

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
MANDAREE, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2023

Kelly Bradfield	President
Rose Ann Johnson	Vice-President
Brad Sage	Board Member
Delaine Clairmont	Board Member
Bernadine Mendez	Board Member
Carolyn Bluestone	Superintendent
Abiodun Obidinma	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mandaree Public School District No. 36
Mandaree, North Dakota

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Mandaree Public School District No. 36, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Qualified Opinion on the General Fund

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Mandaree Public School District No 36 as of June 30, 2023, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting.

Unmodified Opinions on Governmental Activities, Capital Project Fund, and the Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the capital project fund, and the remaining fund information of Mandaree Public School District No. 36 as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with the modified cash basis of accounting.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Mandaree Public School District No. 36, 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.

Matter Giving Rise to the Qualified Opinion on the General Fund

It was noted that the District had inadequate records to support meals served that generate revenues during the year. As a result of these matters, we were unable to determine whether amounts included in the General Fund in the Statement of Revenues, Expenditures, and Changes in Fund Balance – Modified Cash Basis for meal reimbursements are fairly stated.

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, and 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 Mandaree Public School District No. 36's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Mandaree Public School District No. 36'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 Mandaree Public School District No. 36'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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included on page 1. The other information comprises the roster of school officials 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 provide any 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 January 7, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

January 7, 2025

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2023

ASSETS

Current Assets:

Cash	\$ 5,667,639
Total Current Assets	<u>5,667,639</u>

Non-Current Assets:

Capital Assets

Construction in Progress	31,925
Buildings	62,255,448
Equipment	1,367,169
Vehicles	1,201,925
Less Accumulated Depreciation	<u>(6,448,146)</u>
Total Non-Current Assets	<u>58,408,321</u>

TOTAL ASSETS	<u><u>64,075,960</u></u>
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LIABILITIES

Current Liabilities:

Accrued Payroll Liabilities	<u>71,362</u>
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TOTAL LIABILITIES	<u><u>71,362</u></u>
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NET POSITION

Net Investment in Capital Assets	58,408,321
Restricted for:	
Grants	641,969
Student Activities	150,912
Capital Projects	2,925,421
Unrestricted	<u>1,877,975</u>

TOTAL NET POSITION	<u><u>\$ 64,004,598</u></u>
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See Notes to the Basic Financial Statements

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Regular Instruction	\$ 2,945,007	\$ -	\$ 2,571,870	\$ (373,137)
Student Support Services	824,787	-	80,660	(744,127)
Instructional Support Services	201,688	-	-	(201,688)
General Administration	306,121	-	591,700	285,579
School Administration	121,798	-	-	(121,798)
Business Support Services	365,879	-	-	(365,879)
Operations and Maintenance	2,731,012	119,016	431,301	(2,180,695)
Transportation	289,656	-	290,354	698
Central Support Services	138,011	-	-	(138,011)
Other Support Services	5,949	-	-	(5,949)
Food Service	380,140	10,295	145,032	(224,813)
Extra Curricular Activities	242,022	116,552	-	(125,470)
Facilities	63,760	-	-	(63,760)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,615,830	\$ 245,863	\$ 4,110,917	(4,259,050)
GENERAL REVENUES				
State and local aid not restricted for specific purpose:				
Property Taxes, Levied for General Purpose				76,812
Per Pupil Aid				1,010,662
Other State and Local Aid				651,450
Federal Aid not Restricted for Specific Purpose				
Indian School Equalization Program				1,870,620
Interest Income				8,325
Tribal Support				100,000
Miscellaneous				10,947
TOTAL GENERAL REVENUES				3,728,816
Change in Net Position				(530,234)
Net Position - Beginning				64,534,832
Net Position - Ending				\$ 64,004,598

See Notes to the Basic Financial Statements

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
BALANCE SHEET – MODIFIED CASH BASIS
JUNE 30, 2023

