

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

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**ROSTER OF SCHOOL OFFICIALS - UNAUDITED**  
**AS OF JUNE 30, 2023**

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, 2023, 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, 2023, 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 is the responsibility of management and, 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 November 17, 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**

November 17, 2023

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2023**

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, 2023. 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 2022-2023 fiscal year are as follows:

- Net Position of the District increased \$63,880 as a result of the current year operations.
- Governmental net position totaled \$(240,816).
- Total revenues from all sources were \$2,712,806.
- Total expenses were \$2,648,926.
- The District's General Fund had \$2,588,054 in total revenues and other financing sources and \$2,514,923 in expenditures and other financing uses. Overall the General Fund balance increased by \$73,131 for the year ended June 30, 2023, compared to decrease of \$26,135 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, 2023?" 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, 2023

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, 2023.

As indicated in the financial highlights, the District's net position increased by \$63,880 for the year ended June 30, 2023. Net position may serve over time as a useful indicator of the District's financial position.

The District's net position of \$(240,816) 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, 2023**

**Table 1**  
**Statement of Net Position**

	2023	2022
<b>Assets</b>		
Current Assets	\$ 1,079,136	\$ 1,039,352
Capital Assets (Net of Accumulated Depreciation)	890,125	900,777
<b>Total Assets</b>	<u>1,969,261</u>	<u>1,940,129</u>
Deferred Inflows of Resources	<u>376,939</u>	<u>281,663</u>
<b>Liabilities</b>		
Current Liabilities	62,350	48,403
Long-Term Liabilities	2,291,435	1,822,296
<b>Total Liabilities</b>	<u>2,353,785</u>	<u>1,870,699</u>
Deferred Outflows of Resources	<u>233,231</u>	<u>655,789</u>
<b>Net Position</b>		
Net Investment in Capital Assets	565,120	541,331
Restricted for Food Service	23,585	20,867
Restricted for Special Reserve	922	100,447
Restricted for Student Activities	114,661	94,505
Restricted for Capital Projects	49,205	84,919
Unrestricted (Deficit)	(994,309)	(1,146,765)
<b>Total Net Position</b>	<u>\$ (240,816)</u>	<u>\$ (304,696)</u>

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2023**

Table 2 shows the changes in net position for fiscal years ended June 30, 2023 and 2022.

**Table 2 Changes in Net Position**

	<u>2023</u>	<u>2022</u>
Revenues		
Program Revenues		
Charges for Services	\$ 38,402	\$ 17,477
Operating Grants and Contributions	241,386	244,943
General Revenues		
Taxes	1,094,155	936,069
State Aid	1,167,555	1,239,436
Investment Earnings	17,662	2,882
Other Revenues	153,646	100,825
Total Revenues	<u>2,712,806</u>	<u>2,541,632</u>
Expenses		
Business Support Services	81,421	79,384
Instructional Support Services	52,198	53,294
Administration	345,355	297,023
Operations and Maintenance	321,031	317,299
Transportation	222,885	186,056
Regular Instruction	1,160,324	1,036,627
Special Education	106,806	158,988
Vocational Education	109,913	108,582
Extra-Curricular Activities	164,023	124,602
Food Services	72,864	76,863
Interest and Fees on Long-Term Debt	12,106	13,357
Total Expenses	<u>2,648,926</u>	<u>2,452,075</u>
Changes in Net Position	63,880	89,557
Net Position - Beginning	<u>(304,966)</u>	<u>(394,523)</u>
Net Position - Ending	<u>\$ (241,086)</u>	<u>\$ (304,966)</u>

Property taxes constitute 40.33% and 36.83%, state aid 43.04% and 48.77%, operating grants and contributions 8.90% and 9.64%, and charges for services make up 1.42% and 0.69% of the total revenues of governmental activities of the District for fiscal years 2023 and 2022, respectively.

Regular instruction comprised 43.80% and 42.28% of District expenses for fiscal years 2023 and 2022, respectively.

