

**TWIN BUTTES SCHOOL DISTRICT NO. 37
HALLIDAY, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2020

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TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2020

Cynthia Baumann	Board President
Anita Gegelman	Board Vice President
Alyssa Starr	Board Member
Diana Tomlin	Board Member
Vernette Wolf	Board Member
Troy Walters	Superintendent/Principal
Lori Pemberton-Fredericks	Business Manager

INDEPENDENT AUDITOR'S REPORT

To the School Board
Twin Buttes School District No. 37
Halliday, North Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Buttes School District No. 37, Halliday, North Dakota as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Buttes School District No. 37, Halliday, North Dakota, as of June 30, 2020, and the respective changes in financial position - modified cash basis thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Buttes School District No. 37, Halliday, North Dakota's financial statements. Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension Liability – ND Teacher's Fund for Retirement, and Schedule of Employer Contributions – ND Teacher's Fund for Retirement are presented for purposes of additional analysis and are not a required part of the financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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*, and is also not a required part of the basic financial statements.

The Budgetary Comparison Schedule – General Fund, Schedule of Employer's Share of Net Pension Liability – ND Teacher's Fund for Retirement, Schedule of Employer Contributions – ND Teacher's Fund for Retirement, and Notes to the Other Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report February 4, 2021, on our consideration of Twin Buttes School District No. 37, Halliday, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 School 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 School District's internal control over financial reporting and compliance.



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

February 4, 2021

TWIN BUTTES SCHOOL DISTRICT NO. 37
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
JUNE 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ <u>1,371,727</u>
Noncurrent Assets	
Capital Assets	
Buildings	387,426
Equipment	266,200
Vehicles	270,659
Less Accumulated Depreciation	<u>(208,396)</u>
Total Noncurrent Assets	<u>715,889</u>
Total Assets	<u>2,087,616</u>
NET POSITION	
Net investment in capital assets	715,889
Restricted for:	
Housing	181,321
Unrestricted	<u>1,190,406</u>
TOTAL NET POSITION	<u><u>\$ 2,087,616</u></u>

See Notes to the Financial Statements

TWIN BUTTES SCHOOL DISTRICT NO. 37
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities				
Instruction	\$ 807,684	\$ -	\$ 170,140	\$ (637,544)
Support Services				
Guidance and Library Services	89,832	-	-	(89,832)
Administration Services	344,029	14,217	203,400	(126,412)
Operations and Maintenance	291,450	-	83,361	(208,089)
Transportation Services	269,011	-	138,332	(130,679)
Food Services	102,105	-	32,897	(69,208)
Non-Education/Facilities	7,917	-	-	(7,917)
Student Activities	3,522	-	-	(3,522)
Loss on Vehicle Disposal	8,905	-	-	(8,905)
Total Governmental Activities	\$ 1,924,455	\$ 14,217	\$ 628,130	(1,282,108)
General Revenues:				
Oil and Gas Production				136,069
State Aid not Restricted for a specific purpose				
Per Pupil Aid				350,355
Other State Aid				219,327
Federal Aid not Restricted for a Specific Purpose				
Impact Aid				27,963
ISEP				305,485
Other Federal Aid				489,957
Other Local Aid				100,000
Restitution				385
Interest				1,000
Miscellaneous				10,781
Total General Revenues				1,641,322
Changes in Net Position				359,214
Net Position, Beginning of Year				1,728,402
Net Position, End of Year				\$ 2,087,616

See Notes to the Financial Statements

TWIN BUTTES SCHOOL DISTRICT NO. 37
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
JUNE 30, 2020

	<u>General</u>	<u>Quarters</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 797,824	\$ 181,321	\$ 392,582	\$ 1,371,727
TOTAL ASSETS	<u>\$ 797,824</u>	<u>\$ 181,321</u>	<u>\$ 392,582</u>	<u>\$ 1,371,727</u>
FUND BALANCE				
Restricted for Housing	\$ -	\$ 181,321	\$ -	\$ 181,321
Assigned for Capital Projects	-	-	392,582	392,582
Unassigned	<u>797,824</u>	<u>-</u>	<u>-</u>	<u>797,824</u>
TOTAL FUND BALANCE	<u>\$ 797,824</u>	<u>\$ 181,321</u>	<u>\$ 392,582</u>	<u>\$ 1,371,727</u>

See Notes to the Financial Statements

TWIN BUTTES SCHOOL DISTRICT NO. 37
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION — MODIFIED CASH BASIS
JUNE 30, 2020

Total Governmental Fund Balances		\$ 1,371,727
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Amounts reported for governmental activities in the Statement of Net Position are different because capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the statement of net position. Those assets consist of:

Cost of Capital Assets		924,285	
Less Accumulated Depreciation		<u>(208,396)</u>	
Net			715,889

Net Position of Governmental Activities		\$ <u>2,087,616</u>
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See Notes to the Financial Statements

