



Mandaree Public School District No. 36
Mandaree, North Dakota

Financial and Compliance Report
Year Ended June 30, 2021



Contents

Introductory Section (unaudited)

Table of contents	i
School district officials	ii

Financial Section

Independent auditor's report	1-2
Management's discussion and analysis	3-7
Basic financial statements:	
Government-wide financial statements:	
Statement of net position—modified cash basis	8
Statement of activities—modified cash basis	9
Fund financial statements:	
Balance sheet—modified cash basis—governmental funds	10
Reconciliation of the governmental funds balance sheet—modified cash basis to the statement of net position—modified cash basis	11
Statement of revenues, expenditures and changes in fund balance—modified cash basis—governmental funds	12
Reconciliation of the statement of revenues, expenditures and changes in fund balance—modified cash basis of governmental funds to the statement of activities—modified cash basis	13
Notes to basic financial statements	14-23
Other information (unaudited):	
Budgetary comparison schedule—General Fund—modified cash basis	24
Note to other information	25

Compliance Section

Schedule of expenditures of federal awards—modified cash basis	26-27
Notes to schedule of expenditures of federal awards	28
Report on internal control over financial reporting and on compliance and other matters based on an audit of modified cash basis financial statements performed in accordance with <i>Government Auditing Standards</i>	29-30
Report on compliance for each major federal program and report on internal control over compliance required by the Uniform Guidance	31-32
Schedule of findings and questioned costs	33-36
Summary schedule of prior audit findings	37
Corrective action plan	38



Mandaree Public School District No. 36

**School District Officials
Year Ended June 30, 2021**

Official	Position
Kelly Bradfield	Board President
Rose Ann Johnson	Board Vice President
Gladys Sherry Lone Fight	Board Member
Brad Sage	Board Member
Delaine Clairmont	Board Member
Tara Thomas	Superintendent
Abiodun Obidinma	Business Manager

This Page Intentionally Left Blank

Independent Auditor's Report

RSM US LLP

Members of the School Board
Mandaree Public School District No. 36

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Mandaree Public School District No. 36 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the major fund and the aggregate remaining fund information of Mandaree Public School District No. 36, as of June 30, 2021, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As explained in Note 12 to the basic financial statements, the District adopted GASB Statement No. 84, *Fiduciary Activities*, which restated beginning net position of governmental activities and beginning fund balance of the aggregate remaining fund information. Our opinions are not modified with respect to this matter.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Single Audit Act and Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), introductory section, management's discussion and analysis and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements

The schedule of expenditures of federal awards, as required by Single Audit Act and Subpart F of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) presented on pages 26-28 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The introductory section, management's discussion and analysis, and budgetary comparison information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RSM US LLP

Davenport, Iowa
May 16, 2022

Mandaree Public School District No. 36

Management's Discussion and Analysis Year Ended June 30, 2021

It is an honor to present to you the financial picture of the Mandaree Public School District No. 36 (the District). We offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Mandaree Public School District No. 36 for the fiscal year ended June 30, 2021. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

Financial Highlights

Key financial highlights for 2021 are as follows:

Total modified cash basis revenues for the fiscal year ended June 30, 2021 of \$9,072,928 were comprised of general revenues in the amount of \$4,668,218 and program revenues totaling \$4,404,710.

Total modified cash basis expenditures increased \$88,953 or 1.4% from \$6,365,035 in 2020 to \$6,453,988 in 2021.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$3,776,692, an increase of \$2,956,703 in comparison with the restated prior year. Of the total combined fund balance, \$3,484,750 represents unassigned fund balance.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statement, 2) fund financial statement and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statement: The government-wide financial statement consists of a Statement of Net Position and a Statement of Activities. These statements provide information about the activities of the District as a whole and presents an overall view of the District's finances.

The government-wide financial statement reflects functions of the District that are principally supported by intergovernmental revenues (governmental activities). The District does not currently have any activities that are considered business-type activities. The governmental activities of the District include instruction and support services.

The government-wide financial statement includes only Mandaree Public School District No. 36. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the District.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Mandaree Public School District No. 36

**Management's Discussion and Analysis
Year Ended June 30, 2021**

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Mandaree Public School District No. 36, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds.

Governmental funds: Governmental funds account for most of the District's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental fund financial statements provide a detailed, short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The Mandaree Public School District No. 36 maintains two individual governmental funds.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget on page 24.

The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

Notes to basic financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The District's total modified cash basis net position has increased from a year ago. Table 1 reflects an increase to \$11,998,654 from \$9,253,337.

Table 1

	Governmental Activities	
	2021	2020 Not Restated
Assets		
Current and other assets	\$ 4,031,841	\$ 897,237
Capital assets	8,221,962	8,559,725
Total assets	12,253,803	9,456,962
Liabilities		
Other liabilities	255,149	203,625
Total liabilities	255,149	203,625
Net Position		
Investment in capital assets	8,221,962	8,559,725
Restricted	291,942	60,131
Unrestricted	3,484,750	633,481
Total net position	\$ 11,998,654	\$ 9,253,337

Mandaree Public School District No. 36

**Management's Discussion and Analysis
Year Ended June 30, 2021**

A restricted portion of the District's net position (2.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$3,484,750 may be used to meet the government's ongoing obligations to students and creditors.

