

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MUNICH, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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MUNICH PUBLIC SCHOOL DISTRICT NO. 19
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
AS OF JUNE 30, 2022

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 Tohm	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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Munich Public School District No. 19 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Munich Public School District No. 19's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Munich Public School District No. 19's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of District's contributions to TFFR retirement plan, and schedule of District's proportionate share of net pension liability 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's 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 financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023 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**

July 18, 2023

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

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, 2022. 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 2021-2022 fiscal year are as follows:

- Net Position of the District increased \$89,557 as a result of the current year operations.
- Governmental net position totaled \$(304,696).
- Total revenues from all sources were \$2,541,632.
- Total expenses were \$2,452,075.
- The District's General Fund had \$2,379,386 in total revenues and other financing sources and \$2,405,521 in expenditures and other financing uses. Overall the General Fund balance decreased by \$26,135 for the year ended June 30, 2022, compared to an increase of \$81,162 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, 2022?" 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, 2022

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, 2022.

As indicated in the financial highlights, the District's net position increased by \$89,557 for the year ended June 30, 2022. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$(304,696) 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, 2022

Table 1
Statement of Net Position

	2022	2021
Assets		
Current Assets	\$ 1,039,352	\$ 1,162,904
Capital Assets (Net of Accumulated Depreciation)	900,777	904,054
Total Assets	1,940,129	2,066,958
Deferred Inflows of Resources	281,663	503,054
Liabilities		
Current Liabilities	48,403	155,791
Long-Term Liabilities	1,822,296	2,615,087
Total Liabilities	1,870,699	2,770,878
Deferred Outflows of Resources	655,789	193,387
Net Position		
Net Investment in Capital Assets	541,331	511,383
Restricted for Food Service	20,867	18,973
Restricted for Special Reserve	100,447	73,640
Restricted for Student Activities	94,505	79,283
Restricted for Capital Projects	84,919	109,623
Unrestricted (Deficit)	(1,146,765)	(1,187,155)
Total Net Position	\$ (304,696)	\$ (394,253)

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

Table 2 shows the changes in net position for fiscal years ended June 30, 2022 and 2021.

Table 2 Changes in Net Position

	2022	2021
Revenues		
Program Revenues		
Charges for Services	\$ 17,477	\$ 7,594
Operating Grants and Contributions	244,943	275,665
General Revenues		
Taxes	936,069	946,898
State Aid	1,239,436	1,366,906
Investment Earnings	2,882	5,313
Other Revenues	100,825	89,652
Total Revenues	2,541,632	2,692,028
Expenses		
Business Support Services	79,384	75,926
Instructional Support Services	53,294	50,709
Administration	297,023	307,838
Operations and Maintenance	317,299	285,800
Transportation	186,056	186,978
Regular Instruction	1,036,627	1,159,139
Special Education	158,988	265,025
Vocational Education	108,582	161,659
Extra-Curricular Activities	124,602	124,309
Food Services	76,863	67,183
Interest and Fees on Long-Term Debt	13,357	14,568
Total Expenses	2,452,075	2,699,134
Changes in Net Position	89,557	(7,106)
Net Position - Beginning	(394,253)	(407,720)
Prior Period Adjustments	-	(52,779)
GASB 84 Adjustment	-	73,352
Net Position - Beginning as Restated	(394,253)	(387,147)
Net Position - Ending	\$ (304,696)	\$ (394,253)

Property taxes constitute 36.83% and 35.17%, state aid 48.77% and 50.78%, operating grants and contributions 9.64% and 10.24%, and charges for services make up 0.69% and 0.28% of the total revenues of governmental activities of the District for fiscal years 2022 and 2021, respectively.

