

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MUNICH, NORTH DAKOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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MUNICH PUBLIC SCHOOL DISTRICT NO. 19
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
AS OF JUNE 30, 2021

Susan Harder	President
Chris Pankratz	Vice President
Robert Foster	Board Member
Kelan Goeser	Board Member
Kelly Haaven	Board Member
Kelly Hall	Board Member
Jason Wirth	Board Member
Lois Thom	Business Manager
Robert Bubach	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Munich Public School District No. 19
Munich, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Munich Public School District No. 19, as of and for the year ended June 30, 2021, 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 misstatement, 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 and each major fund of Munich Public School District No. 19, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 12 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. As discussed in Note 12 to the financial statements, the District has restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are not modified with respect to this matter.

Correction of Error

As described in Note 12 to the financial statements, the District restated previously reported net position to correctly report interest payable and compensated absences. 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 budgetary comparison information, schedule of District's contributions to TFFR retirement plan, and schedule of District's proportionate share of net pension liability and as listed in the table of contents 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 Schedule of Fund Activity Arising From Cash Transactions, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and related 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

November 8, 2022

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The discussion and analysis of Munich Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2021. 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 the 2020-2021 fiscal year are as follows:

- Net Position of the District decreased \$7,106 as a result of the current year operations.
- Governmental net position totaled \$(394,253).
- Total revenues from all sources were \$2,692,028.
- Total expenses were \$2,699,134.
- The District's General Fund had \$2,535,545 in total revenues and other financing sources and \$2,454,383 in expenditures and other financing uses. Overall the General Fund balance increased by \$81,162 for the year ended June 30, 2021, compared to an increase of \$66,764 in the previous year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Munich Public School District No. 19 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting 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.

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, 2021?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred inflows and outflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

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 and other factors. 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 including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special reserve fund, food service fund, and building fund all of which are all reported as major funds.

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, 2021.

As indicated in the financial highlights, the District's net position decreased by \$7,106 for the year ended June 30, 2021. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$(394,253) is segregated into three separate categories. Net investment in capital assets (net of related debt) is not available for future spending. Restricted net position represents resources that are subject to external restrictions on how they must be spent. The unrestricted net position is available to meet the District's ongoing obligations.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

Table 1
Statement of Net Position

	2021	2020
Assets		
Current Assets	\$ 1,162,904	\$ 884,545
Capital Assets (Net of Accumulated Depreciation)	904,054	922,978
Total Assets	2,066,958	1,807,523
 Deferred Inflows of Resources	 503,054	 416,646
Liabilities		
Current Liabilities	155,791	-
Long-Term Liabilities	2,615,087	2,549,159
Total Liabilities	2,770,878	2,549,159
 Deferred Outflows of Resources	 193,387	 82,730
Net Position		
Net Investment in Capital Assets	511,383	498,255
Restricted for Food Service	18,973	19,216
Restricted for Special Reserve	73,640	35,732
Restricted for Student Activities	79,283	-
Restricted for Capital Projects	109,623	115,285
Unrestricted (Deficit)	(1,187,155)	(1,076,208)
Total Net Position	\$ (394,253)	\$ (407,720)

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

Table 2 shows the changes in net position for fiscal years ended June 30, 2021 and 2020.

Table 2 Changes in Net Position

	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 7,594	\$ 28,978
Operating Grants and Contributions	275,665	50,832
General Revenues		
Taxes	946,898	900,360
State Aid	1,366,906	1,534,630
Investment Earnings	5,313	-
Other Revenues	89,652	17,805
Total Revenues	2,692,028	2,532,605
Expenses		
Business Support Services	75,926	-
Instructional Support Services	50,709	806,069
Administration	307,838	-
Operations and Maintenance	285,800	30,096
Transportation	186,978	-
Regular Instruction	1,159,139	1,667,752
Special Education	265,025	-
Vocational Education	161,659	-
Extra-Curricular Activities	124,309	44,406
Food Services	67,183	-
Interest and Fees on Long-Term Debt	14,568	-
Total Expenses	2,699,134	2,548,323
Changes in Net Position	(7,106)	(15,718)
Net Position - Beginning	(407,720)	(392,002)
Prior Period Adjustments	(52,779)	-
GASB 84 Adjustment	73,352	-
Net Position - Beginning as Restated	(387,147)	(392,002)
Net Position - Ending	\$ (394,253)	\$ (407,720)