At the end of the current fiscal year, there is a positive balance in the unrestricted net position.

The increase in net position, as restated, of \$2,618,940 is mainly attributable to an increase in federal funding.

Table 2 highlights the changes in net position and the District's revenues and expenses for the fiscal years ended June 30, 2021 and 2020.

Revenues are divided into two major categories: program revenues and general revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions. General revenues include taxes, unrestricted grants, other revenue and investment income.

Expenses are shown in programs including instruction and support services.

Table 2 - Changes in Modified Cash Basis Net Position

	Governmental Activities	
	Restated 2021	Not Restated 2020
Revenues:		
Program revenues:		
Charges for services	\$ 91,818	\$ 99,060
Operating grants and contributions	4,312,892	2,591,477
General revenues:		
Property taxes	47,693	41,969
Grants and entitlements	4,598,923	2,572,849
Investment earnings	11,078	24,577
Other	10,524	115,602
Total revenues	9,072,928	5,445,534
Expenses:		
Instruction	4,071,550	3,862,884
Support services	2,382,438	2,502,151
Total expenses	6,453,988	6,365,035
Change in net position	2,618,940	(919,501)
Net position, beginning of year	9,379,714	10,172,838
Net position, end of year	\$ 11,998,654	\$ 9,253,337

Due to the implementation of GASB Statement No. 84 the beginning net position was restated to include the student activity fund.

Mandaree Public School District No. 36

**Management's Discussion and Analysis
Year Ended June 30, 2021**

Table 3 below discloses cost of services for governmental activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program receipts. Succinctly put, net costs are costs that must be covered by unrestricted federal and state aid or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

Table 3 - Governmental Activities

Programs	Total Cost of Services 2021	Net Cost of Services 2021	Total Cost of Services 2020	Net Cost of Services 2020
Instruction	\$ 4,071,550	\$ 1,575,473	\$ 3,862,884	\$ 2,129,175
Support services	2,382,438	473,805	2,502,151	1,545,323
Total expenses	\$ 6,453,988	\$ 2,049,278	\$ 6,365,035	\$ 3,674,498

The District's total revenues for governmental activities increased \$3,627,394 or 66.6%, mainly due to an increase in federal revenues. Total expenses increased \$88,953 or 1.4% due to an increase in capital outlay expenditures for transportation and housing.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported ending fund balance of \$3,776,692, an increase of \$2,956,703 in comparison with the prior year. The unassigned fund balance, which is available for spending at the government's discretion, was \$3,484,750 in the current year. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for grant programs or student activities.

The General Fund is the chief operating fund of the District. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represents 57.0% and 59.8% of total General Fund expenditures, respectively.

General Fund Budgetary Highlights

Revenues were over budget by \$1,216,773. This was mainly due to an increase in federal revenues.

Expenditures were under budget by \$1,742,797. The under budget expenditures were mainly due to decreased federal grant expenditures.

Mandaree Public School District No. 36

**Management's Discussion and Analysis
Year Ended June 30, 2021**

Capital Assets

The following table shows ending balances of capital assets by category. At the end of the 2021 fiscal year, the District had invested \$8,221,962 in capital assets. This amount represents a decrease of \$337,763. Additional information about capital assets can be found in Note 4. Total accumulated depreciation of these assets equaled \$4,093,520.

Table 4 - Capital Assets as of June 30 (Net of Depreciation)

	Governmental Activities	
	2021	2020
Construction in progress	\$ -	\$ 368,830
Buildings	7,314,458	7,420,230
Equipment	465,494	406,376
Vehicles	442,010	364,289
	<u>\$ 8,221,962</u>	<u>\$ 8,559,725</u>

Economic Factors

All of the above information was considered in preparing the District's budget for the 2022 fiscal year.

Requests for Information

These financial statements and discussions are designed to provide our students, citizens, taxpayers and creditors with a complete disclosure of the District's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us. If you have questions about this report or need additional information, please write Mandaree Public School District No. 36, P.O. Box 488, Mandaree, North Dakota 58757.

Mandaree Public School District No. 36

**Statement of Net Position—Modified Cash Basis
June 30, 2021**

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,031,841
Total current assets	4,031,841
Capital assets:	
Buildings	10,265,393
Equipment	848,165
Vehicles	1,201,924
Less accumulated depreciation	(4,093,520)
Total capital assets	8,221,962
Total noncurrent assets	8,221,962
Total assets	12,253,803
Liabilities	
Current liabilities	
Payroll withholding liability	19,793
Unearned revenue	235,356
Total liabilities	255,149
Net position	
Investment in capital assets	8,221,962
Restricted:	
Grants	168,432
Student activities	123,510
Unrestricted	3,484,750
Total net position	\$ 11,998,654

See notes to basic financial statements.

