	2,687,504
2020	4,682,942
2021	3,433,591
2022	1,241,791
Thereafter	(223,143)

Actuarial assumptions - The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates are based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for all ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2016, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	7.30%
Global Fixed Income	23.00%	0.88%
Global Real Assets	18.00%	5.32%
Cash Equivalents	1.00%	0.00%

Discount rate - The discount rate used to measure the total pension liability was 7.75% percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016. The discount rate used to measure the total pension liability changed from 8% to 7.75% based on the investment return assumption change as a result of the April 30, 2015 actuarial experience study.

Pension Liability Sensitivity - The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
$ 127,421,678	$ 98,237,700	$ 73,930,203

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. Requests to obtain or review this report should be addressed to the North Dakota Retirement and Investment Office, 1930 Burnt Boat Dr., Bismarck, ND 58503.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will received the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 24 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the Employer reported a liability of $15,398,991 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2016, the Employer's proportion was 1.580036 percent which was an increase of 0.066942 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Employer recognized pension expense of $2,131,819. At June 30, 2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 231,325	$ (142,582)
Changes of assumptions	1,419,590	(765,021)
Net difference between projected and actual earnings on pension plan investments	2,148,381	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	421,170	-
Employer contributions subsequent to the measurement date	1,234,549	-
Total	$ 5,455,016	$ (907,603)

$1,234,549 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 609,103
2019	609,103
2020	1,077,766
2021	722,450
2022	294,441

Actuarial assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	31.00%	6.90%
International equity	21.00%	7.55%
Private equity	5.00%	11.30%
Domestic fixed income	17.00%	1.52%
International fixed equity	5.00%	0.45%
Global real assets	20.00%	5.38%
Cash equivalents	1.00%	0.00%

***Discount rate*.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2016, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate*.** The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
$ 21,843,171	$ 15,398,991	$ 9,969,435

***Pension plan fiduciary net position*.** Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report. Requests to obtain or review this report should be addressed to the Executive Director – NDPERS, P.O. Box 1657, Bismarck, North Dakota 58502-16573

NOTE 12 NONMONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2017 was $93,313.

NOTE 13 RISK MANAGEMENT

The District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the mid-1980's, the District was not able to obtain general liability insurance at a cost it considered to be economically justifiable. In 1986, the state and other political subdivisions joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions.

All members paid an additional charge the first year they joined to help capitalize the NDIRF. In each of the years from 1991 through 1994, the NDIRF returned 20% of the capitalized amount with a premium reduction or cash payment to the District. The District pays an annual premium to NDIRF for its general, business and auto insurance coverage. The coverage by NDIRF is limited to losses of $2,000,000 per occurrence. In the past three years, no settled claims have exceeded insurance coverage.

In October of 1996, the District entered into a self-funding health insurance plan with Blue Cross Blue Shield. Under the plan, the District is liable for individual claims up to $40,000 stop loss limit per participant. As of June 30, 2017, the District has accrued an estimated claims liability of $858,000. The estimated liability is based upon information provided by insurance carrier, which the District believes is a reasonable basis for determining unpaid claims as of June 30, 2017. The following is a recap of the District's claims:

Claim liability as of July 1, 2016	$ 651,000
Claims incurred	9,128,776
Claims paid	(8,921,776)
Claim liability as of June 30, 2017	$ 858,000

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 14 TRANSFERS

The following is a summary of transfers for the year ended June 30, 2017:

	General Fund	Other Funds - Nonmajor	Total
Transfers in	$ -	$ 696,735	$ 696,735
Transfers out	(696,735)	-	(696,735)
	$ (696,735)	$ 696,735	$ -

The transfers were to supplement the food service program.

