

**Mandaree Public School District No. 36**  
**Mandaree, North Dakota**

Financial and Compliance Report  
Year Ended June 30, 2022

## Contents

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### Introductory Section (unaudited)

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Table of contents	i
School district officials	ii

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### Financial Section

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Independent auditor's report	1-3
Management's discussion and analysis	4-8
Basic financial statements:	
Government-wide financial statements:	
Statement of net position—modified cash basis	9
Statement of activities—modified cash basis	10
Fund financial statements:	
Balance sheet—modified cash basis—governmental funds	11
Reconciliation of the governmental funds balance sheet—modified cash basis to the statement of net position—modified cash basis	12
Statement of revenues, expenditures and changes in fund balance— modified cash basis—governmental funds	13
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	14
Notes to basic financial statements	15-23
Other information (unaudited):	
Budgetary comparison schedule—General Fund—modified cash basis	24
Note to other information	25

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### Compliance Section

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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	31-33
Schedule of findings and questioned costs	34-35
Summary schedule of prior audit findings	36

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**Mandaree Public School District No. 36**

**School District Officials  
Year Ended June 30, 2022**

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
Carolyn Bluestone	Superintendent
Abiodun Obidinma	Business Manager



## Independent Auditor's Report

RSM US LLP

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

### Report on the Financial Statements

#### **Opinions**

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mandaree Public School District No. 36 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, 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 for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the District 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.

#### **Emphasis of Matter—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.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

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 GAAS 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 GAAS 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 District'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 District'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.

### ***Supplementary 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. 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 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 introductory section, management’s discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor’s report thereon. Our opinions 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 the 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 March 29, 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 District’s internal control over financial reporting and compliance.

*RSM US LLP*

Kansas City, Missouri  
March 29, 2023

## **Mandaree Public School District No. 36**

### **Management's Discussion and Analysis Year Ended June 30, 2022**

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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, 2022. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

#### **Financial Highlights**

Key financial highlights for 2022 are as follows:

Total modified cash basis revenues for the fiscal year ended June 30, 2022 of \$59,325,989 were comprised of general revenues in the amount of \$4,092,662 and program revenues totaling \$55,233,327. Approximately 87% of current year revenues, or \$51,494,126 pertain to the contribution of a new school building to the District by the Three Affiliated Tribes.

Total modified cash basis expenditures increased \$335,815 or 5.20% from \$6,453,988 in 2021 to \$6,789,803 in 2022.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$4,704,020, an increase of \$927,328 in comparison with the prior year. Of the total combined fund balance, \$2,443,852 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 statements 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, 2022

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**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 three 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 23.

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 \$64,534,840 from \$11,998,654.

Table 1

	Governmental Activities	
	2022	2021
<b>Assets</b>		
Current and other assets	\$ 4,770,356	\$ 4,031,841
Capital assets	59,830,820	8,221,962
<b>Total assets</b>	<b>64,601,176</b>	<b>12,253,803</b>
<b>Liabilities</b>		
Other liabilities	66,336	255,149
<b>Total liabilities</b>	<b>66,336</b>	<b>255,149</b>
<b>Net Position</b>		
Investment in capital assets	59,830,820	8,221,962
Restricted	2,260,168	291,942
Unrestricted	2,443,852	3,484,750
<b>Total net position</b>	<b>\$ 64,534,840</b>	<b>\$ 11,998,654</b>



**Mandaree Public School District No. 36**

**Management's Discussion and Analysis  
Year Ended June 30, 2022**

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A restricted portion of the District's net position (3.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,443,852 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 of \$52,536,186 is mainly attributable to the contribution of the new school building.

Table 2 highlights the changes in net position and the District's revenues and expenses for the fiscal years ended June 30, 2022 and 2021.

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, capital contributions and investment income.

Expenses are shown in programs including instruction and support services.