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2023**

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 6/30/2023	Net Cost for Year Ended 6/30/2023	Total Cost for Year Ended 6/30/2022	Net Cost for Year Ended 6/30/2022
Business Support Services	\$ 81,421	\$ (81,421)	\$ 79,384	\$ (79,384)
Instructional Support Services	52,198	(52,198)	53,294	(53,294)
Administration	345,355	(345,355)	297,023	(297,023)
Operations and Maintenance	321,031	(321,031)	317,299	(317,299)
Transportation	222,885	(115,141)	186,056	(77,934)
Regular Instruction	1,160,324	(1,098,204)	1,036,627	(986,237)
Special Education	106,806	(84,352)	158,988	(140,853)
Vocational Education	109,913	(98,025)	108,582	(101,566)
Extra-Curricular Activities	164,023	(164,023)	124,602	(124,602)
Food Services	72,864	2,718	76,863	1,894
Interest and Fees on Long-Term Debt	12,106	(12,106)	13,357	(13,357)
Total Expenses	<u>\$ 2,648,926</u>	<u>\$ (2,369,138)</u>	<u>\$ 2,452,075</u>	<u>\$ (2,189,655)</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, 2023**

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 \$2,722,234 and \$2,534,139 and expenditures of \$2,686,758 and \$2,557,590 for the years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the total fund balance of the District’s general fund was \$862,893 and \$789,762 and total fund balance for all the District’s governmental funds was \$1,027,296 and \$991,820, respectively.

**GENERAL FUND BUDGETING HIGHLIGHTS**

During the course of the 2023 fiscal year, the District’s general fund received \$91,777 more revenues and incurred \$47,938 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, 2023 and 2022, the District had \$890,125 and \$900,777, respectively, invested in net capital assets. Table 4 shows total capital asset balances as of June 30, 2023 and 2022. See Note 4 for details.

**Table 4**

	2023	2022
Buildings and Improvements	\$ 759,157	\$ 770,244
Equipment and Vehicles	130,968	130,533
Total	\$ 890,125	\$ 900,777

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**JUNE 30, 2023**

**DEBT ADMINISTRATION:**

As of June 30, 2023, the District had \$2,330,137 in outstanding long-term liabilities. The net increase in the District long-term liabilities was \$470,400 from June 30, 2022, 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:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
Contract Payable	\$ 359,446	\$ -	\$ 34,441	\$ 325,005	\$ 35,702
Compensated Absences	32,067	783	-	32,850	3,000
Net Pension Liability	1,468,224	820,497	316,439	1,972,282	-
Total	<u>\$ 1,859,737</u>	<u>\$ 821,280</u>	<u>\$ 350,880</u>	<u>\$ 2,330,137</u>	<u>\$ 38,702</u>

**FOR THE FUTURE:**

The District has benefited from an adequate property tax base, which should expand in the next two years due to the dissolution of the Edmore School District. The District should benefit from the addition of taxable land to the District's property. 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 can 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 68<sup>th</sup> 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 fiscal year 2023, the District's taxable value decreased by \$30,207 which represents a \$30.207 decrease per mill. At the FY 2022 mill levy levels, that represented \$2,152 less in local funding, which is a small percentage (0.09%) of our operating budget. Due to state funding decreases from FY 2022 to FY 2023 and other financial issues, mills were raised to not only make up for that lost revenue, but also for lost revenue from state funding.

**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, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 865,036
Investments	150,000
Due from Other Governments	13,671
Taxes Receivable	50,429
Total Current Assets	1,079,136
Non-Current Assets:	
Capital Assets	1,726,622
Less Accumulated Depreciation	(836,497)
Total Non-Current Assets	890,125
<b>TOTAL ASSETS</b>	<b>1,969,261</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	376,939
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>376,939</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	13,737
Interest Payable	9,911
Current Portion of Contract Payable	35,702
Compensated Absences	3,000
Total Current Liabilities	62,350
Non-Current Liabilities:	
Compensated Absences	29,850
Contract Payable (Net of Current Portion)	289,303
Net Pension Liability	1,972,282
Total Non-Current Liabilities	2,291,435
<b>TOTAL LIABILITIES</b>	<b>2,353,785</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	233,231
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>233,231</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	565,120
Restricted for Food Service	23,585
Restricted for Special Reserve	922
Restricted for Student Activities	114,661
Restricted for Capital Projects	49,205
Unrestricted	(994,309)
<b>TOTAL NET POSITION</b>	<b>\$ (240,816)</b>