	General Fund	Capital Projects Fund	Nonmajor Student Activity Fund	Total Governmental Funds
ASSETS				
Cash	<u>\$ 2,591,306</u>	<u>\$ 2,925,421</u>	<u>\$ 150,912</u>	<u>\$ 5,667,639</u>
LIABILITIES				
Accrued Payroll Liabilities	<u>\$ 71,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,362</u>
TOTAL LIABILITIES	<u>71,362</u>	<u>-</u>	<u>-</u>	<u>71,362</u>
FUND BALANCES				
Restricted				
Grants	641,969	-	-	641,969
Student Activities	-	-	150,912	150,912
Capital Projects	-	2,925,421	-	2,925,421
Assigned for Food Service	73,638	-	-	73,638
Unassigned	<u>1,804,337</u>	<u>-</u>	<u>-</u>	<u>1,804,337</u>
TOTAL FUND BALANCES	<u>2,519,944</u>	<u>2,925,421</u>	<u>150,912</u>	<u>5,596,277</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,591,306</u>	<u>\$ 2,925,421</u>	<u>\$ 150,912</u>	<u>\$ 5,667,639</u>

See Notes to the Basic Financial Statements

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2023

Total fund balances - governmental funds		\$ 5,596,277
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds:		
Construction in Progress	\$ 31,925	
Buildings	62,255,448	
Equipment	1,367,169	
Vehicles	1,201,925	
Less: accumulated depreciation	<u>(6,448,146)</u>	
Net		<u>58,408,321</u>
Net Position - Governmental Activities		<u>\$ 64,004,598</u>

See Notes to the Basic Financial Statements

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Capital Projects Fund	Nonmajor Student Activity Fund	Total Governmental Funds
REVENUES				
Local Sources	\$ 195,432	\$ -	\$ 116,552	\$ 311,984
State Sources	1,743,341	-	-	1,743,341
Federal Sources	5,900,308	-	-	5,900,308
Rental Income	119,016	-	-	119,016
Other Sources	10,947	-	-	10,947
TOTAL REVENUES	7,969,044	-	116,552	8,085,596
EXPENDITURES				
Current:				
Regular Instruction	2,945,007	-	-	2,945,007
Student Support Services	824,787	-	-	824,787
Instructional Support Services	201,688	-	-	201,688
General Administration	306,121	-	-	306,121
School Administration	121,798	-	-	121,798
Business Support Services	365,879	-	-	365,879
Operations and Maintenance	1,222,343	-	-	1,222,343
Transportation	219,552	-	-	219,552
Central Support Services	138,011	-	-	138,011
Other Support Services	5,949	-	-	5,949
Food Service	380,140	-	-	380,140
Extra Curricular Activities	151,917	-	90,105	242,022
Facilities	-	63,760	-	63,760
Capital Outlay	145,455	10,819	-	156,274
TOTAL EXPENDITURES	7,028,647	74,579	90,105	7,193,331
Excess (Deficiency) of Revenues over Expenditures	940,397	(74,579)	26,447	892,265
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,000,000)	-	-	(1,000,000)
Transfers In	-	1,000,000	-	1,000,000
TOTAL OTHER FINANCING SOURCES (USES)	(1,000,000)	1,000,000	-	-
Net Change in Fund Balances	(59,603)	925,421	26,447	892,265
Fund Balance - Beginning of Year	2,579,547	2,000,000	124,465	4,704,012
Fund Balance - End of Year	\$ 2,519,944	\$ 2,925,421	\$ 150,912	\$ 5,596,277

See Notes to the Basic Financial Statements

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Total net change in fund balances - Governmental Funds	\$	892,265
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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 Outlays	156,274		
Depreciation Expense	(1,578,773)		(1,422,499)

Change in net position - Governmental Activities	\$	(530,234)
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See Notes to the Basic Financial Statements

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Mandaree Public School District No. 36 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.