NOTE 15 FUND BALANCES

At June 30, 2017, a summary of the governmental fund balance classification is as follows:

	General Fund	Capital Projects - MPSD	MAFB District #160	Other Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:					
Inventories	$ -	$ -	$ -	$ 389,470	$ 389,470
Other assets	560,805	-	-	-	560,805
Restricted:					
Debt service	-	-	-	2,671,424	2,671,424
Minot Air Force Base District No. 160	-	-	7,434,353	78,173	7,512,526
Building Authority	-	-	-	125,839	125,839
Unassigned:					
Hot Lunch				(68,253)	(68,253)
Headstart/ALC				(126,852)	(126,852)
Capital projects		(13,757,128)	-	-	(13,757,128)
General fund	21,825,690	-	-	-	21,825,690
	$ 22,386,495	$ (13,757,128)	$ 7,434,353	$ 3,069,801	$ 19,133,521

NOTE 16 COMMITMENTS

As of June 30, 2017, Minot Public School District No. 1 had entered into a three year service contract for sports medicine and strength and conditioning activities beginning in 2014. The total cost of the contract was approximately $333,393. As of June 30, 2017, the District had recognized costs of approximately $324,132 related to this project and had approximately $9,260 in commitments left.

As of June 30, 2017, Minot Public School District No. 1 had entered into a three year service contract for sports medicine and strength and conditioning activities beginning in 2017. The total cost of the contract was approximately $116,407. As of June 30, 2017, the District had recognized no costs related to this project and had approximately $116,407 in commitments left.

As of June 30, 2017, Minot Public School District No. 1 had entered into contracts for various professional services from the Minot Police Department and with First District Health Unit. The total cost of these contracts was approximately $301,275. As of June 30, 2017, the District had recognized costs of approximately $55,638 and the estimated cost to complete these contracts is approximately $245,637.

As of June 30, 2017, Minot Public School District No. 1 had entered into a six year service contract with Benchmark beginning in 2017. The total cost of the contract was approximately $937,693. As of June 30, 2017, the District had recognized costs of approximately $502,871 related to this project and had approximately $434,822 in commitments left.

There are also construction commitments with the completion of the various school construction projects that were in progress as of June 30, 2017.

NOTE 17 CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with items and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. The District's management believes it has complied with all applicable grant provisions. In the opinion of management, any possible disallowed claim would not have a material adverse effect on the overall financial position of the District as of June 30, 2017.

As of June 30, 2017, the District has been made aware of pending or threatened litigation in relation to services provided by Servpro, which were performed as part of flood clean-up efforts during the Souris River flood that occurred in 2011. Servpro alleges that Minot Public Schools is in breach of contract and has failed to pay $2,014,800 for services rendered. Minot Public Schools has answered the complaint, and intends to vigorously defend the suit. At this time, the amount of a potential liability, if any, cannot be estimated. The issue is scheduled to go to trial in January 2018.

NOTE 18 ECONOMIC DEPENDENCY

Minot Public School District No. 1 receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the District's programs and therefore on its continued operations.

NOTE 19 PRIOR PERIOD ADJUSTMENT

During the current year, the District adjusted its July 1, 2016 financial statements to correct an overstatement of construction in progress, record special assessments, and to correct prior year depreciation differences. The net effect of this prior period adjustment was a decrease of $2,883,828 to construction in progress, an increase of $994,088 land improvements to record the special assessments, and increase of $239,417 to accumulated depreciation. Net position was also decreased by $1,650,323 on the government-wide statement to account for these changes.

NOTE 20 NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the District's financial statements.

NOTE 21 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 4, 2018, which is the date these financial statements were available to be issued.

MINOT PUBLIC SCHOOL DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
June 30, 2017

	Budgeted Amounts, Original and Final	Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
REVENUES			
Local sources			
Property taxes	$ 20,105,000	$ 20,044,641	$ (60,359)
Other local sources	7,509,706	7,936,060	426,354
County sources	1,437,500	1,437,500	-
State sources	64,382,205	64,806,828	424,623
Federal sources	6,422,089	5,129,423	(1,292,666)
Other sources	2,306,000	2,252,075	(53,925)
Total revenues	102,162,500	101,606,527	(555,973)
EXPENDITURES			
Instruction:			
Regular	42,597,626	41,536,975	1,060,651
Special education	15,096,491	14,710,489	386,002
Vocational education	3,048,448	2,901,997	146,451
Federal instruction	5,160,350	4,928,079	232,271
Total instruction	65,902,915	64,077,540	1,825,375
Tuition:	1,615,000	1,449,972	165,028
Support services:			
Pupil services	2,994,417	2,875,752	118,665
Instructional staff services	3,718,578	3,770,221	(51,643)
General administration services	3,361,109	3,101,221	259,888
School administration services	6,383,750	6,151,526	232,224
Business services	643,786	633,433	10,353
Operations and maintenance	9,469,000	9,277,165	191,835
Pupil transportation services	2,106,900	1,963,451	143,449
Lease payments	663,000	689,918	(26,918)
Total support services	29,340,540	28,462,687	877,853
Non-education services:			
Enterprise services	447,320	369,595	77,725
Community services	2,117,225	2,263,722	(146,497)
Student activities	1,849,000	1,852,909	(3,909)
Services provided another LEA	130,000	139,960	(9,960)
Total non education services	4,543,545	4,626,186	(82,641)
Capital outlays	1,368,000	1,864,067	(496,067)
Total expenditures	102,770,000	100,480,452	2,289,548
Excess (deficiency) of revenues over expenditures	(607,500)	1,126,075	1,733,575
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	7,500	50,202	42,702
Transfers out	-	(696,735)	(696,735)
Total other financing sources and uses	7,500	(646,533)	(654,033)
Net change in fund balances	(600,000)	479,542	1,079,542
Fund balances - beginning	17,220,067	17,220,067	-
Fund balances - ending	$ 16,620,067	$ 17,699,609	$ 1,079,542