Regular instruction comprised 42.28% and 42.94% of District expenses for fiscal years 2022 and 2021, respectively.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

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

Table 3

	Total Cost for Year Ended 6/30/2022	Net Cost for Year Ended 6/30/2022	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021
Business Support Services	\$ 79,384	\$ (79,384)	\$ 75,926	\$ (75,926)
Instructional Support Services	53,294	(53,294)	50,709	(50,709)
Administration	297,023	(297,023)	307,838	(307,838)
Operations and Maintenance	317,299	(317,299)	285,800	(285,800)
Transportation	186,056	(77,934)	186,978	(109,576)
Regular Instruction	1,036,627	(986,237)	1,159,139	(1,045,564)
Special Education	158,988	(140,853)	265,025	(255,625)
Vocational Education	108,582	(101,566)	161,659	(145,717)
Extra-Curricular Activities	124,602	(124,602)	124,309	(124,309)
Food Services	76,863	1,894	67,183	(243)
Interest and Fees on Long-Term Debt	13,357	(13,357)	14,568	(14,568)
Total Expenses	<u>\$ 2,452,075</u>	<u>\$ (2,189,655)</u>	<u>\$ 2,699,134</u>	<u>\$ (2,415,875)</u>

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, 2022

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 \$2,534,139 and \$2,704,919 and net expenditures of \$2,557,590 and \$2,594,615 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the total fund balance of the District's general fund was \$789,763 and \$815,898 and total fund balance for all the District's governmental funds was \$991,821 and \$1,015,272, respectively.

GENERAL FUND BUDGETING HIGHLIGHTS

During the course of the 2022 fiscal year, the District's general fund received \$21,490 more revenues and incurred \$56,508 more expenditures than budgeted. This is primarily the result of more federal source revenue received during the year as well as more administration, operations and maintenance, transportation and capital outlay expenditures incurred than anticipated during the budgeting process.

CAPITAL ASSETS

As of June 30, 2022 and 2021, the District had \$900,777 and \$904,054, respectively, invested in net capital assets. Table 4 shows total capital asset balances as of June 30, 2022 and 2021. See Note 4 for details.

Table 4

	2022	2021
Buildings and Improvements	\$ 770,244	\$ 739,065
Equipment and Vehicles	130,533	164,989
Total	\$ 900,777	\$ 904,054

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
JUNE 30, 2022

DEBT ADMINISTRATION:

As of June 30, 2022, the District had \$1,859,737 in outstanding long-term liabilities. The net decrease in the District long-term liabilities was \$791,570 from June 30, 2021, 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 7/1/2021	Additions	Retirements	Balance 6/30/2022	Due in One Year
Contract Payable	\$ 392,671	\$ -	\$ 33,225	\$ 359,446	\$ 34,441
Compensated Absences	36,603	7,978	12,514	32,067	3,000
Net Pension Liability	<u>2,222,033</u>	<u>555,759</u>	<u>1,309,568</u>	<u>1,468,224</u>	<u>-</u>
Total	<u>\$2,651,307</u>	<u>\$ 563,737</u>	<u>\$1,355,307</u>	<u>\$ 1,859,737</u>	<u>\$ 37,441</u>

FOR THE FUTURE:

The District has benefited from an adequate property tax base. The 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 District, like many rural districts in North Dakota, is experiencing declining enrollment. Currently, the District is able to maintain a financially stable condition. Looking forward, this continued financial stability will be dependent on three elements. The first is continued adequate funding from the State of North Dakota. The North Dakota 68th Legislative Session has mandated a study be completed during the interim to investigate and possibly make changes to the school funding formula. This can have either positive or negative impacts on the District. The second is student enrollment in the District. The State funding formula, no matter what changes are made, will be dependent on student enrollment. Although the District is experiencing declining enrollment, enrollment currently looks to stabilize in future years. Finally, taxable valuation also has an impact on the District's ability to maintain a financially stable condition. During the 2022 fiscal year, the District's taxable value decreased by \$96,018, which represents a \$96 decrease per mill. At current mill levy levels, that represents \$8,256 less in local funding, which is a small percentage (0.35%) of our operating budget.