Reporting Entity – The modified cash basis of accounting requires 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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.

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.

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 Funds - 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 the capital projects fund:

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

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

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.

Fund Financial Statements:

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.

Basis of Accounting:

The financial statements are presented in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting 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 payroll withholding amounts and 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 capital assets and related depreciation. Reported balances also include donated capital assets, which are reported at estimated acquisition value at the date of donation.

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.

Significant Accounting Policies – Modified Cash Basis:

The significant accounting policies followed by the District include the following:

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

Cash and Cash Equivalents:

The District considers investments with an original maturity of three months or less when purchased 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:

Buildings and Improvements	15-50 Years
Equipment and Fixtures	5-20 Years
Vehicles	8 Years

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.

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 Classifications:

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.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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.

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 3 CASH AND INVESTMENTS

The District does not have an investment policy, nor do they have any investments as of June 30, 2023.

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, 2023, all of the District's bank balances of \$6,019,235 was covered by federal depository insurance or collateral and was not exposed to custodial credit risk.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 4 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.

NOTE 5 CAPITAL ASSETS

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

	Balance 6/30/2022	Additions	Disposals	Transfers	Balance 6/30/2023
Governmental Activities:					
Capital Assets Not Being Depreciated					
Construction in Progress	\$ 31,925	\$ -	\$ -	\$ -	\$ 31,925
Total	<u>31,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,925</u>
Capital Assets Being Depreciated					
Buildings	62,255,448	-	-	-	62,255,448
Equipment	1,210,895	156,274	-	-	1,367,169
Vehicles	1,201,924	-	-	-	1,201,924
Total	<u>64,668,267</u>	<u>156,274</u>	<u>-</u>	<u>-</u>	<u>64,824,541</u>
Less Accumulated Depreciation					
Buildings	3,557,393	1,397,468	-	-	4,954,861
Equipment	474,002	111,202	-	-	585,204
Vehicles	837,977	70,103	-	-	908,080
Total	<u>4,869,372</u>	<u>1,578,773</u>	<u>-</u>	<u>-</u>	<u>6,448,145</u>
Net Capital Assets Being Depreciated	<u>59,798,895</u>	<u>(1,422,499)</u>	<u>-</u>	<u>-</u>	<u>58,376,396</u>
Net Capital Assets for					
Governmental Activities	<u>\$59,830,820</u>	<u>\$ (1,422,499)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$58,408,321</u>

In the Governmental activities section of the statement of activities, depreciation expenses was charged to the following governmental functions:

Operations and Maintenance	\$ 1,508,669
Transportation	<u>70,104</u>
Total	<u>\$ 1,578,773</u>

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 6 FUND BALANCE

CLASSIFICATIONS

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

	General Fund	Capital Projects	Nonmajor Fund	Total
Restricted for:				
Grants	\$ 641,969	\$ -	\$ -	\$ 641,969
Student Activities	-	-	150,912	150,912
Capital Projects	-	2,925,421	-	2,925,421
Assigned for Food Service	73,638	-	-	73,638
Unassigned	1,804,337	-	-	1,804,337
	<u>\$ 2,519,944</u>	<u>\$ 2,925,421</u>	<u>\$ 150,912</u>	<u>\$ 5,596,277</u>

Restricted fund balance reflects resources restricted for statutorily defined purpose not accounted for in a separate fund. At June 30, 2023, there were the following accounts:

Restricted for Capital Projects:

This account represents funds held by the School District available to provide future capital outlay.

Restricted for Student Activities:

This account represents funds held by the School District available to service various student activities.

Restricted for Federal Grants

The account represents unspent federal grant proceeds.

NOTE 7 PENSION PLAN

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teacher's Fund for Retirement (TFFR) or the North Dakota Public Employee Retirement System (NDPERS), both of which are administered on a statewide basis.

Disclosures relating to these plans follow:

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>.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 to TFFR for the fiscal year ended June 30, 2023 were \$256,679.

