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# NADABURG UNIFIED SCHOOL DISTRICT NO. 81

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## **SINGLE AUDIT REPORT**

Fiscal Year Ended June 30, 2021

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81**  
**SINGLE AUDIT REPORT**  
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**YEAR ENDED JUNE 30, 2021**

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**INDEPENDENT AUDITORS' 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**

Governing Board of  
Nadaburg Unified School District No. 81  
Wittmann, Arizona

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, each major fund, and the aggregate remaining fund information of Nadaburg Unified School District No. 81 (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2022.

**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 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements amounts. 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 Audit Standards*.

### **The Districts Response to Findings**

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

### **Purpose of this Report**

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



Scottsdale, Arizona  
March 21, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON  
INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS AS REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board of  
Nadaburg Unified School District No. 81  
Wittmann, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Nadaburg Unified School District No. 81's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

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

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

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

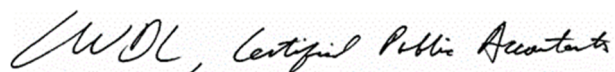
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

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.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated March 21, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Scottsdale, Arizona  
March 21, 2022

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>CFDA Number</b>	<b>Additional Award Identification (Optional)</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture:</b>					
<i>Passed through The Arizona Department of Education:</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553		7AZ300AZ3	\$ 2,790	\$ -
National School Lunch Program	10.555		7AZ300AZ3	18,843	-
Commodities - Food Distribution Noncash	10.555		7AZ300AZ3	14,500	-
Summer Food Service Program	10.559		7AZ300AZ3	271,343	-
Subtotal Child Nutrition Cluster				307,476	-
<b>Total U. S. Department of Agriculture</b>				307,476	-
<b>U.S. Department of the Treasury:</b>					
<i>Passed through the State of Arizona Governor's Office:</i>					
Coronavirus Relief Fund - Enrollment Stabilization Grant	21.019	COVID-19	ERMT-21-2402	136,770	-
<b>U.S. Department of Education:</b>					
<i>Passed through the Arizona Department of Education:</i>					
Title I - LEAs	84.010		S010A200003	181,537	-
Targeted Support and Improvement Grant	84.010		S010A200003	24,000	-
Special Education Cluster (IDEA):					
IDEA Basic Grant Entitlement	84.027		H027A000007	142,540	-
IDEA Preschool	84.173		H173A200003	6,581	-
Subtotal Special Education Cluster (IDEA)				149,121	-
Title III Consortium	84.365		S365A200003	4,505	-
Improving Teacher Quality	84.367		S367A200049	27,175	-
Title IV - Student Support & Academic Enrichment	84.424		S424A200003	11,516	-
Elementary & Secondary School Emergency Relief	84.425D	COVID-19	S425D200038	1,015,142	-
<i>Passed through Maricopa County:</i>					
Teacher Incentive Fund	84.374		N/A	431,850	-
<b>Total U. S. Department of Education</b>				1,844,846	-
<b>U.S. Department of Health and Human Services:</b>					
<i>Passed through the Arizona Department of Economic Security:</i>					
CCDF Cluster:					
Child Care Development Block Grant	93.575		N/A	35,902	-
Subtotal CCDF Cluster				35,902	-
<i>Passed through Maricopa County:</i>					
Headstart	93.600		N/A	71,868	-
<i>Passed through the Public Consulting Group, Inc.</i>					
Medicaid Cluster:					
Medical Assistance Program	93.778		N/A	42,726	-
Subtotal Medicaid Cluster				42,726	-
<b>Total U. S. Department of Health and Human Services</b>				150,496	-
<b>Total Federal Expenditures</b>				\$ 2,439,588	\$ -



**NADABURG UNIFIED SCHOOL DISTRICT NO. 81**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

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**NOTE 1 - BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards includes the District's federal grant activity for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3 – ASSISTANCE LISTING NUMBERS**

The program titles and federal assistance numbers were obtained from the federal or pass-through grantor.

**NOTE 4 - NON-CASH ASSISTANCE**

Food donations as reported for the Child Nutrition Cluster represents the amount of donated food used during the fiscal year ended June 30, 2021. Commodities are valued at fair value at the time of donation.

**NOTE 5 - INDIRECT COST RATE**

The District did not elect to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>Yes</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None noted</u>
Non-compliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None noted</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u>No</u>

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program of Cluster</u>
<u>84.425D</u>	<u>Elementary &amp; Secondary School</u>
<u></u>	<u>Emergency Relief - COVID19</u>
<u></u>	<u></u>
<u></u>	<u></u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2021**

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

**2021-001 FINANCIAL REPORTING**

**Type of Finding:** Material Weakness in Internal Control Over Financial Reporting

**Condition/Context:** The District did not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

The audit firm proposed, and the District approved the GASB 34 conversion entries, entries to convert the fund financial statements from the cash basis of accounting to the modified accrual basis of accounting (including recording current year accruals and reversing prior year accruals) and record correcting entries. These entries relate to internal controls over the year-end close-out process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the District's internal control processes.

**Criteria:** Management is responsible for the accuracy and completeness of all financial records, preparation of financial statements, and related information. Their responsibilities include recording year-end adjustments and adequately reviewing the year-end financial statements.

**Effect:** The audit firm prepared the annual financial statements and related footnote disclosures, including recording adjusting entries to convert the financial statements from the cash basis of accounting to the modified accrual basis of accounting and corrections of errors. In addition, a prior period adjustment between the fund balance of the Classroom Site Fund and Special Projects Fund was necessary. The District has reviewed all proposed audit adjustments and the annual financial statements and related disclosures.

**Cause:** The District relies on the audit firm to draft the annual financial statements, related footnote disclosures, and to verify balances are correct at year-end. However, they have reviewed and approved the annual financial statements, and related footnote disclosures.

**Recommendation:** In order to strengthen internal controls, the District should continue to evaluate its financial statement processes to determine if additional internal control procedures should be implemented. The District should consider reconciling general ledger amounts to the draft financial statements and completing a disclosure checklist to determine the adequacy of financial statement disclosures.

**View of Responsible Officials:** There is no disagreement with this audit finding.

**Contact person:** Kerre Laabs, Director of Business Services

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None noted.

**NADABURG UNIFIED SCHOOL DISTRICT NO. 81  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:**

**Finding 2020-001      Oversight of the Financial Reporting Process**

**Status:**                      Similar to finding 2021-001

**Finding 2020-002      Payroll Processing**

**Status:**                      Corrected