Mandaree Public School District No. 36

**Statement of Activities—Modified Cash Basis
Year Ended June 30, 2021**

	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental Activities				
Instruction:				
Regular programs	\$ 3,605,133	\$ -	\$ 1,995,542	\$ (1,609,591)
Special education	466,417	-	500,535	34,118
Total instruction	4,071,550	-	2,496,077	(1,575,473)
Support services:				
General administration services	631,493	91,818	1,045,336	505,661
Instructional staff services	31,622	-	-	(31,622)
Operations and maintenance	1,120,190	-	356,141	(764,049)
Pupil transportation services	232,154	-	289,031	56,877
Extracurricular activities	111,345	-	-	(111,345)
Food services	255,634	-	126,307	(129,327)
Total support services	2,382,438	91,818	1,816,815	(473,805)
Total governmental activities	\$ 6,453,988	\$ 91,818	\$ 4,312,892	(2,049,278)
General Revenues				
State aid not restricted for specific purpose:				
Property taxes, levied for general purpose				47,693
Per pupil aid				1,651,196
Other state aid				325,787
Federal aid not restricted for a specific purpose, Indian School Equalization Program				2,621,940
Interest income				11,078
Miscellaneous				10,524
Total general revenues				4,668,218
Change in net position				2,618,940
Net position, beginning of year, as restated				9,379,714
Net position, end of year				\$ 11,998,654

See notes to basic financial statements.

Mandaree Public School District No. 36

**Balance Sheet—Modified Cash Basis
Governmental Funds
June 30, 2021**

	General Fund	Nonmajor Student Activity Fund	Total
Assets			
Cash and cash equivalents	\$ 3,908,331	\$ 123,510	\$ 4,031,841
Liabilities			
Payroll withholding liability	\$ 19,793	\$ -	\$ 19,793
Unearned revenue	235,356	-	235,356
Total liabilities	<u>255,149</u>	<u>-</u>	<u>255,149</u>
Fund balance			
Restricted:			
Grants	168,432	-	168,432
Student activities	-	123,510	123,510
Unassigned	3,484,750	-	3,484,750
Total fund balance	<u>3,653,182</u>	<u>123,510</u>	<u>3,776,692</u>
Total liabilities and fund balance	<u>\$ 3,908,331</u>	<u>\$ 123,510</u>	<u>\$ 4,031,841</u>

See notes to basic financial statements.

Mandaree Public School District No. 36

**Reconciliation of the Governmental Funds Balance Sheet—Modified Cash Basis to the
Statement of Net Position—Modified Cash Basis
June 30, 2021**

Total governmental fund balance	\$ 3,776,692
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position. Those assets consist of:	
Buildings	10,265,393
Equipment	848,165
Vehicles	1,201,924
Accumulated depreciation	<u>(4,093,520)</u>
Net position of governmental activities	<u>\$ 11,998,654</u>

See notes to basic financial statements.

Mandaree Public School District No. 36

**Statement of Revenues, Expenditures and Changes In Fund Balance—Modified Cash Basis
Governmental Funds
Year Ended June 30, 2021**

	General Fund	Nonmajor Student Activity Fund	Total
Revenues:			
Local sources	\$ 47,693	\$ -	\$ 47,693
State sources	2,042,435	-	2,042,435
Federal sources	6,869,380	-	6,869,380
Rental income	91,818	-	91,818
Other sources	19,697	1,905	21,602
Total revenues	9,071,023	1,905	9,072,928
Expenditures:			
Instruction:			
Regular programs	3,605,133	-	3,605,133
Special education	466,417	-	466,417
Total instruction	4,071,550	-	4,071,550
Support services:			
Current:			
General administration services	631,493	-	631,493
Instructional staff services	31,622	-	31,622
Operations and maintenance	720,793	-	720,793
Pupil transportation services	144,875	-	144,875
Extracurricular activities	106,573	4,772	111,345
Food service	255,634	-	255,634
Capital outlay	148,913	-	148,913
Total support services	2,039,903	4,772	2,044,675
Total expenditures	6,111,453	4,772	6,116,225
Net change in fund balance	2,959,570	(2,867)	2,956,703
Fund balance, beginning of year, as restated	693,612	126,377	819,989
Fund balance, end of year	\$ 3,653,182	\$ 123,510	\$ 3,776,692

See notes to basic financial statements.

Mandaree Public School District No. 36

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balance—Modified Cash Basis of Governmental Funds to the Statement of Activities—
Modified Cash Basis
Year Ended June 30, 2021**

Net change in fund balance—total governmental funds	\$	2,956,703
The change in net position reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$	148,913
Depreciation expense	(486,676)	(337,763)
	<u> </u>	<u> </u>
Change in net position of governmental activities	\$	<u>2,618,940</u>

See notes to basic financial statements.

This Page Intentionally Left Blank



Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies

Nature of operations: Mandaree Public School District No. 36 (the District) operates public schools for children in grades kindergarten through twelve. The District is located within the City of Mandaree, North Dakota and is comprised of one elementary school and one high school with a student body of approximately 251 students. The District is governed by the Mandaree Public School District No. 36 Board of Education which is elected in the general elections.