Property taxes constitute 35.17% and 35.55%, state aid 50.78% and 60.59%, operating grants and contributions 10.24% and 2.01%, and charges for services make up 0.28% and 1.14% of the total revenues of governmental activities of the District for fiscal years 2021 and 2020, respectively.

Regular instruction comprised 42.94% and 65.45% of District expenses for fiscal years 2021 and 2020, respectively.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

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. Prior year information in a comparative format is not available.

Table 3

	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021
Business Support Services	\$ 75,926	\$ (75,926)
Instructional Support Services	50,709	(50,709)
Administration	307,838	(307,838)
Operations and Maintenance	285,800	(285,800)
Transportation	186,978	(109,576)
Regular Instruction	1,159,139	(1,045,564)
Special Education	265,025	(255,625)
Vocational Education	161,659	(145,717)
Extra-Curricular Activities	124,309	(124,309)
Food Services	67,183	(243)
Interest and Fees on Long-Term Debt	14,568	(14,568)
Total Expenses	\$ 2,699,134	\$ (2,415,875)

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include activities involved with assisting staff with the content and process of teaching to pupils.

Administration includes activities involved with the overall operations of the District.

Operation and maintenance of plant activities involve maintaining the school grounds, buildings and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Vocational education includes expenditures that support the teaching of vocational type instruction.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

Extra-curricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of 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 by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$2,704,919 and \$2,538,737 and net expenditures of \$2,594,615 and \$2,431,823 for the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the total fund balance of the District's general fund was \$815,898 and \$661,384 and total fund balance for all the District's governmental funds was \$1,015,273 and \$831,617, respectively.

GENERAL FUND BUDGETING HIGHLIGHTS

During the course of the 2021 fiscal year, the District's general fund received \$89,546 more revenues and incurred \$25,284 less expenditures than budgeted. This is primarily the result of more federal source revenue received during the year as well as less administration, operations and maintenance, transportation and capital outlay expenditures incurred than anticipated during the budgeting process.

CAPITAL ASSETS

As of June 30, 2021 and 2020, the District had \$904,054 and \$922,978, respectively, invested in net capital assets. Table 4 shows total capital asset balances as of June 30, 2021 and 2020. See Note 4 for details.

Table 4

	2021	2020
Buildings and Improvements	\$ 739,065	\$ 756,929
Equipment and Vehicles	164,989	166,049
Total	\$ 904,054	\$ 922,978

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2021

DEBT ADMINISTRATION:

As of June 30, 2021, the District had \$2,651,307 in outstanding long-term liabilities. The net increase in the District long-term liabilities was \$62,323 from June 30, 2020, primarily due to changes in the net pension liability. Also see Notes 5 and 7 for additional details. See below for description of the District's long-term liabilities:

	As Restated Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
Contract Payable	\$ 424,723	\$ -	\$ 32,052	\$ 392,671	\$ 33,225
Compensated Absences	39,825	53	3,275	36,603	3,000
Net Pension Liability	<u>2,124,436</u>	<u>640,680</u>	<u>543,083</u>	<u>2,222,033</u>	<u>-</u>
Total	<u>\$2,588,984</u>	<u>\$ 640,733</u>	<u>\$ 578,410</u>	<u>\$ 2,651,307</u>	<u>\$ 36,225</u>

FOR THE FUTURE:

The Munich Public School District has benefited from an adequate property tax base. The School District has also benefited from continued funding from the State of North Dakota. These elements have enabled the District to meet many of its staffing and building maintenance needs. The Munich Public School District, not unlike many rural districts in North Dakota, is experiencing declining enrollment. For the past year and a half, the Munich school has been greatly affected by the COVID-19 and most recently the Omicron virus. This has resulted in the need for increased sanitation, extra spacing of students and distance learning. In a response to this, our district has received extra federal funding in the form of ESSER Funding. With sharing of services and other cost efficiencies the District has maintained a financially stable condition.