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.

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 contributions to NDPERS for the fiscal year ended June 30, 2023 were \$94,321.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

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 8 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 (NDRF), 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 NDRF for its general liability, auto, personal injury and property damage, errors and omissions and inland marine insurance coverage. The coverage by NDRF 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.

NOTE 9 INTERFUND TRANSFERS AND BALANCES

During the year ended June 30, 2023, the General Fund transferred \$1,000,000 to the Capital Projects fund. This transfer was made to use unrestricted revenue collected in the General Fund to finance future capital project expenditures.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

NOTE 10 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 11 ECONOMIC DEPENDENCY

The District receives 73% of its total revenue (excluding capital contributions) from grants from the federal government.

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

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

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, enhances the accounting and financial reporting requirements for accounting changes and error corrections. The standard is effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences through aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The standard is effective for fiscal years beginning after December 15, 2023.

GASB Statement No. 102, *Certain Risk Disclosures*, requires entities to disclose critical information about their exposure to risks due to certain concentrations or limitations that could lead to financial distress or operational challenges. This statement is effective for fiscal years beginning after June 15, 2024.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2023

GASB Statement No. 103, *Financial Reporting Model Improvements*, revises the requirements for management's discussion and analysis with the goal of making it more readable and understandable, requires unusual or infrequent items to be presented separately, defines operating and nonoperating revenues, includes a new section for noncapital subsidies for proprietary funds' statement of revenues, expenses and changes in net position, removes the option to disclose major component information in the notes and requires them to be shown individually or in combine financial statements following the fund financial statements and requires budgetary comparisons to be presented as RSI with new columns for variances between original-to-final budget and final budget-to-actual results. This statement is effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note. These items include disclosing separately lease assets, intangible right-to-use assets, subscription assets and intangible assets. In addition, additional disclosures will be required for capital assets held for sale. This statement is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

NOTE 13 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 7, 2025, which is the date these financial statements were available to be issued.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Interior			
Passed Through the Bureau of Indian Affairs:			
Indian School Equalization Program	15.042	N/A	\$ 1,650,603
ISEP Contingency Funds	15.042	N/A	9,925
COVID 19 Indian School Equalization Program	15.042	N/A	428,114
Subtotal 15.042			<u>2,088,642</u>
Indian School, Student Transportation	15.044	N/A	148,186
Administrative Cost of Grants for Indian Schools	15.046	N/A	586,594
Indian Education Facilities, Operations and Maintenance	15.047	N/A	583,468
COVID-19 GEER Funding	15.149	N/A	4,284
Education Enhancements	15.151	N/A	<u>40,160</u>
Total U.S. Department of Interior			<u>3,451,334</u>
U.S. Department of Agriculture			
Passed Through North Dakota Department of Public Instruction:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	F10553	29,456
School Lunch Program	10.555	F10555	103,882
Non-Cash Commodities	10.555	N/A	9,454
Summer Food Service Program for Children	10.559	F10559	126
			<u>142,918</u>
State Administrative Expenses (SAE) Funds	10.560	F10560	<u>1,161</u>
Total U.S. Department of Agriculture			<u>144,079</u>
U.S. Department of Education			
Direct Programs:			
Indian Education Formula Grant	84.060A	N/A	58,206
Passed Through Bureau of Indian Affairs:			
Special Education Cluster (IDEA)	84.027A	N/A	464,127
Title I, Part A*	84.010	N/A	277,283
Comprehensive Support*	84.010	N/A	82,693
Title IIA - Teacher Quality Improvement Funds	84.336	N/A	82,573
COVID-19 Education Stabilization Fund**	84.425D	N/A	750
COVID-19 Education Stabilization Fund**	84.425R	N/A	<u>226,538</u>