Financial reporting entity: Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District is governed by a Board of Education, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The District has the statutory authority to adopt its own budget, to levy taxes and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name. In addition, Governmental Accounting Standards Board (GASB) Statement No. 39, sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include (1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District, its component units, or its constituents, (2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the separate organization and (3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District. Based on these criteria, the District is considered a primary government and there are no other organizations or agencies whose financial statements should be combined and presented with these basic financial statements.

Basis of presentation: The District's modified cash basis basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide financial statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. The District does not have any activities that are considered business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Notes to Basic Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

Fund financial statements: During the year, the District segregates transactions related to certain District functions or activities in separate funds or subfunds in order to aid financial management. Fund financial statements are designed to present financial information of the District at this more detailed level. The District has a general fund and a special revenue fund. The focus of governmental fund financial statements is on major funds. Major funds are presented in separate columns. Nonmajor funds are aggregated and presented in a single column.

Measurement focus, basis of accounting and financial statement presentation: The government-wide statement of net position and statement of activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and net financial position. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than principles generally accepted in the United States of America (GAAP). This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or events occurred. Such reported balances include grants received in advance, capital assets and related depreciation and short-term and long-term liabilities arising from cash transactions or events. Grants received in advance are recognized as revenue once all eligibility requirements imposed by the provider have been met.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

Basis of presentation: The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. However, the District only maintains governmental funds.

Governmental funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. The following is the District's major governmental fund:

General Fund: The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

In addition, the District reports the following non-major special revenue fund to account for and report the proceeds of specific revenues that are restricted or committed to expenditures for specific purposes other than debt service or capital projects:

Student Activity Fund: Accounts for funds raised by student groups.

Significant accounting policies (modified cash basis): The significant accounting policies followed by the District include the following:

Cash and cash equivalents: The District considers investments with an original maturity of three months or less when purchase to be considered cash equivalents.

Capital assets: Capital assets are reported in the government-wide financial statements. Capital assets are defined as having an individual cost of \$5,000 or more and have a useful life in excess of one year. Capital assets are stated at cost. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	15–50
Equipment	5–20
Vehicles	8

The District's buildings are on land owned by Three Affiliated Tribes. As the District does not have title to the land, they do not show any land on their financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized and instead are a period expense.

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

Unearned revenue: Unearned revenue arises when resources are received before the District has legal claim to them, such as when grant monies are received prior to meeting the eligibility requirements. In subsequent periods, when the revenue recognition criteria are met or when the District has a legal claim to the resources, the revenue is recognized. Unearned revenue includes grant awards received but unearned as the eligibility requirements imposed by the provider have not been met.

Estimates: Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenditures. Actual results could vary from the estimates that were used.

Net position: Net position represents the difference between assets and liabilities. Investment in capital assets consists of the remaining undepreciated cost of the capital assets. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governmental organizations.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund balance: In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the School Board through ordinance approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned: Amounts constrained by the District's intent to use them for a specific purpose. It is the District's policy that the authority to assign fund balance has been delegated by the School Board to the Business Manager through the budget process.

Unassigned: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 1. Nature of Operations, Financial Reporting Entity, Basis of Presentation, Measurement Focus, Basis of Accounting and Financial Statement Presentation and Significant Accounting Policies (Continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District procedure is to pay the expenditure from restricted fund balance and then from less-restrictive classifications—committed, assigned and then unassigned fund balances.

Compensated absences: Noncertified full-time employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment at severance time. These accumulations are not recognized as disbursements by the District until used and paid. This liability will be liquidated by the General Fund.

In addition, teachers are provided 10 days of sick leave that may accumulate without limit and up to 45 days of accumulated sick leave may be sold back to the District at a determined rate within their contract. This liability will be liquidated by the General Fund.

As described in Note 1 under modified cash basis of accounting, these liabilities are not reported in the financial statements.

Note 2. Cash and Cash Equivalents

The following is a summary of the cash balances as of June 30, 2021:

Bank	Balance
Cash and cash equivalents—General Fund	\$ 3,908,331
Cash and cash equivalents—Student Activity Fund	123,510
	<u>\$ 4,031,841</u>

The District does not have an investment policy, nor do they have any investments as of June 30, 2021.

Custodial credit risk: Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy. As of June 30, 2021, all of the District's bank balances of \$4,378,893 was covered by federal depository insurance or collateral and was not exposed to custodial credit risk.

Note 3. Property Tax

Revenues from local sources contains property tax revenues.

The District's property tax is levied each January 1 on the assessed value listed as of the prior January 1 for all real property located in the District. Assessed values are established by the County Board of Equalization. A revaluation of all property is required to be completed every year. The property taxes levied on January 1 are due in two equal installments on March 1 and October 15 following the levy date. Property taxes are limited by state laws.