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 by contacting Lois Tohm, Business Manager, Munich Public School District, P.O. Box 39, Munich, ND 58352.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 970,674
Investments	150,000
Taxes Receivable	42,230
Total Current Assets	1,162,904
Non-Current Assets:	
Capital Assets	1,732,222
Less Accumulated Depreciation	(828,168)
Total Non-Current Assets	904,054
TOTAL ASSETS	2,066,958
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	503,054
TOTAL DEFERRED OUTFLOWS OF RESOURCES	503,054
LIABILITIES	
Current Liabilities:	
Accrued Liabilities	107,589
Interest Payable	11,977
Current Portion of Contract Payable	33,225
Compensated Absences	3,000
Total Current Liabilities	155,791
Non-Current Liabilities:	
Compensated Absences	33,603
Contract Payable (Net of Current Portion)	359,446
Net Pension Liability	2,222,038
Total Non-Current Liabilities	2,615,087
TOTAL LIABILITIES	2,770,878
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	193,387
TOTAL DEFERRED INFLOWS OF RESOURCES	193,387
NET POSITION	
Net Investment in Capital Assets	511,383
Restricted for Food Service	18,973
Restricted for Special Reserve	73,640
Restricted for Student Activities	79,283
Restricted for Capital Projects	109,623
Unrestricted	(1,187,155)
TOTAL NET POSITION	\$ (394,253)

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 75,926	\$ -	\$ -	\$ (75,926)
Instructional Support Services	50,709	-	-	(50,709)
Administration	307,838	-	-	(307,838)
Operations and Maintenance	285,800	-	-	(285,800)
Transportation	186,978	-	77,402	(109,576)
Regular Instruction	1,159,139	-	113,575	(1,045,564)
Special Education	265,025	-	9,400	(255,625)
Vocational Education	161,659	-	15,942	(145,717)
Extra-Curricular Activities	124,309	-	-	(124,309)
Food Services	67,183	7,594	59,346	(243)
Interest and Fees on Long-Term Debt	14,568	-	-	(14,568)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,699,134	\$ 7,594	\$ 275,665	(2,415,875)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				844,688
Property Taxes, Levied for Special Reserve				37,840
Property Taxes, Levied for Capital Projects				64,370
Aids and Payments from the State				1,366,906
Unrestricted Investment Earnings				5,313
Other Revenues				89,652
TOTAL GENERAL REVENUES				2,408,769
Change in Net Position				(7,106)
Net Position - Beginning				(407,720)
Prior Period Adjustments - See Note 12				(52,779)
GASB 84 Adjustment - See Note 12				73,352
Net Position - Beginning as Restated				(387,147)
Net Position - Ending				\$ (394,253)