See Notes to Required Supplementary Information

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS*

ND PERS

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2017	$ 1,234,550	$ (1,234,550)	$ -	$ 17,448,594	7.08%
2016	1,137,121	(1,137,121)	-	15,923,030	7.14%
2015	1,047,245	(1,047,245)	-	13,479,829	7.77%

TFFR

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered-employee payroll	Contributions as a percentage of covered-employee payroll
2017	$ 5,727,812	$ (5,727,812)	$ -	$ 44,810,898	12.78%
2016	5,554,725	(5,554,725)	-	43,566,502	12.75%
2015	5,327,246	(5,327,246)	-	41,782,306	12.75%

* Complete data for this schedule is not available prior to 2015

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EMPLOYER'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

ND PERS

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	1.580036%	$ 15,398,991	$ 15,923,030	96.71%	70.46%
2016	1.513094%	10,288,781	13,479,829	76.33%	77.15%
2015	1.510328%	9,586,375	12,722,678	75.35%	77.70%

TFFR

	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered-employee payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	6.705377%	$ 98,237,700	$ 43,566,502	225.49%	59.20%
2016	6.792713%	88,838,849	41,782,306	212.62%	62.10%
2015	6.911929%	72,424,762	40,092,868	180.64%	66.60%

* Complete data for this schedule is not available prior to 2015

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

To provide a meaningful comparison of the District’s actual results compared to the budgeted results, the Statements of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual are prepared on the District’s budgetary basis. Under the District's budgetary basis of accounting, revenues are budgeted on the cash basis of accounting. Expenditures are also budgeted on the cash basis except for teacher salaries and benefits. The District allows teachers to take their compensation in nineteen or twenty four payments. The budget is prepared estimating the entire contract cost regardless of when the actual payment is made.

Budgeted Inflows and Outflows

Listed on the next page is a reconciliation between the revenues and expenditures as presented in the District’s Statement of Revenues, Expenditures, and Changes in Fund Balance and the budgetary inflows and outflows presented in the District’s general fund budget.

NOTE 2 NORTH DAKOTA TEACHERS’ FUND FOR RETIREMENT – CHANGES OF ASSUMPTIONS

Amounts reported in 2016 reflect the following actuarial assumption changes based on the results of an actuarial experience study April 30, 2015.

- Investment return assumption lowered from 8.00% to 7.75%.
- Inflation assumption lowered from 3.00% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NOTE 3 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM – CHANGES OF ASSUMPTIONS

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

		General Fund
Sources/Inflows of resources		
Actual revenues (budgetary basis) presented on the budgetary comparison schedule	$	101,606,527
Difference - budget to GAAP		
Net effect of June 30, 2016 and 2017 unearned revenue being recognized on the budget statement when collected but not recorded as revenue until earned.		303,324
Net effect of June 30, 2016 and 2017 revenue recorded when measureable and available on the revenue statement but not recorded as revenue on the budget statement until collected.		1,112,155
Total revenue as reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Government Funds.	$	103,022,006
Uses/outflows of resources		
Actual expenditures and transfers (budgetary basis) presented on the budgetary comparison schedule	$	100,480,452
Difference - budget to GAAP		
Net effect of June 30, 2016 and 2017 liabilities that are paid from "available resources" and are recognized as an expenditure when the obligation is incurred on the revenue statement but not recorded on the budget statement until paid.		(44,995)
Total expenditures as reported on the statement of revenue, expenditure, and changes in fund balances - governmental funds	$	100,435,457