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, 2022

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 823,259
Investments	150,000
Due from Other Governments	10,835
Taxes Receivable	55,258
Total Current Assets	1,039,352
Non-Current Assets:	
Capital Assets	1,782,054
Less Accumulated Depreciation	(881,277)
Total Non-Current Assets	900,777
TOTAL ASSETS	1,940,129
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	281,663
TOTAL DEFERRED OUTFLOWS OF RESOURCES	281,663
LIABILITIES	
Current Liabilities:	
Interest Payable	10,962
Current Portion of Contract Payable	34,441
Compensated Absences	3,000
Total Current Liabilities	48,403
Non-Current Liabilities:	
Compensated Absences	29,067
Contract Payable (Net of Current Portion)	325,005
Net Pension Liability	1,468,224
Total Non-Current Liabilities	1,822,296
TOTAL LIABILITIES	1,870,699
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	655,789
TOTAL DEFERRED INFLOWS OF RESOURCES	655,789
NET POSITION	
Net Investment in Capital Assets	541,331
Restricted for Food Service	20,867
Restricted for Special Reserve	100,447
Restricted for Student Activities	94,505
Restricted for Capital Projects	84,919
Unrestricted	(1,146,765)
TOTAL NET POSITION	\$ (304,696)

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 79,384	\$ -	\$ -	\$ (79,384)
Instructional Support Services	53,294	-	-	(53,294)
Administration	297,023	-	-	(297,023)
Operations and Maintenance	317,299	-	-	(317,299)
Transportation	186,056	-	108,122	(77,934)
Regular Instruction	1,036,627	9,150	41,240	(986,237)
Special Education	158,988	-	18,135	(140,853)
Vocational Education	108,582	-	7,016	(101,566)
Extra-Curricular Activities	124,602	-	-	(124,602)
Food Services	76,863	8,327	70,430	1,894
Interest and Fees on Long-Term Debt	13,357	-	-	(13,357)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,452,075	\$ 17,477	\$ 244,943	(2,189,655)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				860,277
Property Taxes, Levied for Special Reserve				25,279
Property Taxes, Levied for Capital Projects				50,513
Aids and Payments from the State				1,239,436
Unrestricted Investment Earnings				2,882
Other Revenues				100,825
TOTAL GENERAL REVENUES				2,279,212
Change in Net Position				89,557
Net Position - Beginning				(394,253)
Net Position - Ending				\$ (304,696)

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
ASSETS					
Cash	\$ 621,876	\$ 98,784	\$ 81,732	\$ 20,867	\$ 823,259
Investments	150,000	-	-	-	150,000
Property Taxes Receivable	50,408	1,663	3,187	-	55,258
Due From Other Governments	<u>10,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,835</u>
TOTAL ASSETS	<u>\$ 833,119</u>	<u>\$ 100,447</u>	<u>\$ 84,919</u>	<u>\$ 20,867</u>	<u>\$ 1,039,352</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	<u>\$ 43,356</u>	<u>\$ 1,433</u>	<u>\$ 2,742</u>	<u>\$ -</u>	<u>\$ 47,531</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>43,356</u>	<u>1,433</u>	<u>2,742</u>	<u>-</u>	<u>47,531</u>
FUND BALANCES					
Restricted	94,505	99,014	82,177	20,867	296,563
Unassigned	<u>695,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695,258</u>
TOTAL FUND BALANCES	<u>789,763</u>	<u>99,014</u>	<u>82,177</u>	<u>20,867</u>	<u>991,821</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 833,119</u>	<u>\$ 100,447</u>	<u>\$ 84,919</u>	<u>\$ 20,867</u>	<u>\$ 1,039,352</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, 2022

Total fund balance - governmental funds \$ 991,821

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	\$ 1,782,054	
Less: Accumulated Depreciation	<u>(881,277)</u>	
Net		900,777

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. (374,126)

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. 47,531

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		(359,446)
Compensated Absences		(32,067)
Net Pension Liability		(1,468,224)

Interest payable is not due and payable in the current period and, therefore is not reported as a liability in the governmental fund. (10,962)

Net Position - Governmental Activities \$ (304,696)