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
ASSETS					
Cash	\$ 771,368	\$ 73,614	\$ 106,719	\$ 18,973	\$ 970,674
Investments	150,000	-	-	-	150,000
Property Taxes Receivable	<u>37,777</u>	<u>1,549</u>	<u>2,904</u>	<u>-</u>	<u>42,230</u>
TOTAL ASSETS	<u>\$ 959,145</u>	<u>\$ 75,163</u>	<u>\$ 109,623</u>	<u>\$ 18,973</u>	<u>\$ 1,162,904</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Accrued Liabilities	\$ <u>107,594</u>	\$ -	\$ -	\$ -	\$ <u>107,594</u>
TOTAL LIABILITIES	<u>107,594</u>	-	-	-	<u>107,594</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	<u>35,653</u>	<u>1,523</u>	<u>2,861</u>	<u>-</u>	<u>40,037</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>35,653</u>	<u>1,523</u>	<u>2,861</u>	<u>-</u>	<u>40,037</u>
FUND BALANCES					
Restricted	79,283	73,640	106,762	18,973	278,658
Unassigned	<u>736,615</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736,615</u>
TOTAL FUND BALANCES	<u>815,898</u>	<u>73,640</u>	<u>106,762</u>	<u>18,973</u>	<u>1,015,273</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 959,145</u>	<u>\$ 75,163</u>	<u>\$ 109,623</u>	<u>\$ 18,973</u>	<u>\$ 1,162,904</u>

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balance - governmental funds \$ 1,015,273

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported as assets in governmental funds.

Cost	\$ 1,732,222	
Less: Accumulated Depreciation	<u>(828,168)</u>	
Net		904,054

Net deferred outflows/(inflows) of resources relating to the cost sharing of defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) or resources in the governmental funds. 309,667

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 unearned in the funds. 40,037

Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. These long-term liabilities consisted of the following:

Contracts Payable		(392,671)
Compensated Absences		(36,603)
Net Pension Liability		(2,222,033)

Interest payable is not due and payable in the current period and, therefore is not reported as a liability in the governmental fund. (11,977)

Net Position - Governmental Activities \$ (394,253)

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
REVENUES					
Local Property Taxes	\$ 857,580	\$ 37,840	\$ 64,370	\$ -	\$ 959,790
Other Local Sources	89,652	-	-	7,594	97,246
Revenue from State Sources	1,469,649	-	-	113	1,469,762
Revenue from Federal Sources	113,575	-	-	59,233	172,808
Interest	<u>5,089</u>	<u>68</u>	<u>156</u>	<u>-</u>	<u>5,313</u>
TOTAL REVENUES	<u>2,535,545</u>	<u>37,908</u>	<u>64,526</u>	<u>66,940</u>	<u>2,704,919</u>
EXPENDITURES					
Current:					
Business Support Services	75,925	-	-	-	75,925
Instructional Support Services	50,709	-	-	-	50,709
Administration	307,838	-	-	-	307,838
Operations and Maintenance	231,392	-	25,452	-	256,844
Transportation	160,392	-	-	-	160,392
Regular Instruction	1,038,384	-	-	-	1,038,384
Special Education	265,025	-	-	-	265,025
Vocational Education	161,659	-	-	-	161,659
Extra-Curricular Activities	124,309	-	-	-	124,309
Food Services	-	-	-	67,183	67,183
Capital Outlay:					
Capital Outlay	38,750	-	-	-	38,750
Debt Service:					
Principal Retirement	-	-	32,052	-	32,052
Interest and Fees on Long-Term Debt	<u>-</u>	<u>-</u>	<u>15,545</u>	<u>-</u>	<u>15,545</u>
TOTAL EXPENDITURES	<u>2,454,383</u>	<u>-</u>	<u>73,049</u>	<u>67,183</u>	<u>2,594,615</u>
Net Change in Fund Balances	<u>81,162</u>	<u>37,908</u>	<u>(8,523)</u>	<u>(243)</u>	<u>110,304</u>
Fund Balances - Beginning	661,384	35,732	115,285	19,216	831,617
GASB 84 Adjustment - See Note 12	<u>73,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,352</u>
Fund Balances - Beginning as Restated	<u>734,736</u>	<u>35,732</u>	<u>115,285</u>	<u>19,216</u>	<u>904,969</u>
Fund Balances - Ending	<u>\$ 815,898</u>	<u>\$ 73,640</u>	<u>\$ 106,762</u>	<u>\$ 18,973</u>	<u>\$ 1,015,273</u>