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 4. Capital Assets

Capital assets activity for fiscal year ended June 30, 2021 is as follows:

Governmental Activities	Balance June 30, 2020	Additions	Disposals/ Transfers	Balance June 30, 2021
Capital assets, not being depreciated, construction in progress	\$ 368,830	\$ -	\$ (368,830)	\$ -
Capital assets, being depreciated:				
Buildings	10,038,462	23,101	203,830	10,265,393
Equipment	722,353	125,812	-	848,165
Vehicles	1,036,924	-	165,000	1,201,924
Total capital assets, being depreciated	11,797,739	148,913	368,830	12,315,482
Accumulated depreciation:				
Buildings	2,618,232	332,703	-	2,950,935
Equipment	315,977	66,694	-	382,671
Vehicles	672,635	87,279	-	759,914
Total accumulated depreciation	3,606,844	486,676	-	4,093,520
Total capital assets, being depreciated, net	8,190,895	(337,763)	368,830	8,221,962
Governmental activities capital assets, net	\$ 8,559,725	\$ (337,763)	\$ -	\$ 8,221,962

Depreciation expense was charged to the following functions and programs of the District for the year ended June 30, 2021:

Governmental activities:

Support services:

Operations and maintenance	\$ 399,397
Pupil transportation services	87,279
Total depreciation expense—governmental activities	<u>\$ 486,676</u>

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 5. Pension Plan

North Dakota Teachers' Fund for Retirement: The District contributes to the North Dakota Teachers' Fund for Retirement (TFFR), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. TFFR provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with Chapter 15-39.1 of the North Dakota Century Code. TFFR issues a publicly available financial report that includes financial statements and required supplementary information for TFFR. Detailed information about the report may be obtained on the NDPERS website <https://www.ndpers.nd.gov/about/financial-actuarial-reports/annual-report-archive>.

Plan members are required to contribute 11.75% of their annual covered salary and the District is required to contribute 12.75% of the teacher's salary. The contribution requirements of plan members and the District are established and may be amended by the State legislature. The District's contributions, including the employee's share, to TFFR for the fiscal years ended June 30, 2021, 2020 and 2019 were \$431,792, \$437,787 and \$405,195, respectively.

North Dakota Public Employees' Retirement System: The District participates in the North Dakota Public Employees' Retirement System (NDPERS) administered by the State of North Dakota. Following is a brief description of the Plan:

NDPERS is a cost-sharing multiple-employer defined benefit pension plan covering substantially all classified employees other than teachers of the District. The Plan provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to a single payment refund, lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred or monthly payments in an amount equal to the employee's accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be paid to the surviving spouse's designated beneficiary.

Eligible employees, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65). The Plan permits early retirement at ages 55-64, with three or more years of service.

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 5. Pension Plan (Continued)

Benefit and contribution provisions are administered in accordance with Chapter 54-52 of the North Dakota Century Code. This state statute requires that 7% of the participant's salary be contributed to the Plan by either the employee or by the employer under a "salary reduction" agreement. The District has implemented a salary reduction agreement and is currently contributing the employees' share. The District is required to contribute 7.12% for participants hired prior to January 1, 2020 and 8.26% for participants hired on or after January 1, 2020 of each participant's salary as the employer's share. In addition to the 7.12% of the employer contribution paid by the District for participants hired prior to January 1, 2020, the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The District's required and actual contributions, including the employee's share, to NDPERS for the fiscal years ended June 30, 2021, 2020 and 2019 were \$161,912, \$165,889 and \$148,394, respectively, of which \$74,271, \$76,096 and \$68,070 were the employees' share, respectively.

NDPERS issues a publicly available financial report that includes financial statements and the required supplementary information for NDPERS. That report may be obtained on the NDPERS website <https://www.ndpers.nd.gov/about/financial-actuarial-reports/annual-report-archive>.

Note 6. Risk Management

The Mandaree Public School District No. 36 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 for which the District carries insurance through the following funds/pools established by the State.

The District is commercially insured for employee health insurance through Blue Cross/Blue Shield.

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 over 2,000 state agencies and political subdivisions. The Mandaree Public School District No. 36 pays an annual premium to NDIRF for its general liability, auto, personal injury and property damage, errors and omissions and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The State Bonding Fund currently provides the District with the blanket fidelity bond coverage in the amount of \$1,767,820 for its employees. The State Bonding Fund does not currently charge any premium for this coverage. The District participates in the North Dakota Workforce Safety and Insurance Fund (WSI), an Enterprise Fund of the State of North Dakota. The Bureau is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in the past three years.

Note 7. Economic Dependency

The District receives 76% of its total revenue from grants from the federal government.

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 8. Contingencies

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

Note 9. Fund Balances

The details for the District's federal grants restricted fund balance is as follows:

	<u>General Fund</u>
Restricted federal grants:	
Education program management	\$ 73,932
Education program enhancements	62,599
Improvement of student achievement	31,901
Total restricted	<u>\$ 168,432</u>

Note 10. Pending Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 92, *Omnibus 2020*, issued in January 2021, will be effective for the District beginning with its year ending June 30, 2022. The objective of Statement No. 92 is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to leases, postemployment benefits (pensions and other postemployment benefits), fiduciary activities, asset retirement obligations and fair value measurement and application. The District is currently assessing the impact of this Statement.