See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
REVENUES					
Local Property Taxes	\$ 852,783	\$ 25,279	\$ 50,513	\$ -	\$ 928,575
Other Local Sources	109,976	-	-	8,327	118,303
Revenue from State Sources	1,364,574	-	-	209	1,364,783
Revenue from Federal Sources	49,375	-	-	70,221	119,596
Interest	<u>2,678</u>	<u>95</u>	<u>109</u>	<u>-</u>	<u>2,882</u>
TOTAL REVENUES	<u>2,379,386</u>	<u>25,374</u>	<u>50,622</u>	<u>78,757</u>	<u>2,534,139</u>
EXPENDITURES					
Current:					
Business Support Services	79,384	-	-	-	79,384
Instructional Support Services	53,294	-	-	-	53,294
Administration	297,023	-	-	-	297,023
Operations and Maintenance	260,478	-	27,609	-	288,087
Transportation	162,159	-	-	-	162,159
Regular Instruction	1,111,179	-	-	-	1,111,179
Special Education	158,988	-	-	-	158,988
Vocational Education	108,582	-	-	-	108,582
Extra-Curricular Activities	124,602	-	-	-	124,602
Food Services	-	-	-	76,863	76,863
Capital Outlay:					
Capital Outlay	49,832	-	-	-	49,832
Debt Service:					
Principal Retirement	-	-	33,225	-	33,225
Interest and Fees on Long-Term Debt	<u>-</u>	<u>-</u>	<u>14,372</u>	<u>-</u>	<u>14,372</u>
TOTAL EXPENDITURES	<u>2,405,521</u>	<u>-</u>	<u>75,206</u>	<u>76,863</u>	<u>2,557,590</u>
Net Change in Fund Balances	<u>(26,135)</u>	<u>25,374</u>	<u>(24,584)</u>	<u>1,894</u>	<u>(23,451)</u>
Fund Balances - Beginning	<u>815,898</u>	<u>73,640</u>	<u>106,761</u>	<u>18,973</u>	<u>1,015,272</u>
Fund Balances - Ending	<u>\$ 789,763</u>	<u>\$ 99,014</u>	<u>\$ 82,177</u>	<u>\$ 20,867</u>	<u>\$ 991,821</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, 2022

Total net change in fund balances - Governmental Funds \$ (23,451)

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	\$ 49,832	
Depreciation Expense	<u>(53,109)</u>	(3,277)

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.	33,225
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Change in net pension liability	753,809
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(Increase) Decrease in compensated absences	4,536
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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	7,494
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Changes in deferred outflows and inflows of resources related to net pension liability	(683,793)
--	-----------

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>1,014</u>
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Change in Net Position - Governmental Activities	<u><u>\$ 89,557</u></u>
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See Notes to the Financial Statements

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022.

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, 2022

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, 2022, 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, 2022, the carrying amount of the District's deposits was \$823,259 and the bank balance was \$1,131,793. 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.
- d. Obligations of the state.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2022</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$1,185,188	\$ 49,832	\$ -	\$ 1,235,020
Equipment	155,498	-	-	155,498
Vehicles	391,536	-	-	391,536
Total Capital Assets Being Depreciated	<u>1,732,222</u>	<u>49,832</u>	<u>-</u>	<u>1,782,054</u>
Less Accumulated Depreciation				
Buildings and Improvements	446,123	18,653	-	464,776
Equipment	106,093	10,559	-	116,652
Vehicles	275,952	23,897	-	299,849
Total Accumulated Depreciation	<u>828,168</u>	<u>53,109</u>	<u>-</u>	<u>881,277</u>
Net Capital Assets Being Depreciated	<u>904,054</u>	<u>(3,277)</u>	<u>-</u>	<u>900,777</u>
Net Capital Assets for Governmental Activities	<u>\$ 904,054</u>	<u>\$ (3,277)</u>	<u>\$ -</u>	<u>\$ 900,777</u>

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

Operations and Maintenance	<u>\$ 29,212</u>
Transportation	<u>23,897</u>
Total	<u>\$ 53,109</u>

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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 7/1/2021	Additions	Retirements	Balance 6/30/2022	Due in One Year
Contract Payable	\$ 392,671	\$ -	\$ 33,225	\$ 359,446	\$ 34,441
Compensated Absences	36,603	7,978	12,514	32,067	3,000
Net Pension Liability	<u>2,222,033</u>	<u>555,759</u>	<u>1,309,568</u>	<u>1,468,224</u>	<u>-</u>
Total	<u>\$2,651,307</u>	<u>\$ 563,737</u>	<u>\$1,355,307</u>	<u>\$ 1,859,737</u>	<u>\$ 37,441</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
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
2027	39,767	7,830	47,597
Thereafter	<u>174,165</u>	<u>16,223</u>	<u>190,388</u>
Total	<u>\$ 359,446</u>	<u>\$ 68,927</u>	<u>\$ 428,373</u>