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
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, 2021

Total net change in fund balances - Governmental Funds \$ 110,304

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 38,750	
Depreciation Expense	<u>(55,542)</u>	(16,792)

Net book value of capital assets disposed (2,131)

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. 32,052

Change in net pension liability (97,597)

(Increase) Decrease in compensated absences 3,222

Some revenues will not be collected for several months after the District's fiscal year end. These revenues are not considered "available" revenues in the governmental funds. These consist of:

Net change in deferred property taxes	(12,892)
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Changes in deferred outflows and inflows of resources related to net pension liability (24,249)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

	<u>977</u>
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Change in Net Position - Governmental Activities \$ (7,106)

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Munich Public School District No. 19 operates the public schools in the City of Munich, North Dakota. There is one elementary school and one junior/senior high school that is enclosed in one building.

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 these criteria, there are no component units to be included within the District's reporting entity.

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. The District'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.

As a general rule, the effect of inter-fund activity has been eliminated from the District-wide statements.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

The Government-wide financial statements do not include fiduciary funds of 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. Non-major funds, as applicable, are aggregated and presented in a single column.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's 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, deferred inflows and outflows of resources, 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 requiring to be accounted for in another fund, including the Student Activity Fund.

Special Reserve Fund

The Special Reserve fund is used to account for the proceeds of certain specific revenue sources that are committed for specified purposes.

Building Fund

The Building fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for acquiring school sites, constructing and equipping new school facilities and renovating existing facilities.

Food Service Fund

This Food Service fund is used to account for the accumulation of revenue and proceeds and for the payments of expenditures related to the providing of meals at the District.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities 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 which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

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 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.

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

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.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

Unearned Revenues:

Unearned 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 revenues.

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.

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

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.

Investments:

Investments are recorded at market value. North Dakota State statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentality's, 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 of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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. 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:

Buildings	50 Years
Equipment	10 Years

Short-Term and Long-Term Obligations:

All payables 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.

Pensions:

For the 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 Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by 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.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Fund Balance Classifications:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the school board—the District’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the school board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification reflects the amounts constrained by the District’s “intent” to be used for specific purposes, but are neither restricted nor committed. The school board and superintendent have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as non-spendable and are neither restricted nor committed.

Unassigned – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the District’s preference is to first use restricted resources, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net 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 resource (expense/expenditure) until then. The District has one item reported on the statement of net position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the TFFR pension plan and as well as amounts paid to the plans after the measurement date.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

In addition to liabilities, the statement of net 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 one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has one item reported on the statement of net position as *cost sharing defined benefit plan*, which represents the actuarial differences within the TFFR pension plans.

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.

Inter-fund 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 inter-fund transfers. Inter-fund 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. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

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.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2021.

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 have 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.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

Significant Group Concentrations of Credit Risk:

As of June 30, 2021, the District's receivables consist of amounts due from other governmental units within the State of North Dakota.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits:

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2021, the carrying amount of the District's deposits was \$970,674 and the bank balance was \$1,193,011. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Investments consist of a certificate of deposit and is fully covered by FDIC.

Credit Risk:

The District may also invest idle funds as authorized by North Dakota laws, as follows:

- a. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by the treasury of the United States, 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 of the type listed above.
- c. Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

d. Obligations of the state.

Interest Rate Risk:

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk:

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk – Investments:

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the capital asset account group during the year:

Governmental Activities	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2021</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$1,185,188	\$ -	\$ -	\$ 1,185,188
Equipment	166,158	-	10,660	155,498
Vehicles	352,786	38,750	-	391,536
Total Capital Assets Being Depreciated	<u>1,704,132</u>	<u>38,750</u>	<u>10,660</u>	<u>1,732,222</u>
Less Accumulated Depreciation				
Buildings and Improvements	428,259	17,864	-	446,123
Equipment	103,529	11,092	8,528	106,093
Vehicles	249,366	26,586	-	275,952
Total Accumulated Depreciation	<u>781,154</u>	<u>55,542</u>	<u>8,528</u>	<u>828,168</u>
Net Capital Assets Being Depreciated	<u>922,978</u>	<u>(16,792)</u>	<u>2,132</u>	<u>904,054</u>
Net Capital Assets for Governmental Activities	<u>\$ 922,978</u>	<u>\$ (16,792)</u>	<u>\$ 2,132</u>	<u>\$ 904,054</u>