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Passed-Through Grantor Number		Federal Expenditures
U.S. Department of Agriculture				
Team Nutrition Grants	10.574	-		$ 24,743
Passed through the ND Department of Public Instruction				
National School Lunch Program	10.555	PII006	$ 1,300,997	
School Breakfast Program	10.553	PII006	280,746	
Special Milk Program	10.556	PII006	2,723	
Food Commodities	10.550	PII015	93,313	
Summer Food Service Program	10.559	PII008	35,997	
Total Child Nutrition Cluster				1,713,776
Child and Adult Care Food Program	10.558	PII007		207,940
Fresh Fruit & Vegetable Program	10.582	PII009		214,042
Total Passed through ND Department of Public Instruction				2,135,758
TOTAL U.S. DEPARTMENT OF AGRICULTURE				$ 2,160,501
U.S. Department of Health and Human Services				
Headstart	93.600	-		3,457,901
Passed through the ND Department of Health				
Preventive Health and Health Services Grant	93.758	451 HLH3145 06		2,328
Assistance Programs for Chronic Disease Prevention	93.945	6G15.580A		60,000
Total Passed through the ND Department of Health				62,328
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES				$ 3,520,229
U.S. Department of Defense				
National Guard Challenge Program	12.404	-		355,683
Reserve Officer Training Course	12.U01	-		66,280
TOTAL DEPARTMENT OF DEFENSE				$ 421,963
U.S. Department of Homeland Security				
Passed through the ND State Department of Emergency Services				
Disaster Grant - Public Assistance	97.036	FEMA-DR-1981-ND		$ 220,645
Homeland Security Grant Program	97.067	A1207-001-2016-HQ		134,786
Total Passed through the ND State Department of Emergency Services				$ 355,431
U.S. Department of Labor				
Passed through the ND Department of Public Instruction				
WIA Incentive Grant	17.267	PII05416		$ 32,450
U.S. Department of Education				
Direct Programs				
Indian Education-Grants to Local Educational Agencies	84.060	-		$ 34,694
Passed through the ND Department of Public Instruction				
Title I	84.010	PII017		1,753,427
School Improvement Grants	84.388	P1101915		109,647
Twenty-First Century Community Learning Centers	84.287	PII066		897,133
Adult Education - Basic Grants to States	84.002	PII048		102,000
English Language Acquisition State Grants	84.365	PII043		27,464
Special Education-State Personnel Development	84.323	PII028		80,364
Improving Teacher Quality	84.367	PII046		679,680
Education for Homeless Children and Youth	84.196	PII022		10,122
Grants for State Assessments and Related Activities	84.369	P1104716		23,780
Program for Neglected and Delinquent Children and Youth	84.013	PII016		126,604
Special Education-Preschool Grants	84.173	PII026	58,126	
Special Education Grants to States	84.027	PII024	2,003,315	
Passed through Souris Valley Special Education				
Special Education Grants to States	84.027	PII024	30,000	
Total Special Education Cluster				2,091,441
Passed through ND State Department of Vocational Education				
Career and Tech Education Basic Grants to States	84.048	84.048		127,119
TOTAL U.S. DEPARTMENT OF EDUCATION				$ 6,063,475
TOTAL FEDERAL FINANCIAL ASSISTANCE				$ 12,554,049

See Notes to the Schedule of Federal Awards

1. Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (schedule) is a supplementary schedule to the basic financial statements and is presented for purposes of additional analysis. The information in this schedule is present in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Summary of Significant Accounting Policies

A. Basis of Presentation

Federal Financial Assistance - Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property (including donated surplus property), interest subsidies, insurance, food commodities, direct appropriations and other assistance, but does not include amounts received as reimbursements for services rendered to individuals. Accordingly, nonmonetary federal assistance may be included in federal financial assistance and therefore, may be reported on the schedule. The District received $93,313 in nonmonetary federal assistance during the year. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance – Uniform Guidance requires the schedule to show the total expenditures for each of the federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government wide compendium of individual federal programs. Federal financial assistance programs which have not been assigned a CFDA number are indicated with an "UNK."