Table 2 - Changes in Modified Cash Basis Net Position

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 86,482	\$ 91,818
Operating grants and contributions	3,652,719	4,312,892
Capital grants and contributions	51,494,126	-
General revenues:		
Property taxes	57,369	47,693
Grants and entitlements	3,898,695	4,598,923
Investment earnings	9,599	11,078
Other	126,999	10,524
<b>Total revenues</b>	<b>59,325,989</b>	<b>9,072,928</b>
Expenses:		
Instruction	4,043,754	4,071,550
Support services	2,746,049	2,382,438
<b>Total expenses</b>	<b>6,789,803</b>	<b>6,453,988</b>
<b>Change in net position</b>	<b>52,536,186</b>	<b>2,618,940</b>
Net position, beginning of year	11,998,654	9,379,714
Net position, end of year	<b>\$ 64,534,840</b>	<b>\$ 11,998,654</b>

## Mandaree Public School District No. 36

### Management's Discussion and Analysis Year Ended June 30, 2022

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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 2022	Net Cost of Services 2022	Total Cost of Services 2021	Net Cost of Services 2021
Instruction	\$ 4,043,754	\$ 1,847,192	\$ 4,071,550	\$ 1,575,473
Support services	2,746,049	(50,290,716)	2,382,438	473,805
<b>Total expenses</b>	<b>\$ 6,789,803</b>	<b>\$ (48,443,524)</b>	<b>\$ 6,453,988</b>	<b>\$ 2,049,278</b>

The District's total revenues for governmental activities increased \$50,253,061 or 553.88%, mainly due to the contribution of the new school building. Excluding this transaction, total revenues decreased \$1,241,065 or 13.68%. Total expenses increased \$335,815 or 5.20% due to an increase in housing expenditures.

#### 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 \$4,704,020, an increase of \$927,328 in comparison with the prior year. The unassigned fund balance, which is available for spending at the government's discretion, was \$2,443,852 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, student activities, or capital projects.

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 35.5% and 37.5% of total General Fund expenditures, respectively.

#### General Fund Budgetary Highlights

Revenues were under budget by \$2,838,183. This was mainly due to a decrease in federal revenues.

Expenditures were under budget by \$3,764,555. 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, 2022**

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**Capital Assets**

The following table shows ending balances of capital assets by category. At the end of the 2022 fiscal year, the District had invested \$59,830,820 in capital assets. This amount represents an increase of \$51,608,858. Additional information about capital assets can be found in Note 4. Total accumulated depreciation of these assets equaled \$4,869,372.

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

	Governmental Activities	
	2022	2021
Construction in progress	\$ 31,925	\$ -
Buildings	58,698,055	7,314,458
Equipment	736,893	465,494
Vehicles	363,947	442,010
	<u>\$ 59,830,820</u>	<u>\$ 8,221,962</u>

**Economic Factors**

All of the above information was considered in preparing the District's budget for the 2023 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, 2022**

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 4,770,356
<b>Total current assets</b>	<u>4,770,356</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	31,925
Buildings	62,255,448
Equipment	1,210,895
Vehicles	1,201,924
Less accumulated depreciation	<u>(4,869,372)</u>
<b>Total capital assets</b>	<u>59,830,820</u>
<b>Total noncurrent assets</b>	<u>59,830,820</u>
<b>Total assets</b>	<u>64,601,176</u>
<b>Liabilities</b>	
Current liabilities	
Payroll withholding liability	62,052
Unearned revenue	<u>4,284</u>
<b>Total liabilities</b>	<u>66,336</u>
<b>Net position</b>	
Investment in capital assets	59,830,820
Restricted:	
Grants	135,702
Student activities	124,466
Capital projects	2,000,000
Unrestricted	<u>2,443,852</u>
<b>Total net position</b>	<u>\$ 64,534,840</u>

See notes to basic financial statements.