In the governmental activities statement of activities, depreciation expense was charged to the following governmental functions:

Operations and Maintenance	<u>Depreciation</u> \$ 28,956
Transportation	26,586
Total	<u>\$ 55,542</u>

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 5 LONG-TERM DEBT

The School District issued bonds in prior years to provide funding for the construction of additions and improvements to existing facilities. Long-term debt is as follows:

	As Restated Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
Contract Payable	\$ 424,723	\$ -	\$ 32,052	\$ 392,671	\$ 33,225
Compensated Absences	39,825	53	3,275	36,603	3,000
Net Pension Liability	<u>2,124,436</u>	<u>640,680</u>	<u>543,083</u>	<u>2,222,033</u>	<u>-</u>
Total	<u>\$2,588,984</u>	<u>\$ 640,733</u>	<u>\$ 578,410</u>	<u>\$ 2,651,307</u>	<u>\$ 36,225</u>

Compensated absences and net pension liability are generally liquidated through the general fund.

The Contract Payable is for the school HVAC System that ends on April 1, 2031. The annual payments for the long term debt is as follows:

Year Ended June 30	Principal	Interest	Total
2022	\$ 33,225	\$ 14,372	\$ 47,597
2023	34,441	13,156	47,597
2024	35,702	11,895	47,597
2025	37,008	10,589	47,597
2026	38,363	9,234	47,597
Thereafter	<u>213,932</u>	<u>24,053</u>	<u>237,985</u>
Total	<u>\$ 392,671</u>	<u>\$ 83,299</u>	<u>\$ 475,970</u>

Interest expense was \$15,545 for the year ended June 30, 2021.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

NOTE 6 FUND BALANCES

At June 30, 2021, a summary of the governmental fund balance classifications are as follows:

	General Fund	Building Fund	Food Service	Special Reserve	Total
Restricted for:					
Student Activities	\$ 79,283	\$ -	\$ -	\$ -	\$ 79,283
Capital Projects	-	106,762	-	-	106,762
Food Service	-	-	18,973	-	18,973
Special Reserve	-	-	-	73,640	73,640
Unassigned					
General Fund	736,615	-	-	-	736,615
Total Restricted	<u>\$ 815,898</u>	<u>\$ 106,762</u>	<u>\$ 18,973</u>	<u>\$ 73,640</u>	<u>\$1,015,273</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by the Teacher's Fund for Retirement (TFFR) which is administered on a statewide basis.

Disclosures relating to this plan follows:

North Dakota Teacher's 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.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

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, 2021, the District reported a liability of \$2,222,038 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, 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, 2020, the Employer's proportion was 0.145183%, which was a decrease of 0.009069% from its proportion measured at June 30, 2019.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

For the year ended June 30, 2021, the Employer recognized pension expense of \$258,702. At June 30, 2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 458	\$ 83,388
Changes in actuarial assumptions	100,011	-
Difference between projected and actual investment earnings	137,170	-
Changes in proportion	128,566	109,999
Contributions paid to TFFR subsequent to the measurement date	136,849	-
Total	<u>\$ 503,054</u>	<u>\$ 193,387</u>

\$136,849 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 ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2022	\$ 65,098
2023	50,318
2024	45,009
2025	31,574
2026	(8,051)
Thereafter	(11,130)

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disability retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets.

Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

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 pension plan's target asset allocation as of July 1, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	0.00%

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2020. 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, 2020, 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 July 1, 2020. 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, 2020.