Interest expense was \$14,372 for the year ended June 30, 2022.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 6 FUND BALANCES

At June 30, 2022, a summary of the governmental fund balance classifications are as follows:

	General Fund	Building Fund	Food Service	Special Reserve	Total
Restricted for:					
Student Activities	\$ 94,505	\$ -	\$ -	\$ -	\$ 94,505
Capital Projects	-	82,177	-	-	82,177
Food Service	-	-	20,867	-	20,867
Special Reserve	-	-	-	99,014	99,014
Unassigned					
General Fund	695,258	-	-	-	695,258
Total Restricted	<u>\$ 789,763</u>	<u>\$ 82,177</u>	<u>\$ 20,867</u>	<u>\$ 99,014</u>	<u>\$ 991,821</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, 2022

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.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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, 2022, the District reported a liability of \$1,468,224 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, 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, 2021, the Employer's proportion was 0.139345%, which was a decrease of 0.005838% from its proportion measured at June 30, 2020.

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NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

For the year ended June 30, 2022, the Employer recognized pension expense of \$65,959. At June 30, 2022, 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	\$ 10,201	\$ 61,919
Changes in actuarial assumptions	51,571	-
Difference between projected and actual investment earnings	-	430,211
Changes in proportion	83,988	163,659
Contributions paid to TFFR subsequent to the measurement date	135,903	-
Total	<u>\$ 281,663</u>	<u>\$ 655,789</u>

\$135,903 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, 2023. 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>
2023	\$ (97,616)
2024	(103,342)
2025	(116,177)
2026	(154,697)
2027	(20,324)
Thereafter	(17,873)

Actuarial Assumptions

The total pension liability in the July 1, 2021 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, including inflation
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, 2022

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, 2021, funding actuarial valuation for TFFR.

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 TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 TFFR target asset allocation as of June 30, 2021 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	55.00%	6.90%
Global Fixed Income	26.00%	0.70%
Global Real Assets	18.00%	4.80%
Cash Equivalents	1.00%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2021, 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, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.25 percent as of June 30, 2021, as well as what the employer's 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:	\$ 2,204,593	\$ 1,468,224	\$ 856,744

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TFFR financial report. TFFR’s Comprehensive Annual Financial Report (CAFR) is located at:
<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf>.

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 (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto, boiler and machinery, accident and inland marine insurance coverage. The coverage by NDIRF 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.

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.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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, 2022, 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, 2022 was \$7,334.

NOTE 11 NEW PRONOUNCEMENTS

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. 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, 2022

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. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 12 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through July 18, 2023, 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, 2022

	<u>Budgeted Amounts</u>			Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local Property Taxes	\$ 882,208	\$ 882,208	\$ 852,783	\$ (29,425)
Other Local Sources	85,269	85,269	109,976	24,707
Revenue from State Sources	1,373,271	1,373,271	1,364,574	(8,697)
Revenue from Federal Sources	12,648	12,648	49,375	36,727
Interest	<u>4,500</u>	<u>4,500</u>	<u>2,678</u>	<u>(1,822)</u>
TOTAL REVENUES	<u>2,357,896</u>	<u>2,357,896</u>	<u>2,379,386</u>	<u>21,490</u>
EXPENDITURES				
Business Support Services	79,231	79,231	79,384	153
Instructional Support Services	48,572	48,572	53,294	4,722
Administration	315,432	315,432	297,023	(18,409)
Operations and Maintenance	247,271	247,271	260,478	13,207
Transportation	139,053	139,053	162,159	23,106
Regular Instruction	1,089,470	1,089,470	1,111,179	21,709
Special Education	146,382	148,337	158,988	10,651
Vocational Education	124,376	124,376	108,582	(15,794)
Capital Outlay	26,800	26,800	49,832	23,032
Extra-Curricular Activities	<u>130,471</u>	<u>130,471</u>	<u>124,602</u>	<u>(5,869)</u>
TOTAL EXPENDITURES	<u>2,347,058</u>	<u>2,349,013</u>	<u>2,405,521</u>	<u>56,508</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,838</u>	<u>8,883</u>	<u>(26,135)</u>	<u>(35,018)</u>
Net Change in Fund Balances	<u>10,838</u>	<u>8,883</u>	<u>(26,135)</u>	<u>(35,018)</u>
Fund Balances - Beginning	<u>815,898</u>	<u>815,898</u>	<u>815,898</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 826,736</u>	<u>\$ 824,781</u>	<u>\$ 789,763</u>	<u>\$ (35,018)</u>