**Mandaree Public School District No. 36**

**Statement of Activities—Modified Cash Basis  
Year Ended June 30, 2022**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular programs	\$ 3,664,385	\$ -	\$ 1,764,390	\$ -	\$ (1,899,995)
Special education	379,369	-	432,172	-	52,803
<b>Total instruction</b>	<b>4,043,754</b>	<b>-</b>	<b>2,196,562</b>	<b>-</b>	<b>(1,847,192)</b>
Support services:					
General administration services	618,870	86,482	668,357	-	135,969
Instructional staff services	29,853	-	-	-	(29,853)
Operations and maintenance	1,471,348	-	502,697	51,494,126	50,525,475
Pupil transportation services	248,982	-	131,920	-	(117,062)
Extracurricular activities	147,079	-	-	-	(147,079)
Food services	229,917	-	153,183	-	(76,734)
<b>Total support services</b>	<b>2,746,049</b>	<b>86,482</b>	<b>1,456,157</b>	<b>51,494,126</b>	<b>50,290,716</b>
<b>Total governmental activities</b>	<b>\$ 6,789,803</b>	<b>\$ 86,482</b>	<b>\$ 3,652,719</b>	<b>\$ 51,494,126</b>	<b>48,443,524</b>
<b>General Revenues</b>					
State aid not restricted for specific purpose:					
Property taxes, levied for general purpose					57,369
Per pupil aid					1,422,588
Other state aid					563,527
Federal aid not restricted for a specific purpose, Indian School Equalization Program					
					1,912,580
Interest income					9,599
Miscellaneous					126,999
<b>Total general revenues</b>					<b>4,092,662</b>
Change in net position					52,536,186
Net position, beginning of year					11,998,654
Net position, end of year					<b>\$ 64,534,840</b>

See notes to basic financial statements.

**Mandaree Public School District No. 36**

**Balance Sheet—Modified Cash Basis  
Governmental Funds  
June 30, 2022**

	General Fund	Capital Projects Fund	Nonmajor Student Activity Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,645,890	\$ 2,000,000	\$ 124,466	\$ 4,770,356
<b>Liabilities</b>				
Payroll withholding liability	\$ 62,052	\$ -	\$ -	\$ 62,052
Unearned revenue	4,284	-	-	4,284
<b>Total liabilities</b>	<b>66,336</b>	<b>-</b>	<b>-</b>	<b>66,336</b>
<b>Fund balance</b>				
Restricted:				
Grants	135,702	-	-	135,702
Student activities	-	-	124,466	124,466
Capital projects	-	2,000,000	-	2,000,000
Unassigned	2,443,852	-	-	2,443,852
<b>Total fund balance</b>	<b>2,579,554</b>	<b>2,000,000</b>	<b>124,466</b>	<b>4,704,020</b>
<b>Total liabilities and fund balance</b>	<b>\$ 2,645,890</b>	<b>\$ 2,000,000</b>	<b>\$ 124,466</b>	<b>\$ 4,770,356</b>

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, 2022**

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Total governmental fund balance	\$	4,704,020
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:		
Construction in progress		31,925
Buildings		62,255,448
Equipment		1,210,895
Vehicles		1,201,924
Accumulated depreciation		<u>(4,869,372)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>64,534,840</u></u></b>