See Notes to Schedule of Expenditure of Federal Awards

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS - CONTINUED
JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
Passed Through North Dakota Department of Public Instruction:			
Title I, Part A*	84.010	F84010	267,063
Comprehensive Support*	84.010	F84010	71,048
Title II	84.367	F84367	54,325
Title IV	84.424A	F84424A	3,275
COVID-19 Education Stabilization Fund**	84.425D	F84425D	378,754
COVID-19 Education Stabilization Fund**	84.425U	F84425U	331,442
Total U.S. Department of Education			<u>2,298,077</u>
Total Expenditures of Federal Awards			<u>\$ 5,893,490</u>
 *Total 84.010			 <u>\$ 698,087</u>
**Total 84.425			<u>\$ 937,484</u>

See Notes to Schedule of Expenditure of Federal Awards

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2 – INDIRECT COST RATE

Mandaree Public School District No. 36 has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

NOTE 3 – 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, 2023. 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 4 – PASS-THROUGH ENTITIES

All pass-through entities listed above use the same Assistance Listing (AL) numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

NOTE 5 – COMMODITY DISTRIBUTION

This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

To the Board of Education
Mandaree Public School District No. 36
Mandaree, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the District as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise Mandaree Public School District No. 36's basic financial statements and have issued our report thereon dated January 7, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Mandaree Public School District No 36's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mandaree Public School District No 36's internal control. Accordingly, we do not express an opinion on the effectiveness of Mandaree Public School District No 36's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-003, and 2023-004 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mandaree Public School District No. 36's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

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

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

January 7, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Mandaree Public School District No. 36
Mandaree, North Dakota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Mandaree Public School District No. 36's 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 Mandaree Public School District No. 36's major federal programs for the year ended June 30, 2023. Mandaree Public School District No. 36'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 Mandaree Public School District No. 36 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, 2023.

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; 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). 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 Mandaree Public School District No. 36 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 Mandaree Public School District No. 36'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 Mandaree Public School District No. 36'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 Mandaree Public School District No. 36'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 generally accepted auditing standards, *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 Mandaree Public School District No. 36's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Mandaree Public School District No. 36'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 Mandaree Public School District No. 36'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 Mandaree Public School District No. 36'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.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-005, 2023-006, and 2023-007. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Mandaree Public School District No 36's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Mandaree Public School District No 36's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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 over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-003, 2023-004, 2023-005, 2023-006, and 2023-007 to be significant deficiencies.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Mandaree Public School District No 36's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Mandaree Public School District No 36's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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.



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

January 7, 2025

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		<u>Qualified and Unmodified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> yes	<u> </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> no
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> X </u> yes	<u> </u> no

Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u> yes <u> </u> no
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Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program</u>
15.042	Indian School Equalization Program
84.425D, 84.425R, 84.425U	COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between Type A & Type B programs:	<u>\$750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no
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MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Section II-Financial Statement Findings

2023-001: Segregation of Duties

Criteria

To provide reasonable assurance that segregation of duties take place while also considering the size of the District.

Condition:

The District has one employee who is responsible for majority of accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. This increases the risk of material misstatement of the school's financial condition.

Cause:

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

Effects:

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

Recommendation:

The District should separate the duties when it becomes feasible.

Repeat Finding:

No

Management Response:

The District hired a new Business Manager in October 2024 and the processes referenced in this audit finding have changed since that time. Specifically the Business Manager receives the bank statements and does the bank reconciliations and a different staff person with the Business Office, the Business Office Assistant, handles all income monies, prepares cash receipt documents, prepares deposits, and issues/distributes checks. The Business Office Assistant is also not responsible for recording receipts and maintaining the general ledger as these responsibilities are handled by the Business Manager.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-002: Meal Documentation

Criteria

A system of strong internal controls requires the District to ensure reports being submitted for student meals reimbursement agree with supporting documentation.

Condition:

The District was not able to provide supporting documentation for meal counts submitted for reimbursement.

Cause:

Management oversight.