See Notes to the Financial Statements

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
<b>GOVERNMENTAL ACTIVITIES</b>				
Business Support Services	\$ 81,421	\$ -	\$ -	\$ (81,421)
Instructional Support Services	52,198	-	-	(52,198)
Administration	345,355	-	-	(345,355)
Operations and Maintenance	321,031	-	-	(321,031)
Transportation	222,885	-	107,744	(115,141)
Regular Instruction	1,160,324	4,340	57,780	(1,098,204)
Special Education	106,806	-	22,454	(84,352)
Vocational Education	109,913	-	11,888	(98,025)
Extra-Curricular Activities	164,023	-	-	(164,023)
Food Services	72,864	34,062	41,520	2,718
Interest and Fees on Long-Term Debt	12,106	-	-	(12,106)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 2,648,926</b>	<b>\$ 38,402</b>	<b>\$ 241,386</b>	<b>(2,369,138)</b>
<b>GENERAL REVENUES</b>				
Property Taxes, Levied for General Purposes				1,005,137
Property Taxes, Levied for Special Reserve				25,660
Property Taxes, Levied for Capital Projects				63,358
Aids and Payments from the State				1,167,555
Unrestricted Investment Earnings				17,662
Other Revenues				153,646
<b>TOTAL GENERAL REVENUES</b>				<b>2,433,018</b>
Change in Net Position				63,880
Net Position - Beginning				(304,696)
Net Position - Ending				\$ (240,816)

See Notes to the Financial Statements



**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 701,207	\$ 93,650	\$ 46,594	\$ 23,585	\$ 865,036
Investments	150,000	-	-	-	150,000
Property Taxes Receivable	46,732	1,086	2,611	-	50,429
Due From Other Governments	13,671	-	-	-	13,671
<b>TOTAL ASSETS</b>	<b>\$ 911,610</b>	<b>\$ 94,736</b>	<b>\$ 49,205</b>	<b>\$ 23,585</b>	<b>\$ 1,079,136</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Accounts Payable	\$ 13,737	\$ -	\$ -	\$ -	\$ 13,737
<b>TOTAL LIABILITIES</b>	<b>13,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,737</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Delinquent Taxes	34,980	922	2,201	-	38,103
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>34,980</b>	<b>922</b>	<b>2,201</b>	<b>-</b>	<b>38,103</b>
<b>FUND BALANCES</b>					
Restricted	114,661	-	47,004	23,585	185,250
Committed	-	93,814	-	-	93,814
Assigned	-	-	-	-	-
Unassigned	748,232	-	-	-	748,232
<b>TOTAL FUND BALANCES</b>	<b>862,893</b>	<b>93,814</b>	<b>47,004</b>	<b>23,585</b>	<b>1,027,296</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 911,610</b>	<b>\$ 94,736</b>	<b>\$ 49,205</b>	<b>\$ 23,585</b>	<b>\$ 1,079,136</b>

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, 2023**

Total fund balance - governmental funds \$ 1,027,296

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	\$ 1,726,622	
Less: Accumulated Depreciation	(836,497)	
Net		890,125

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. 143,708

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. 38,103

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		(325,005)
Compensated Absences		(32,850)
Net Pension Liability		(1,972,282)

Interest payable is not due and payable in the current period and, therefore is not reported as a liability in the governmental fund. (9,911)

Net Position - Governmental Activities \$ (240,816)