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, 2022**

	General Fund	Capital Projects Fund	Nonmajor Student Activity Fund	Total
<b>Revenues:</b>				
Local sources	\$ 57,369	\$ -	\$ -	\$ 57,369
State sources	2,056,260	-	-	2,056,260
Federal sources	5,495,154	-	-	5,495,154
Rental income	86,482	-	-	86,482
Other sources	109,789	-	26,809	136,598
<b>Total revenues</b>	<b>7,805,054</b>	<b>-</b>	<b>26,809</b>	<b>7,831,863</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Regular programs	3,664,385	-	-	3,664,385
Special education	379,369	-	-	379,369
<b>Total instruction</b>	<b>4,043,754</b>	<b>-</b>	<b>-</b>	<b>4,043,754</b>
<b>Support services:</b>				
<b>Current:</b>				
General administration services	618,870	-	-	618,870
Instructional staff services	29,853	-	-	29,853
Operations and maintenance	773,559	-	-	773,559
Pupil transportation services	170,919	-	-	170,919
Extracurricular activities	121,226	-	25,853	147,079
Food service	229,917	-	-	229,917
Capital outlay	890,584	-	-	890,584
<b>Total support services</b>	<b>2,834,928</b>	<b>-</b>	<b>25,853</b>	<b>2,860,781</b>
<b>Total expenditures</b>	<b>6,878,682</b>	<b>-</b>	<b>25,853</b>	<b>6,904,535</b>
<b>Excess of revenues over expenditures</b>	<b>926,372</b>	<b>-</b>	<b>956</b>	<b>927,328</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	2,000,000	-	2,000,000
Transfers out	(2,000,000)	-	-	(2,000,000)
<b>Total other financing sources (uses)</b>	<b>(2,000,000)</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>(1,073,628)</b>	<b>2,000,000</b>	<b>956</b>	<b>927,328</b>
Fund balance, beginning of year	3,653,182	-	123,510	3,776,692
Fund balance, end of year	\$ 2,579,554	\$ 2,000,000	\$ 124,466	\$ 4,704,020

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, 2022**

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Net change in fund balance—total governmental funds	\$	927,328
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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. Also, contributions of capital assets are not reported in the Governmental funds. In the current period, these amounts are:

Capital outlay	\$	890,584	
Contributed capital assets		51,494,126	
Depreciation expense		(775,852)	51,608,858

<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>52,536,186</u></b>
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See notes to basic financial statements.

## Mandaree Public School District No. 36

### Notes to Basic Financial Statements

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#### **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 195 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) Codification Section 2100—Defining the Financial Reporting Entity 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.

## Mandaree Public School District No. 36

### Notes to Basic Financial Statements

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#### 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, a capital projects 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. Reported balances also include donated capital assets, which are reported at estimated acquisition value at the date of donation. 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**

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**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 are the District's major governmental funds:

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

*Capital Projects Fund:* The Capital Projects Fund, a capital projects fund, accounts for funds restricted for the acquisition and construction of capital assets.

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

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#### 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

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#### 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.

**Interfund Transfer:** During the year ended June 30, 2022 the General Fund transferred \$2,000,000 to the Capital Projects fund. This transfer was made to use unrestricted revenue collected in the General Fund to finance future capital project expenditures.

#### Note 2. Cash and Cash Equivalents

The following is a summary of the cash balances as of June 30, 2022:

Bank	Balance
Cash and cash equivalents—General Fund	\$ 2,645,890
Cash and cash equivalents—Student Activity Fund	124,466
Cash and cash equivalents—Capital Projects Fund	2,000,000
	<u>\$ 4,770,356</u>

The District does not have an investment policy, nor do they have any investments as of June 30, 2022.

**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, 2022, all of the District's bank balances of \$5,040,809 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, 2022 is as follows:

Governmental Activities	Balance June 30, 2021	Additions	Disposals/ Transfers	Balance June 30, 2022
Capital assets, not being depreciated, construction in progress	\$ -	\$ 31,925	\$ -	\$ 31,925
Capital assets, being depreciated:				
Buildings	10,265,393	51,990,055	-	62,255,448
Equipment	848,165	362,730	-	1,210,895
Vehicles	1,201,924	-	-	1,201,924
Total capital assets, being depreciated	12,315,482	52,352,785	-	64,668,267
Accumulated depreciation:				
Buildings	2,950,935	606,458	-	3,557,393
Equipment	382,671	91,331	-	474,002
Vehicles	759,914	78,063	-	837,977
Total accumulated depreciation	4,093,520	775,852	-	4,869,372
Total capital assets, being depreciated, net	8,221,962	51,576,933	-	59,798,895
Governmental activities capital assets, net	\$ 8,221,962	\$ 51,608,858	\$ -	\$ 59,830,820

Depreciation expense was charged to the following functions and programs of the District for the year ended June 30, 2022:

Governmental activities:

Support services:

Operations and maintenance	\$ 697,789
Pupil transportation services	78,063
Total depreciation expense—governmental activities	<u>\$ 775,852</u>

## Mandaree Public School District No. 36

### Notes to Basic Financial Statements

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#### 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, 2022, 2021 and 2020 were \$382,698, \$431,792 and \$437,787, 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

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#### 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, 2022, 2021 and 2020 were \$155,806, \$161,912 and \$165,889, respectively, of which \$71,471, \$74,271 and \$76,096 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 \$2,000,000 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.