See Note to the Budgetary Comparison Schedule

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL RESERVE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>			Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Local Property Taxes	\$ 26,231	\$ 26,231	\$ 25,279	\$ (952)
Interest	<u>100</u>	<u>100</u>	<u>95</u>	<u>(5)</u>
TOTAL REVENUES	<u>26,331</u>	<u>26,331</u>	<u>25,374</u>	<u>(957)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,331</u>	<u>26,331</u>	<u>25,374</u>	<u>(957)</u>
Net Change in Fund Balances	<u>26,331</u>	<u>26,331</u>	<u>25,374</u>	<u>(957)</u>
Fund Balances - Beginning	<u>73,640</u>	<u>73,640</u>	<u>73,640</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 99,971</u>	<u>\$ 99,971</u>	<u>\$ 99,014</u>	<u>\$ (957)</u>

See Note to the Budgetary Comparison Schedule

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>			Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Other Local Sources	\$ 9,000	\$ 9,000	\$ 8,327	\$ (673)
Revenue from State Sources	250	250	209	(41)
Revenue from Federal Sources	<u>55,000</u>	<u>55,000</u>	<u>70,221</u>	<u>15,221</u>
 TOTAL REVENUES	 <u>64,250</u>	 <u>64,250</u>	 <u>78,757</u>	 <u>14,507</u>
 EXPENDITURES				
Capital Outlay	3,000	3,000	-	(3,000)
Food Services	<u>57,000</u>	<u>57,000</u>	<u>76,863</u>	<u>19,863</u>
 TOTAL EXPENDITURES	 <u>60,000</u>	 <u>60,000</u>	 <u>76,863</u>	 <u>16,863</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>4,250</u>	 <u>4,250</u>	 <u>1,894</u>	 <u>(2,356)</u>
 Net Change in Fund Balances	 <u>4,250</u>	 <u>4,250</u>	 <u>1,894</u>	 <u>(2,356)</u>
 Fund Balances - Beginning	 <u>18,973</u>	 <u>18,973</u>	 <u>18,973</u>	 <u>-</u>
 Fund Balances - Ending	 <u>\$ 23,223</u>	 <u>\$ 23,223</u>	 <u>\$ 20,867</u>	 <u>\$ (2,356)</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, 2022

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, general fund actual expenditures exceeded budgeted expenditures by \$56,508.

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
2022	\$ 135,903	\$ (135,903)	-	\$ 1,065,904	12.75%
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%
2014	80,685	(80,685)	-	750,564	10.75%

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
2021	0.139346%	\$ 1,468,224	\$ 1,073,322	136.79%	75.70%
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, 2022

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, 2022

	<u>Balance</u> <u>07-01-2021</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> <u>06-30-2022</u>
<u>General Fund Type</u>				
General Fund	\$ 842,086	\$ 2,287,738	\$ 2,452,453	\$ 677,371
Student Activity Fund	79,282	88,322	73,099	94,505
<u>Special Revenue Fund Type</u>				
Special Reserve Fund	73,614	25,170	-	98,784
Food Service Fund	18,973	71,469	69,575	20,867
<u>Capital Projects Fund Type</u>				
Building Fund	<u>106,719</u>	<u>50,220</u>	<u>75,207</u>	<u>81,732</u>
TOTAL ALL FUNDS	<u>\$ 1,120,674</u>	<u>\$ 2,522,919</u>	<u>\$ 2,670,334</u>	<u>\$ 973,259</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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 18, 2023.

Report on 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 2022-001 and 2022-002 to be significant deficiencies.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

July 18, 2023

MUNICH PUBLIC SCHOOL DISTRICT NO. 19
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

2022-001 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, 2022

2022-002 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.