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, 2023**

	General Fund	Special Reserve Fund	Building Fund	Food Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Property Taxes	\$ 1,014,565	\$ 25,660	\$ 63,358	\$ -	\$ 1,103,583
Other Local Sources	157,986	-	-	34,062	192,048
Revenue from State Sources	1,288,970	-	-	263	1,289,233
Revenue from Federal Sources	78,451	-	-	41,257	119,708
Interest	15,864	1,357	441	-	17,662
<b>TOTAL REVENUES</b>	<u>2,555,836</u>	<u>27,017</u>	<u>63,799</u>	<u>75,582</u>	<u>2,722,234</u>
<b>EXPENDITURES</b>					
Current:					
Business Support Services	81,421	-	-	-	81,421
Instructional Support Services	52,198	-	-	-	52,198
Administration	345,355	-	-	-	345,355
Operations and Maintenance	248,663	-	43,333	-	291,996
Transportation	200,727	-	-	-	200,727
Regular Instruction	1,173,317	-	-	-	1,173,317
Special Education	106,806	-	-	-	106,806
Vocational Education	109,913	-	-	-	109,913
Extra-Curricular Activities	164,023	-	-	-	164,023
Food Services	-	-	-	72,864	72,864
Capital Outlay:					
Capital Outlay	32,500	-	8,041	-	40,541
Debt Service:					
Principal Retirement	-	-	34,441	-	34,441
Interest and Fees on Long-Term Debt	-	-	13,156	-	13,156
<b>TOTAL EXPENDITURES</b>	<u>2,514,923</u>	<u>-</u>	<u>98,971</u>	<u>72,864</u>	<u>2,686,758</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	32,218	-	-	-	32,218
Transfers Out	-	(32,218)	-	-	(32,218)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>32,218</u>	<u>(32,218)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>73,131</u>	<u>(5,201)</u>	<u>(35,172)</u>	<u>2,718</u>	<u>35,476</u>
<b>Fund Balances - Beginning</b>	<u>789,762</u>	<u>99,015</u>	<u>82,176</u>	<u>20,867</u>	<u>991,820</u>
<b>Fund Balances - Ending</b>	<u>\$ 862,893</u>	<u>\$ 93,814</u>	<u>\$ 47,004</u>	<u>\$ 23,585</u>	<u>\$ 1,027,296</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, 2023**

Total net change in fund balances - Governmental Funds \$ 35,476

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	\$ 40,541	
Depreciation Expense	<u>(51,193)</u>	(10,652)

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. 34,441

Change in net pension liability (504,058)

(Increase) Decrease in compensated absences (783)

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	(9,428)
---------------------------------------	---------

Changes in deferred outflows and inflows of resources related to net pension liability 517,834

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. 1,050

Change in Net Position - Governmental Activities \$ 63,880

See Notes to the Financial Statements

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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, 2023

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 restricted 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, 2023

***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 in 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, 2023

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 15<sup>th</sup> of each year. The budget is then filed with the county auditor by August 25<sup>th</sup> of each year.



**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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 10<sup>th</sup> 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, 2023**

**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
Vehicles and 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, 2023

**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, 2023

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, 2023.

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, 2023

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, 2023, 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, 2023, the carrying amount of the District's deposits was \$865,036 and the bank balance was \$1,152,016. 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, 2023**

**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:

<b>Governmental Activities</b>	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 1,235,020	\$ 8,041	\$ -	\$ 1,243,061
Equipment	155,498	-	-	155,498
Vehicles	391,536	32,500	95,973	328,063
Total Capital Assets Being Depreciated	<u>1,782,054</u>	<u>40,541</u>	<u>95,973</u>	<u>1,726,622</u>
Less Accumulated Depreciation				
Buildings and Improvements	464,776	19,128	-	483,904
Equipment	116,652	9,907	-	126,559
Vehicles	299,849	22,158	95,973	226,034
Total Accumulated Depreciation	<u>881,277</u>	<u>51,193</u>	<u>95,973</u>	<u>836,497</u>
Net Capital Assets Being Depreciated	<u>900,777</u>	<u>(10,652)</u>	<u>-</u>	<u>890,125</u>
Net Capital Assets for Governmental Activities	<u>\$ 900,777</u>	<u>\$ (10,652)</u>	<u>\$ -</u>	<u>\$ 890,125</u>

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

Operations and Maintenance	<u>\$ 29,035</u>
Transportation	22,158
Total	<u>\$ 51,193</u>

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**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:

	Balance 7/1/2022	Additions	Retirements	Balance 6/30/2023	Due in One Year
Contract Payable	\$ 359,446	\$ -	\$ 34,441	\$ 325,005	\$ 35,702
Compensated Absences	32,067	783	-	32,850	3,000
Net Pension Liability	1,468,224	820,497	316,439	1,972,282	-
<b>Total</b>	<b>\$ 1,859,737</b>	<b>\$ 821,280</b>	<b>\$ 350,880</b>	<b>\$ 2,330,137</b>	<b>\$ 38,702</b>

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 are as follows:

Year Ended June 30	Principal	Interest	Total
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
2028	41,222	6,375	47,597
2029-2031	132,943	9,848	142,791
<b>Total</b>	<b>\$ 325,005</b>	<b>\$ 55,771</b>	<b>\$ 380,776</b>

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**NOTE 6 FUND BALANCES**

At June 30, 2023, a summary of the governmental fund balance classifications are as follows:

	General Fund	Building Fund	Food Service	Special Reserve	Total
Restricted for:					
Student Activities	\$ 114,661	\$ -	\$ -	\$ -	\$ 114,661
Capital Projects	-	47,004	-	-	47,004
Food Service	-	-	23,585	-	23,585
Special Reserve	-	-	-	-	-
Committed					
Special Reserve	-	-	-	93,814	93,814
Unassigned					
General Fund	748,232	-	-	-	748,232
Total Fund Balance	<u>\$ 862,893</u>	<u>\$ 47,004</u>	<u>\$ 23,585</u>	<u>\$ 93,814</u>	<u>\$ 1,027,296</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, 2023

*Tier 1 Grandfathered*

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

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

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

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

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2023

**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, 2023, the District reported a liability of \$1,972,282 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2022, 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, 2022, the Employer's proportion was 0.135454%, which was a decrease of 0.003891% from its proportion measured at June 30, 2021.

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

For the year ended June 30, 2023, the Employer recognized pension expense of \$118,657. At June 30, 2023, 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	\$ 8,499	\$ 52,659
Changes in actuarial assumptions	40,104	-
Difference between projected and actual investment earnings	147,727	-
Changes in proportion	48,172	180,572
Contributions paid to TFFR subsequent to the measurement date	132,437	-
Total	<u>\$ 376,939</u>	<u>\$ 233,231</u>

\$132,437 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, 2024. 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>
2024	\$ 8,977
2025	(3,457)
2026	(41,241)
2027	89,157
2028	(17,044)
Thereafter	(25,121)

**Actuarial Assumptions**

The total pension liability in the July 1, 2022 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, 2023**

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, 2022, 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, 2022 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equities	55.00%	6.61%
Global Fixed Income	26.00%	0.35%
Global Real Assets	18.00%	4.60%
Cash Equivalents	1.00%	-1.05%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent as of June 30, 2022. 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, 2022, 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 June 30, 2023. 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, 2022.

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

**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, 2022, 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:	\$ 2,709,735	\$ 1,972,282	\$ 1,360,658

**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/annualreport2022.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, 2023

**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, 2023, 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, 2023 was \$7,511.

**NOTE 11 TRANSFERS**

The District transferred internal District funds of \$32,218 from the Special Reserve Fund to the for General Fund during the year ended June 30, 2023 to assist with the purchase of a bus.

**NOTE 12 NEW PRONOUNCEMENTS**

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).



**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2023

- 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.

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.