Pension Liability Sensitivity

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the TFFR net pension liability:	\$ 2,959,636	\$ 2,222,038	\$ 1,609,057

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRIF for its general liability, auto, boiler and machinery, accident and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence.

The District participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The District pays an annual premium to the Fire and Tornado fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

The State Bonding Fund currently provides the District with blanket fidelity bond coverage with a limit of \$800,000. The State Bonding Fund does not currently charge a premium for this coverage.

The District carries commercial insurance for employee's health and the District also participates in the workers' compensation program through the State of North Dakota. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 9 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 10 NON-MONETARY 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, 2021 was \$6,073.

NOTE 11 NEW PRONOUNCEMENTS

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 June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2021

**NOTE 12 CHANGE IN ACCOUNTING PRINCIPLE, CORRECTION OF ERROR, AND
RESTATEMENT OF NET POSITION AND FUND BALANCE**

The District implemented GASB Statement No. 84, Fiduciary Activities. As a result, beginning net position and fund balance have been restated to reflect the changes as of July 1, 2020. The financial statements were also restated to reflect prior year accrued interest and compensated absences payable that were previously not properly recorded.

Net Position July 1, 2020 as previously reported	\$ (407,720)
Prior Period Adjustment for Interest Payable	(12,954)
Prior Period Adjustment for Compensated Absences	(39,825)
Restatement for fiduciary accounting:	
Student Activity Fund Balance	<u>73,352</u>
Net Position July 1, 2020 as restated	<u>\$ (387,147)</u>
Fund Balances General Fund July 1, 2020 as previously reported	\$ 661,384
Restatement for fiduciary accounting:	
Student Activity Fund Balance reclassified to the General Fund	<u>73,352</u>
Fund Balances General Fund July 1, 2020 as restated	<u>\$ 734,736</u>

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through November 8, 2022, which is the date these financial statements were available to be issued.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>			Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local Property Taxes	\$ 864,978	\$ 864,978	\$ 857,580	\$ (7,398)
Other Local Sources	104,600	104,600	89,652	(14,948)
Revenue from State Sources	1,462,306	1,462,306	1,469,649	7,343
Revenue from Federal Sources	14,115	14,115	113,575	99,460
Interest	<u>-</u>	<u>-</u>	<u>5,089</u>	<u>5,089</u>
TOTAL REVENUES	<u>2,445,999</u>	<u>2,445,999</u>	<u>2,535,545</u>	<u>89,546</u>
EXPENDITURES				
Business Support Services	76,866	76,866	75,925	(941)
Instructional Support Services	38,471	47,200	50,709	3,509
Administration	299,510	299,610	307,838	8,228
Operations and Maintenance	262,883	258,431	231,392	(27,039)
Transportation	193,348	195,145	160,392	(34,753)
Regular Instruction	40,775	1,096,708	1,038,384	(58,324)
Special Education	136,671	181,653	265,025	83,372
Vocational Education	59,000	177,589	161,659	(15,930)
Capital Outlay	11,100	11,100	38,750	27,650
Extra-Curricular Activities	<u>135,365</u>	<u>135,365</u>	<u>124,309</u>	<u>(11,056)</u>
TOTAL EXPENDITURES	<u>1,253,989</u>	<u>2,479,667</u>	<u>2,454,383</u>	<u>(25,284)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,192,010</u>	<u>(33,668)</u>	<u>81,162</u>	<u>114,830</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,000)</u>	<u>(4,000)</u>	<u>-</u>	<u>4,000</u>
 Net Change in Fund Balances	 <u>1,188,010</u>	 <u>(37,668)</u>	 <u>81,162</u>	 <u>118,830</u>
Fund Balances - Beginning	661,384	661,384	661,384	-
GASB 84 Adjustment - See Note 12	<u>-</u>	<u>-</u>	<u>73,352</u>	<u>73,352</u>
Fund Balances - Beginning as Restated	<u>661,384</u>	<u>661,384</u>	<u>734,736</u>	<u>73,352</u>
 Fund Balances - Ending	 <u>\$ 1,849,394</u>	 <u>\$ 623,716</u>	 <u>\$ 815,898</u>	 <u>\$ 192,182</u>