Effects:

We were unable to determine whether revenue recorded for student meals reimbursement is fairly stated.

Recommendation:

We recommend the District put policies and procedures in place to ensure adequate supporting documentation is maintained for student meal counts submitted for reimbursement.

Repeat Finding:

No

Management Response:

The Food Service Manager currently prepares a daily lunch count sheet each school day and maintains a file of these daily lunch counts for support when submitting reimbursement requests for student meals. To ensure that the supporting documentation matches the reimbursement request, the Business Manager will meet periodically with the Food Service Manager to review documentation that is being maintained, review reimbursement requests that have been submitted, and make any corrections as necessary.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

Section III-Federal Award Findings and Questioned Costs

2023-003: Activities Allowed or Unallowed / Allowable Costs / Cost Principles (84.425)

Criteria

A system of internal controls requires approval of employee wages, and employee timecards.

Condition:

During our review of transactions, we noted four employee contracts and one employee timecard that did not have the proper approvals.

Cause:

Management oversight

Effects:

There is an increased possibility of unallowed expenditures being charged to the program.

Questioned Costs:

None

Context:

Of ten employee contracts tested, four were missing school board signatures. Additionally, the District was unable to locate one of the five timecards selected for testing.

Repeat Finding:

No

Recommendation:

The District should implement policies and procedures to ensure all grant expenditures are approved.

Management Response:

The District currently does have processes and controls in place to ensure grant expenditures have been approved. Specific to this audit finding of employee contracts and employee timecards missing proper approvals, the Business Manager will meet with the Human Resource Manager to review the current control and approval processes for employee contracts and timecards and make changes as appropriate.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-004: Activities Allowed or Unallowed / Allowable Costs / Cost Principles (15.042)

Criteria

A system of internal controls requires approval of employee wages

Condition:

During our review of transactions, we noted one employee contract and six salary authorization forms that did not have the proper approvals.

Cause:

Management oversight

Effects:

There is an increased possibility of unallowed expenditures being charged to the program.

Questioned Costs:

None

Context:

Of twelve employee contracts tested, one was missing approval. Additionally, of eight salary authorization forms tested, six were missing approval by someone outside of the payroll department.

Repeat Finding:

No

Recommendation:

The District should implement policies and procedures to ensure all grant expenditures are approved.

Management's Response:

The District currently does have processes and controls in place to ensure grant expenditures have been approved. Specific to this audit finding of an employee contract and salary authorization forms not having proper approvals, the Business Manager will meet with the Human Resource Manager to review the current control and approval processes for employee contracts and salary authorization forms and make changes as appropriate.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-005: Reporting (15.042)

Criteria:

A system of internal controls requires supporting documentation to be maintained for all amounts submitted on grant reporting forms.

Condition:

The District was not able to provide supporting documentation for all amounts submitted with federal quarterly SF-425 reports.

Cause:

The District did not have proper controls in place to ensure supporting documentation was maintained.

Effects:

Required reports could be inaccurately submitted.

Questioned Costs:

None

Context:

We were not able to verify cash receipts reported on the two quarterly SF-425 forms selected for testing.

Repeat Finding:

No

Recommendation:

We recommend the District implement controls to ensure adequate supporting documentation is maintained for amounts reported on federal SF-425 reports.

Management's Response:

The Business Manager currently maintains a file which includes documentation in support of all amounts submitted on federal quarterly SF-425 reports.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-006: Equipment (15.042)

Criteria:

CFR Section 200.313 under the Uniform Guidance requires a physical inventory of property acquired with federal dollars to be conducted at least once every two years.

Condition:

The District does not have physical inventory procedures in place for equipment purchased with federal dollars.

Cause:

Management oversight

Effects:

There is an increased risk that funds received for disposal of equipment purchased with federal dollars would not be retained by the program.

Questioned Costs:

None

Context:

The District was unable to provide support for a physical inventory of equipment purchased with federal dollars conducted in the last two years.