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2023**

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 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 13 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through November 17, 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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUES</b>			
Local Property Taxes	\$ 1,033,731	\$ 1,014,565	\$ (19,166)
Other Local Sources	95,519	157,986	62,467
Revenue from State Sources	1,261,358	1,288,970	27,612
Revenue from Federal Sources	70,451	78,451	8,000
Interest	3,000	15,864	12,864
<b>TOTAL REVENUES</b>	<u>2,464,059</u>	<u>2,555,836</u>	<u>91,777</u>
<b>EXPENDITURES</b>			
Business Support Services	81,871	81,421	(450)
Instructional Support Services	49,509	52,198	2,689
Administration	324,074	345,355	21,281
Operations and Maintenance	252,407	248,663	(3,744)
Transportation	133,048	200,727	67,679
Regular Instruction	1,238,101	1,173,317	(64,784)
Special Education	120,258	106,806	(13,452)
Vocational Education	104,455	109,913	5,458
Capital Outlay	24,068	32,500	8,432
Extra-Curricular Activities	139,194	164,023	24,829
<b>TOTAL EXPENDITURES</b>	<u>2,466,985</u>	<u>2,514,923</u>	<u>47,938</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,926)</u>	<u>40,913</u>	<u>43,839</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	<u>-</u>	<u>32,218</u>	<u>32,218</u>
Net Change in Fund Balances	<u>(2,926)</u>	<u>73,131</u>	<u>76,057</u>
Fund Balances - Beginning	<u>789,762</u>	<u>789,762</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 786,836</u>	<u>\$ 862,893</u>	<u>\$ 76,057</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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES			
Local Property Taxes	\$ 26,170	\$ 25,660	\$ (510)
Interest	<u>150</u>	<u>1,357</u>	<u>1,207</u>
TOTAL REVENUES	<u>26,320</u>	<u>27,017</u>	<u>697</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>26,320</u>	<u>27,017</u>	<u>697</u>
OTHER FINANCING SOURCES (USES)			
Transfer Out	<u>-</u>	<u>(32,218)</u>	<u>(32,218)</u>
Net Change in Fund Balances	<u>26,320</u>	<u>(5,201)</u>	<u>(31,521)</u>
Fund Balances - Beginning	<u>99,015</u>	<u>99,015</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ 125,335</u></u>	<u><u>\$ 93,814</u></u>	<u><u>\$ (31,521)</u></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, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
REVENUES			
Other Local Sources	\$ 45,000	\$ 34,062	\$ (10,938)
Revenue from State Sources	-	263	263
Revenue from Federal Sources	<u>30,000</u>	<u>41,257</u>	<u>11,257</u>
 TOTAL REVENUES	 <u>75,000</u>	 <u>75,582</u>	 <u>582</u>
 EXPENDITURES			
Food Services	<u>65,000</u>	<u>72,864</u>	<u>7,864</u>
 TOTAL EXPENDITURES	 <u>65,000</u>	 <u>72,864</u>	 <u>7,864</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>10,000</u>	 <u>2,718</u>	 <u>(7,282)</u>
 Net Change in Fund Balances	 <u>10,000</u>	 <u>2,718</u>	 <u>(7,282)</u>
 Fund Balances - Beginning	 <u>20,867</u>	 <u>20,867</u>	 <u>-</u>
 Fund Balances - Ending	 <u><u>\$ 30,867</u></u>	 <u><u>\$ 23,585</u></u>	 <u><u>\$ (7,282)</u></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, 2023**

**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 \$47,938, special reserve actual expenditures exceeded budgeted expenditures by \$32,218, and food service actual expenditures exceeded budgeted expenditures by \$7,864.

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 15<sup>th</sup> of each year. The budget is then filed with the county auditor by August 25<sup>th</sup> 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 10<sup>th</sup> 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
2023	\$ 132,437	\$ (132,437)	\$ -	\$ 1,038,719	12.75%
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%

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
2022	0.135454%	\$ 1,972,282	\$ 1,065,904	185.03%	67.50%
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, 2023

**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, 2023**

	<u>Balance</u> 07-01-2022	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance</u> 06-30-2023
<u>General Fund Type</u>				
General Fund	\$ 677,371	\$ 2,452,466	\$ 2,393,291	\$ 736,546
Student Activity Fund	94,505	134,318	114,162	114,661
<u>Special Revenue Fund Type</u>				
Special Reserve Fund	98,784	27,084	32,218	93,650
Food Service Fund	20,867	68,071	65,353	23,585
<u>Capital Projects Fund Type</u>				
Building Fund	<u>81,732</u>	<u>63,834</u>	<u>98,972</u>	<u>46,594</u>
 TOTAL ALL FUNDS	 <u>\$ 973,259</u>	 <u>\$ 2,745,773</u>	 <u>\$ 2,703,996</u>	 <u>\$ 1,015,036</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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 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 2023-001 and 2023-002 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**

November 17, 2023

**MUNICH PUBLIC SCHOOL DISTRICT NO. 19**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**2023-001 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, issues 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, 2023**

**2023-002 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.