See Note to the Budgetary Comparison Schedule

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year, budgeted expenditures exceeded actual expenditures by \$25,284.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget on or before August 15th of each year. The budget is then filed with the county auditor by August 25th of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October 10th of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR RETIREMENT PLAN
LAST TEN YEARS

Teachers Fund for Retirement

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2021	\$ 136,849	\$ (136,849)	\$ -	\$ 1,073,322	12.75%
2020	135,066	(135,066)	-	1,059,346	12.75%
2019	137,970	(137,970)	-	1,082,119	12.75%
2018	129,979	(129,979)	-	1,019,447	12.75%
2017	123,268	(123,268)	-	966,811	12.75%
2016	119,377	(119,377)	-	936,292	12.75%
2015	105,625	(105,625)	-	828,470	12.75%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	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
2020	0.148185%	\$ 2,222,038	\$ 1,059,346	209.76%	63.39%
2019	0.154252%	2,124,436	1,082,119	196.32%	65.50%
2018	0.149961%	1,998,764	1,019,447	196.06%	65.50%
2017	0.143237%	1,967,403	966,811	203.49%	63.20%
2016	0.144106%	2,111,236	936,292	225.49%	59.20%
2015	0.134688%	1,761,524	828,470	212.62%	62.10%
2014	0.129396%	1,355,841	750,564	180.64%	66.60%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Note to the Required Supplementary Information

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 CHANGES OF BENEFIT TERMS AND ASSUMPTIONS

TFFR

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amounts reported in 2016-2020 reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- 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.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
SCHEDULE OF FUND ACTIVITY ARISING FROM CASH TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Balance</u> <u>07-01-2020</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06-30-2021</u>
<u>General Fund Type</u>				
General Fund	\$ 657,753	\$ 2,471,968	\$ 2,287,635	\$ 842,086
Student Activity Fund	73,353	82,341	76,412	79,282
<u>Special Revenue Fund Type</u>				
Special Reserve Fund	35,621	37,993	-	73,614
Food Service Fund	19,216	60,867	61,110	18,973
<u>Capital Projects Fund Type</u>				
Building Fund	<u>115,005</u>	<u>70,408</u>	<u>78,694</u>	<u>106,719</u>
TOTAL ALL FUNDS	<u>\$ 900,948</u>	<u>\$ 2,723,577</u>	<u>\$ 2,503,851</u>	<u>\$ 1,120,674</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Munich Public School District No. 19
Munich, 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 Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Munich Public School District No. 19 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Munich Public School District No. 19's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control 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 certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Munich Public School District No. 19's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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



BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

November 8, 2022

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

2021-001 Finding

Criteria

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

Condition

The School District has one employee who is responsible for most accounting functions. The business manager collects monies, issue checks, sends checks to vendors, records receipts and disbursements in journals, maintains the general ledger, and prepares financial reports.

Cause

There is one employee for multiple functions such as executing and recording transactions.

Effect

Lack of segregation of duties leads to a limited degree of internal control.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

Management's Response

Agreed. Munich Public School District No. 19 does not have adequate resources to obtain proper internal controls to properly segregate duties. We will segregate duties to the extent possible.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2021

2021-002 Finding

Criteria

An appropriate system of internal control requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause

The District elected to not allocate resources for the preparation of the financial statements.

Effect

There is an increased risk of material misstatement to the District's financial statements.

Recommendation

We recommend the District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensating control the District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

Management's Response

The District will continue to have the auditor prepare the financial statements. It is currently not cost-effective for management to perform the preparation.