B. Reporting Entity - The schedule includes all federal financial assistance programs administered by the District including its blended component units.

C. Basis of Accounting – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Minot Public School District No. 1 has elected not to use the 10-percent deminimis indirect cost rate as allowed under the Uniform Guidance.

D. Matching Costs - The schedule does not include matching expenditures.

3. Funds to Subrecipients - Funds passed through to subrecipients are included on the schedule.

4. Reconciliation to the Financial Statements - The schedule of expenditures of federal awards reports expenditures of federal awards of $12,554,049. Compared to the federal revenue reported on the Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Funds of $22,512,030 there is a difference of $9,957,981. This difference is made up of the following:

Federal Revenue of Minot Air Force Base #160 reported in the financial statements as they are a component unit	$ 9,431,745
Difference in FEMA revenues and expenditures based on compliance reporting requirements	794,382
Federal revenue in Agency Funds	(268,146)
	$ 9,957,981

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 President and Board Members
Minot Public School District No. 1
Minot, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, each major fund, and the aggregate remaining fund information of Minot Public School District No. 1 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Minot Public School District No. 1's basic financial statements, and have issued our report thereon dated January 4, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minot Public School District No. 1'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minot Public School District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Minot Public School District No. 1'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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minot Public School District No. 1'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.*

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District'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 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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 4, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the President and Board Members
Minot Public School District No. 1
Minot, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Minot Public School District No. 1's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Minot Public School District No. 1's basic financial statements include the operations of the Minot Air Force Base School District #160 which spent $9,431,745 in federal awards. These awards are not included in the District's schedule of expenditures of federal awards for the year ending June 30, 2017. Our audit described below did not include the operations of the above-mentioned component unit because a separate audit was performed in accordance with Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Minot Public School District No. 1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
BISMARCK, NORTH DAKOTA

January 4, 2018

MINOT PUBLIC SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	____	yes	x	no
Significant deficiency(ies) identified?	x	yes	____	none reported
Noncompliance material to financial statements noted?	____	yes	x	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	____	yes	x	no
Significant deficiency(ies) identified?	____	yes	x	no
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are Required to be reported in accordance with 2 CFR 200.516(a)?	____	yes	x	no

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as a low-risk auditee?	x	yes	____	no

Section II - Financial Statement Findings

2017-001

Criteria
An appropriate system of internal controls requires that the District make a determination that the financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition
The District's auditors prepare the draft financial statements and provided assistance in the presentation of the Schedule of Expenditures of Federal Awards. In addition, material journal entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). An appropriate system of internal controls requires that the District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current generally accepted accounting principles in the United States of America and the required financial statement disclosures.

Cause
Auditor's prepared draft financial statements, proposed material adjusting entries and assisted with the preparation of the Schedule of Expenditures of Federal Awards.

Effect
Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation
The circumstance is not unusual in an organization 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.

Views of Responsible Officials and Planned Corrective Actions
The School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Section III – Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

2016-001

Criteria
An appropriate system of internal controls requires that the District make a determination that the financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Condition
The District's auditors prepare the draft financial statements and provided assistance in the presentation of the Schedule of Expenditures of Federal Awards. In addition, material journal entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (U.S. GAAP). An appropriate system of internal controls requires that the District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current generally accepted accounting principles in the United States of America and the required financial statement disclosures.

Cause
Auditor's prepared draft financial statements, proposed material adjusting entries and assisted with the preparation of the Schedule of Expenditures of Federal Awards.

Effect
Inadequate controls over financial reporting of the District results in more than a remote likelihood that the District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation
The circumstance is not unusual in an organization 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.

Views of Responsible Officials and Planned Corrective Actions
The School Board has decided to accept the degree of risk associated with the District not preparing its own financial statements due to the time and expense necessary to have staff prepare the statements prior to the annual audit.

Current Status
Based upon our audit testing, the finding was repeated as current year finding 2017-001.

2017-001

Contact Person
Scott Moum, Business and Operations Manager

Corrective Action Plan
The management and School Board of Minot Public School District No. 1

Completion Date
Minot Public School District No. 1 will implement when it becomes cost effective.