Note 11. Contingency

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the District. The extent to which COVID-19 may affect the District's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information, which may emerge concerning the severity of COVID-19 and actions taken to contain COVID-19 or its impact, among others.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Mandaree Public School District No. 36

Notes to Basic Financial Statements

Note 12. Restatement

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities* was adopted during fiscal year 2021. The new requirements changed the definition of fiduciary activities and established new financial reporting requirements for state and local governments that report fiduciary activity. The implementation of the standard resulted in the student activity fund formally reported as an agency fund to be reported as a governmental special revenue fund. This required the District to restate beginning net position of the governmental activities and the beginning fund balance for the Student Activity Fund. The impact of the restatement is as follows:

	Governmental Activities	Nonmajor Student Activity Fund
Net position/fund balance, July 1, 2020, as previously reported	\$ 9,253,337	\$ -
Adoption of GASB No. 84	126,377	126,377
Net position/fund balance, July 1, 2020, as restated	<u>\$ 9,379,714</u>	<u>\$ 126,377</u>

Mandaree Public School District No. 36

**Other Information
 Budgetary Comparison Schedule
 General Fund—Modified Cash Basis
 Year Ended June 30, 2021**

	<u>Budgeted Amounts</u> Original/Final	Actual	Variance With Final Budget
Revenues:			
Local sources	\$ -	\$ 47,693	\$ 47,693
State sources	2,249,227	2,042,435	(206,792)
Federal sources	5,535,023	6,869,380	1,334,357
Rental	70,000	91,818	21,818
Other	-	19,697	19,697
Total revenues	<u>7,854,250</u>	<u>9,071,023</u>	<u>1,216,773</u>
Expenditures:			
Instruction:			
Regular programs	5,181,092	3,605,133	(1,575,959)
Special education	672,752	466,417	(206,335)
Total instruction	<u>5,853,844</u>	<u>4,071,550</u>	<u>(1,782,294)</u>
Support services:			
Current:			
General administration services	669,305	631,493	(37,812)
Instructional staff services	-	31,622	31,622
Operation and maintenance	836,832	720,793	(116,039)
Student transportation	204,557	144,875	(59,682)
Extracurricular activities	139,712	106,573	(33,139)
Food service	150,000	255,634	105,634
Capital Outlay	-	148,913	148,913
Total support services	<u>2,000,406</u>	<u>2,039,903</u>	<u>39,497</u>
Total expenditures	<u>7,854,250</u>	<u>6,111,453</u>	<u>(1,742,797)</u>
Net change in fund balance	<u>\$ -</u>	<u>2,959,570</u>	<u>\$ 2,959,570</u>
Fund balance, beginning of year		<u>693,612</u>	
Fund balance, end of year		<u>\$ 3,653,182</u>	

See note to other information.

Mandaree Public School District No. 36

Note to Other Information

Note 1. Budgets and Budgetary Information

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

1. The superintendent and business manager prepare the District budget under the modified cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund only. The student activity fund does not have a budget.
2. The School Board reviews the budget, may make revisions and approves it on or before October 10. The budget must be filed with the County Auditor by October 10.
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. There was no amendment during 2021.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

Mandaree Public School District No. 36

**Schedule of Expenditures of Federal Awards—Modified Cash Basis
Year Ended June 30, 2021**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to To Subrecipients	Federal Expenditures
U.S. Department of Interior				
Bureau of Indian Affairs:				
Indian School Equalization Program	15.042	N/A	\$ -	\$ 1,386,366
Indian School Equalization Program	15.042	N/A	-	18,864
COVID-19 - Indian School Equalization Program	15.042	N/A	-	183,323
Subtotal 15.042			-	<u>1,588,553</u>
Indian School, Student Transportation	15.044	N/A	-	86,810
Administrative Cost Grants for Indian Schools	15.046	N/A	-	500,092
Indian Education Facilities, Operations and Maintenance	15.047	N/A	-	317,808
Indian Education Facilities, Operations and Maintenance	15.047	N/A	-	189,511
Subtotal 15.047			-	<u>507,319</u>
FOCUS on Student Achievement	15.149	N/A	-	4,000
Education Enhancements	15.151	N/A	-	1,661
Education Program Management	15.959	N/A	-	26,068
Total U.S. Department of Interior			-	<u>2,714,503</u>
U.S. Department of Agriculture				
Passed Through North Dakota Department of Public Instruction:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	-	7,436
Non-Cash - Commodities	10.555	N/A	-	9,895
Subtotal 10.555			-	<u>17,331</u>
School Breakfast Program	10.553	N/A	-	4,605
Summer Food	10.559	N/A	-	110,192
Subtotal Child Nutrition Cluster			-	<u>132,128</u>
Fresh Fruits and Vegetables	10.582	N/A	-	2,522
Total U.S. Department of Agriculture			-	<u>134,650</u>
U.S. Department of the Treasury				
Passed Through North Dakota Department of Public Instruction:				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	-	2,422
COVID-19 - Coronavirus Relief Fund	21.019	N/A	-	21,641
Subtotal 21.019			-	<u>24,063</u>
Total U.S. Department of the Treasury			-	<u>24,063</u>

(Continued)