**Mandaree Public School District No. 36**

**Notes to Basic Financial Statements**

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**Note 7. Economic Dependency**

The District receives 70% of its total revenue (excluding capital contributions) from grants from the federal government.

**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	<u>61,770</u>
Total restricted	<u><u>\$ 135,702</u></u>

**Mandaree Public School District No. 36**

**Other Information  
Budgetary Comparison Schedule  
General Fund—Modified Cash Basis  
Year Ended June 30, 2022**

	Budgeted Amounts		Variance With Final Budget
	Original/Final	Actual	
<b>Revenues:</b>			
Local sources	\$ 140,864	\$ 57,369	\$ (83,495)
State sources	2,180,988	2,056,260	(124,728)
Federal sources	7,451,385	5,495,154	(1,956,231)
Rental income	70,000	86,482	16,482
Other sources	800,000	109,789	(690,211)
<b>Total revenues</b>	<b>10,643,237</b>	<b>7,805,054</b>	<b>(2,838,183)</b>
<b>Expenditures:</b>			
<b>Instruction:</b>			
Regular programs	6,917,949	3,664,385	(3,253,564)
Special education	852,114	379,369	(472,745)
<b>Total instruction</b>	<b>7,770,063</b>	<b>4,043,754</b>	<b>(3,726,309)</b>
<b>Support services:</b>			
<b>Current:</b>			
General administration services	688,451	618,870	(69,581)
Instructional staff services	-	29,853	29,853
Operation and maintenance	1,656,039	773,559	(882,480)
Pupil transportation services	213,348	170,919	(42,429)
Extracurricular activities	165,336	121,226	(44,110)
Food service	150,000	229,917	79,917
Capital Outlay	-	890,584	890,584
<b>Total support services</b>	<b>2,873,174</b>	<b>2,834,928</b>	<b>(38,246)</b>
<b>Total expenditures</b>	<b>10,643,237</b>	<b>6,878,682</b>	<b>(3,764,555)</b>
Other financing uses, transfers out	-	(2,000,000)	(2,000,000)
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>(1,073,628)</b>	<b>\$ (1,073,628)</b>
Fund balance, beginning of year		3,653,182	
Fund balance, end of year		<b>\$ 2,579,554</b>	

See note to other information.

## **Mandaree Public School District No. 36**

### **Note to Other Information**

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#### **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 and the capital projects fund do 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 2022.
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, 2022**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to To Subrecipients	Federal Expenditures
<b>U.S. Department of Interior</b>				
Bureau of Indian Affairs:				
Indian School Equalization Program	15.042	N/A	\$ -	\$ 1,542,751
Indian School Equalization Program	15.042	N/A	-	14,529
COVID-19 - Indian School Equalization Program	15.042	N/A	-	90,855
Subtotal 15.042			-	1,648,135
Indian School, Student Transportation	15.044	N/A	-	129,334
Administrative Cost Grants for Indian Schools	15.046	N/A	-	470,095
Indian Education Facilities, Operations and Maintenance	15.047	N/A	-	279,428
Indian Education Facilities, Operations and Maintenance	15.047	N/A	-	202,033
Subtotal 15.047			-	481,461
FOCUS on Student Achievement	15.149	N/A	-	4,000
COVID-19 - FOCUS on Student Achievement	15.149	N/A	-	1,693
Subtotal 15.149			-	5,693
Education Enhancements	15.151	N/A	-	829
<b>Total U.S. Department of Interior</b>			-	<b>2,735,547</b>
<b>U.S. Department of Agriculture</b>				
Passed Through North Dakota Department of Public Instruction:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	-	82,939
National School Lunch Program	10.555	N/A	-	8,048
National School Lunch Program	10.555	N/A	-	6,888
National School Lunch Program	10.555	N/A	-	1,466
Non-Cash - Commodities	10.555	N/A	-	11,368
Subtotal 10.555			-	110,709
School Breakfast Program	10.553	N/A	-	40,590
Summer Food	10.559	N/A	-	12,206
Fresh Fruits and Vegetables	10.582	N/A	-	433
Subtotal Child Nutrition Cluster			-	163,938
COVID-19 - Pandemic EBT Administrative Costs	10.649	N/A	-	614
<b>Total U.S. Department of Agriculture</b>			-	<b>164,552</b>