Repeat Finding:

No

Recommendation:

We recommend the District implement policies and procedures for conducting a physical inventory of equipment purchased with federal dollars at least once every two years.

Management's Response:

The District will perform a physical inventory of all equipment purchased with federal dollars.

MANDAREE PUBLIC SCHOOL DISTRICT NO. 36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2023

2023-007: Reporting (All major programs)

Criteria:

As a matter of compliance, the data collection form and reporting package must be submitted to the Federal Audit Clearinghouse within 30 days after the receipt of the auditor's report or within nine months after the end of the audit period.

Condition:

The June 30, 2023 data collection form was not submitted timely.

Cause:

There was a delay in the audit being completed.

Effects:

The District is not in compliance with Uniform Guidance requirements.

Questioned Costs:

None

Context:

The June 30, 2023 data collection form was not submitted timely.

Repeat Finding:

No

Recommendation:

We recommend the District take the necessary procedures to ensure that future single audits are completed within the required time periods of the Uniform Guidance.

Management Response:

The District hired a new Business Manager in October 2024 with the expectation that the District will return to compliance with the Uniform Guidance requirements.



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 JUNE 30, 2023

2023 – 001

Contact Person:
Business Manager

Planned Corrective Action:

The District hired a new Business Manager in October 2024 and the processes referenced in this audit finding have changed since that time. Specifically the Business Manager receives the bank statements and does the bank reconciliations and a different staff person with the Business Office, the Business Office Assistant, handles all income monies, prepares cash receipt documents, prepares deposits, and issues/distributes checks. The Business Office Assistant is also not responsible for recording receipts and maintaining the general ledger as these responsibilities are handled by the Business Manager.

Planned Completion Date:
Completed

2023 – 002

Contact Person:
Business Manager and Food Service Manager

Planned Corrective Action:

The Food Service Manager currently prepares a daily lunch count sheet each school day and maintains a file of these daily lunch counts for support when submitting reimbursement requests for student meals. To ensure that the supporting documentation matches the reimbursement request, the Business Manager will meet periodically with the Food Service Manager to review documentation that is being maintained, review reimbursement requests that have been submitted, and make any corrections as necessary.

Planned Completion Date:
Fiscal year ending June 30 2025 and ongoing



Mandaree Public School

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2023 – 003

Contact Person:

Business Manager and Human Resource Manager

Planned Corrective Action:

The District currently does have processes and controls in place to ensure grant expenditures have been approved. Specific to this audit finding of employee contracts and employee timecards missing proper approvals, the Business Manager will meet with the Human Resource Manager to review the current control and approval processes for employee contracts and timecards and make changes as appropriate.

Planned Completion Date:

January 2025

2023 – 004

Contact Person:

Business Manager and Human Resource Manager

Planned Corrective Action:

The District currently does have processes and controls in place to ensure grant expenditures have been approved. Specific to this audit finding of an employee contract and salary authorization forms not having proper approvals, the Business Manager will meet with the Human Resource Manager to review the current control and approval processes for employee contracts and salary authorization forms and make changes as appropriate.

Planned Completion Date:

January 2025

2023 – 005

Contact Person:

Business Manager

Planned Corrective Action:

The Business Manager currently maintains a file which includes documentation in support of all amounts submitted on federal quarterly SF-425 reports.

Planned Completion Date:

Throughout the fiscal year ending June 30, 2025 and ongoing



Mandaree Public School

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HOME OF
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2023 – 006

Contact Person:
Business Manager

Planned Corrective Action:
The District will perform a physical inventory of all equipment purchased with federal dollars.

Planned Completion Date:
June 30, 2025

2023 – 007

Contact Person:
Business Manager

Planned Corrective Action:
The District hired a new Business Manager in October 2024 with the expectation that the District will return to compliance with the Uniform Guidance requirements.

Planned Completion Date:
March 31, 2025