Mandaree Public School District No. 36

**Schedule of Expenditures of Federal Awards—Modified Cash Basis
Year Ended June 30, 2021**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to To Subrecipients	Federal Expenditures
U.S. Department of Education				
Direct Programs:				
Indian Education Formula Grant	84.060A	N/A	\$ -	\$ 56,875
Bureau of Indian Affairs:				
Special Education Cluster (IDEA)	84.027A	N/A	-	466,417
Title I, Part A *	84.010	N/A	-	78,996
Title I, Part A *	84.010	N/A	-	404,628
Subtotal 84.010			-	483,624
Title IIA - Teacher Quality Improvement Funds	84.336	N/A	-	10,736
Title IVA***	84.358	N/A	-	4,970
Grants for State Assessments and Related Activities	84.369	N/A	-	225
COVID-19 - Education Stabilization Fund **	84.425D	N/A	-	11,682
COVID-19 - Education Stabilization Fund **	84.425D	N/A	-	201,029
Subtotal 84.425D			-	212,711
Passed Through North Dakota Department of Public Instruction:				
Title I, Part A *	84.010	N/A	-	254,948
Title I, Part A *	84.010	N/A	-	67,831
Subtotal 84.010			-	322,779
Title IVA***	84.358	N/A	-	25,916
COVID-19 - Education Stabilization Fund **	84.425D	N/A	-	100,974
Total U.S. Department of Education			-	1,685,227
Total expenditures of federal awards			\$ -	\$ 4,558,443
* Total Title 1, Part A			\$ -	\$ 806,403
** Total Education Stabilization Fund			\$ -	\$ 313,685
*** Total Title IVA			\$ -	\$ 30,886

See notes to schedule of expenditures of federal awards.

Mandaree Public School District No. 36

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Mandaree Public School District No. 36 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Mandaree Public School District No. 36, it is not intended to and does not present the financial position, or changes in net position of Mandaree Public School District No. 36.

Note 2. Summary of Significant Accounting Policy

Expenditures reported on the Schedule are reported on the modified cash basis of accounting as disclosed in Note 1 of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The District has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

This Page Intentionally Left Blank

**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Modified Cash Basis Financial Statements
Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

Members of the School Board
Mandaree Public School District No. 36

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, the major fund and the aggregate remaining fund information of Mandaree Public School District No. 36 (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 16, 2022. As discussed in Note 1 of the financial statements, these statements were prepared on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our report includes an emphasis of matter paragraph regarding the adoption of GASB Statement No. 84, *Fiduciary Activities*, and the related impact to the financial statements.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

The District's Response to the Finding

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

RSM US LLP

Davenport, Iowa
May 16, 2022

**Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

RSM US LLP

Independent Auditor's Report

Members of the School Board
Mandaree Public School District No. 36

Report on Compliance for Each Major Federal Program

We have audited Mandaree Public School District No. 36's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *schedule of findings and questioned costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-004. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-002 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

RSM US LLP

Davenport, Iowa
May 16, 2022

Mandaree Public School District No. 36

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2021**

I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with modified cash basis: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency(ies) identified?

Yes None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

ALN Number	Name of Federal Program or Cluster
15.042	Indian School Equalization Program and COVID--19 - Indian School Equalization Program
84.425D	COVID - 19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

Yes No

(Continued)

Mandaree Public School District No. 36

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021

II. Findings Related to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

A. Material Weakness in Internal Control

2021-001

Finding: The District did not have adequate procedures in place to determine the proper revenue recognition related to CARES Act monies received in advance but not expended as of year-end.

Criteria: In accordance with GASB Statement No. 33, voluntary non-exchange transactions are not reported as revenue until all applicable eligibility requirements are met. Per the CARES Act, there are certain conditions including the incurrence of eligible expenditures identified that are required to be met that are identified as eligibility requirements for accounting and financial reporting purposes.

Condition: The District recorded \$229,379 of CARES Act money received in advance but not expended as of year-end as revenue in the general ledger. As the eligibility requirements for these monies were not met as of year-end, this amount should have been reported as unearned revenue in accordance with GASB Statement No. 33. A subsequent adjustment was made by the District to properly report this amount in the financial statements.

Effect: Material misstatement of the financial statements.

Cause: The District normally receives purpose restricted grants and did not have controls in place to evaluate the new non-exchange funding source.

Recommendation: We recommend the District implement procedures to evaluate any new non-exchange revenues using the criteria of GASB Statement No. 33.

Views of responsible officials: Management has reviewed the finding and agrees.

B. Compliance Findings

None noted

Mandaree Public School District No. 36

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021**

III. Findings and Questioned Costs for Federal Awards

A. Material Weakness in Internal Control

2021-002

**U.S. Department of Interior; Bureau of Indian Affairs
COVID-19 - Indian School Equalization Program, Assistance Listing No. 15.042
Federal award year 2020 - 2021**

**U.S. Department of Education; Bureau of Indian Affairs
COVID-19 – Education Stabilization Fund, Assistance Listing No. 84.425D
Federal award year 2020 - 2021**

Finding: The original schedule of expenditures of federal awards (SEFA) incorrectly reported \$183,323 of expenditures as assistance listing number 84.425D, Education Stabilization Fund.

Criteria: Under Uniform Guidance, an auditee shall prepare a complete and accurate schedule of expenditures of federal awards for the period covered by the auditee's financial statements.