(Continued)

**Mandaree Public School District No. 36**

**Schedule of Expenditures of Federal Awards—Modified Cash Basis (Continued)  
Year Ended June 30, 2022**

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to To Subrecipients	Federal Expenditures
<b>U.S. Department of Education</b>				
Direct Programs:				
Indian Education Formula Grant	84.060A	N/A	\$ -	\$ 55,076
Bureau of Indian Affairs:				
Special Education Cluster (IDEA)	84.027A	N/A	-	379,556
Title I, Part A *	84.010	N/A	-	275,208
Title IIA - Teacher Quality Improvement Funds	84.336	N/A	-	44,953
COVID-19 - Education Stabilization Fund **	84.425D	N/A	-	240,311
COVID-19 - Education Stabilization Fund **	84.425R	N/A	-	141,725
Passed Through North Dakota Department of Public Instruction:				
Title I, Part A *	84.010	N/A	-	83,342
Title I, Part A *	84.010	N/A	-	63,071
Subtotal 84.010			-	146,413
Supporting Effective Instruction State Grants	84.367	N/A	-	16,280
Student Support and Academic Enrichment Program	84.424A	N/A	-	18,251
COVID-19 - Education Stabilization Fund **	84.425D	N/A	-	31,040
<b>Total U.S. Department of Education</b>			<b>-</b>	<b>1,348,813</b>
<b>Total expenditures of federal awards</b>			<b>\$ -</b>	<b>\$ 4,248,912</b>
<b>* Total Title 1, Part A</b>			<b>\$ -</b>	<b>\$ 421,621</b>
<b>** Total Education Stabilization Fund</b>			<b>\$ -</b>	<b>\$ 413,076</b>

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, 2022**

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**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, 2022. 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.

**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 (*Government Auditing Standards*), the financial statements of the governmental activities, each 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 29, 2023. 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.

**Report on 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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*

Kansas City, Missouri  
March 29, 2023



**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**

***Opinion on Each Major Federal Program***

We have audited Mandaree Public School District No. 36's (the District) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

In our opinion, the District complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

*RSM US LLP*

Kansas City, Missouri  
March 29, 2023

**Mandaree Public School District No. 36**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022**

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**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   x   No

Significant deficiency(ies) identified?

     Yes   x   None Reported

Noncompliance material to financial statements noted?

     Yes   x   No

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?

     Yes   x   No

Significant deficiency(ies) identified?

     Yes   x   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   x   No

Identification of major federal programs:

ALN Number	Name of Federal Program or Cluster
15.042	Indian School Equalization Program
84.425D, 84.425R	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   x   No

(Continued)

**Mandaree Public School District No. 36**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2022**

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**II. Financial Statement Findings**

**A. Internal Control**

None reported

**B. Instances of Noncompliance**

None reported

**III. Federal Award Findings and Questioned Costs**

**A. Internal Control**

None reported

**B. Instances of Noncompliance**

None reported



# 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, 2022

### 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.

Status: Corrected

#### 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.

Status: Corrected

#### 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.

Status: Corrected