Condition: The expenditures related to the COVID-19 funding provided by the Bureau of Indian Affairs (BIA) under the current year grant agreement were reported as assistance listing number 84.425D but should have been reported as assistance listing number 15.042, Indian School Equalization Program, on the SEFA. The SEFA was subsequently adjusted to report the expenditures under the proper assistance listing number.

Context: \$183,323 of expenditures under the Indian School Equalization Program.

Questioned Costs: None.

Cause: The grant agreement received from the BIA did not clearly identify the assistance listing number for the COVID funding and the District did not obtain clarification on the assistance listing number prior to the audit.

Effect: Improper reporting of federal expenditures can result in actions taken by oversight agencies which could impact future funding.

Recommendation: We recommend the District implement procedures to properly ensure all expenditures reported on the SEFA have their assistance listing numbers reviewed and checked against applicable guidance and communications from the granting agency.

Views of responsible officials: Management has reviewed the finding and agrees.

Mandaree Public School District No. 36

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2021**

Significant Deficiency in Internal Control

2021-003

**U.S. Department of Interior; Bureau of Indian Affairs
COVID-19 - Indian School Equalization Program, Assistance Listing No. 15.042
Federal award year 2020 - 2021**

Finding: The District did not maintain documentation of small purchase procurement procedures for four purchases above the micro-purchase threshold.

Criteria: In accordance with 2 CFR section 200.320(a)(2), an auditee must obtain price or rate quotations from an adequate number of qualified sources for any purchases exceeding the micro-purchase threshold.

Condition: For COVID-19-related aid received under the Indian School Equalization Program, four purchases exceeded the micro-purchase threshold and documentation over price or rate quotations obtained was not maintained.

Context: \$148,168 of COVID-19-related expenditures under the Indian School Equalization Program.

Cause: A lack of maintaining documentation.

Effect: Improper procurement procedures over federal expenditures can result in actions taken by oversight agencies which could impact future funding.

Recommendation: We recommend the District implement procedures to properly ensure all expenditures of federal funds have the appropriate procurement procedures performed over them and that all documentation over procurement procedures performed is maintained.

Views of responsible officials: Management has reviewed the finding and agrees.

B. Compliance Findings

2021-004

**U.S. Department of Interior; Bureau of Indian Affairs
COVID-19 - Indian School Equalization Program, Assistance Listing No. 15.042
Federal award year 2020 - 2021**

Questioned Costs: None.

See finding 2021-003.



Mandaree Public School

SCHOOL DISTRICT NO. 36
PHONE (701) 759-3311 • Business Office: 759-3120
MANDAREE, NORTH DAKOTA 58757

HOME OF
THE WARRIORS

Summary Schedule of Prior Audit Findings For the year ended June 30, 2021

Significant Deficiencies in Internal Control

2020-001

Finding: The District's present accounting and data processing system allow individuals to handle transactions from inception to completion.

Corrective Actions Taken or Planned: Corrected. The District implemented checks and balances. Purchase orders are signed by Superintendent and Business Manager. Bank statements and Bank Reconciliation are reviewed by Business Manager, Superintendent and Board president. Quarterly payroll reports are reviewed by the Board president.

2020-002

Finding: The District did not maintain the proper documentation for background checks for individuals who required background checks.

Corrective Actions Taken or Planned: Corrected. The District implemented a plan to bring existing files into compliance which includes mailing out fingerprint cards for Tribal, State and Federal background checks within three days of prints collection; adjudicating background checks when received and conducting drug and alcohol test for all new hires. The plan brought all personnel files into compliance and up-to-date.



Mandaree Public School

SCHOOL DISTRICT NO. 36
PHONE (701) 759-3311 • Business Office: 759-3120
MANDAREE, NORTH DAKOTA 58757

HOME OF
THE WARRIORS

Corrective Action Plan For the year Ended June 30, 2021

Material Weaknesses and Significant Deficiencies in Internal Control

2021-001

Finding: The District did not have adequate procedures in place to determine the proper revenue recognition related to CARES Act monies received in advance but not expended as of year-end.

Corrective Actions Taken or Planned: All the conditions relating to the treatment of CARES Act monies including revenue recognition has been reviewed by the Business Manager.

Anticipated completion date: Corrected during the audit.

Contact person: Abiodun Obidinma

2021-002

Finding: The original schedule of expenditures of federal awards (SEFA) incorrectly reported \$183,323 of expenditures as assistance listing number 84.425D, Education Stabilization Fund.

Corrective Actions Taken or Planned: The Business manager reached out to the Bureau of Indian Education to provide the assistance listing numbers to the grants whose assistance listing numbers were missing on the grant documents.

Anticipated completion date: Corrected during the audit.

Contact person: Abiodun Obidinma

2021-003 and 004

Finding: The District did not maintain documentation of small purchase procurement procedures for four purchases above the micro-purchase threshold.

Corrective Actions Taken or Planned: The District will maintain documentation for all procurement procedures in accordance with local, State and Federal procurement guidelines.

Anticipated completion date: May 2022.

Contact person: Abiodun Obidinma