TWIN BUTTES SCHOOL DISTRICT NO. 37
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS — MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Quarters</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Local Sources	\$ 121,384	\$ 14,217	\$ -	\$ 135,601
State Sources	816,900	-	-	816,900
Federal Sources	1,330,169	-	-	1,330,169
Other Sources	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total revenues	<u>2,268,453</u>	<u>15,217</u>	<u>-</u>	<u>2,283,670</u>
Expenditures:				
Current:				
Instruction	807,684	-	-	807,684
Support Services				
Guidance and Library Services	89,832	-	-	89,832
Administration Services	344,029	-	-	344,029
Operations and Maintenance	232,164	21,146	-	253,310
Transportation Services	237,779	-	-	237,779
Food Services	102,105	-	-	102,105
Non-education/Facilities	7,917	-	-	7,917
Student Activities	3,522	-	-	3,522
Capital Outlay	<u>180,722</u>	<u>-</u>	<u>-</u>	<u>180,722</u>
Total Expenditures	<u>2,005,754</u>	<u>21,146</u>	<u>-</u>	<u>2,026,900</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>262,699</u>	<u>(5,929)</u>	<u>-</u>	<u>256,770</u>
Other Financing Sources (Uses):				
Sale of Assets	11,580	-	-	11,580
Transfers In	-	-	265,000	265,000
Transfers Out	<u>(265,000)</u>	<u>-</u>	<u>-</u>	<u>(265,000)</u>
Total Other Financing Sources (Uses)	<u>(253,420)</u>	<u>-</u>	<u>265,000</u>	<u>-</u>
Net Change in Fund Balances	9,279	(5,929)	265,000	268,350
Fund Balance (Deficit), Beginning of Year	<u>788,545</u>	<u>187,250</u>	<u>127,582</u>	<u>1,103,377</u>
Fund Balance (Deficit), End of Year	<u>\$ 797,824</u>	<u>\$ 181,321</u>	<u>\$ 392,582</u>	<u>\$ 1,371,727</u>

See Notes to the Financial Statements

TWIN BUTTES SCHOOL DISTRICT NO. 37
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES — MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balance- total governmental funds \$ 268,350

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 as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 180,722	
Depreciation expense	<u>(69,372)</u>	111,350

Net Book Value of Disposed Assets (20,486)

Change in net position of governmental activities \$ 359,214

See Notes to the Financial Statements

TWIN BUTTES SCHOOL DISTRICT NO. 37
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
— MODIFIED CASH BASIS
JUNE 30, 2020

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 3,300</u>
Total Assets	<u><u>\$ 3,300</u></u>
Liabilities	
Due to Student Activities Groups	<u>\$ 3,300</u>
Total Liabilities	<u><u>\$ 3,300</u></u>

See Notes to the Financial Statements

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Twin Buttes School District No. 37 (School District) operates as a public school for children in grades kindergarten through eight. The School District is in Halliday, North Dakota, and is comprised of one elementary school with a student body of approximately 41 students. The School District is governed by the Twin Buttes School District No. 37 Board of Education which is elected in the general elections.

The accompanying financial statements present the activities of the Twin Buttes School District No. 37. The School District has considered all potential component units for which the School District is financially accountable and other organizations for which the nature and significance of their relationships with the School District such that exclusion would cause the School District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criterion includes appointing a voting majority of an organization's governing body and (1) the ability of the School District to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the School District.

Based on these criteria, there are no component units to be included within the School District's financial statements as a reporting entity.

Government-Wide Statements

The statement of net position and statement of activities display information about the School District. These statements include the financial activities of the overall government, except for fiduciary activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of net position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguished between major categories of restrictions), and unrestricted.

The statement of activities compares the direct expenses and program revenues for the governmental activities of the School District. Direct expenses are clearly identifiable with a specific function. Program revenues consist of operating grants and contributions. General revenues, including taxes, are those revenues that are not classified as program revenue.

Fund Financial Statements

The fund financial statements provide information about the School District's funds including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, displayed in a separate column.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this method, revenue is recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred. This basis differs from accounting principles generally accepted in the United States of America because accounts receivable, accounts payable, and accrued expenses are not included in the financial statements. Only capital assets and long-term debt are recorded under the basis of accounting described above and are included on the statement of net position. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Under this method, revenues are recognized when collected rather than when earned, and expenditures are generally recognized when paid rather than when incurred.

The School District reports the following major governmental funds:

General Fund – The general fund is the general operating fund of the School District. All general revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund.

Quarters Fund – The special revenue fund is the School District housing maintenance fund. It accounts for all financial resources and uses related to the maintenance of housing located at the school and rented to employees. This fund is presented as a major fund for public interest purposes.

Capital Projects Fund – The capital projects fund accounts for financial resources and activity of capital projects being undertaken by the School District.

In addition, the School District reports the following fiduciary fund:

The Fiduciary Fund accounts for assets held by the School District in a trustee capacity or as an agent on behalf of others.

Agency Fund – Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the School District.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Equity Classifications

Equity is classified as net position and is displayed in three components:

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Restricted and Unrestricted Resources

It is the School District’s policy to first use restricted net position, prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Classifications and Procedures

The School District classifies governmental fund balances as follows:

Nonspendable – includes the fund balance amounts that cannot be spent either because it is not in a spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at yearend.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Business Manager.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

The School District does not have a formal minimum fund balance policy.

Program Revenues

In the government-wide statement of activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into two categories, as follows:

1. Charges for services – these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – these arise from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

Cash

The School District's cash consists of cash on hand or demand deposits. These amounts must be deposited in a financial institution situated and doing business within North Dakota.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns 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 acquisition value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	20	years
Equipment	10-20	years
Vehicles	5-10	years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized and instead are a period expense. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The School District reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment as of June 30, 2020.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability is not reported under the modified cash basis of accounting, but the information disclosed in the pension footnote, Note 6, is shown as additional information to the users of the financial statements.

Budgets

The School District budget is prepared on the modified cash basis of accounting and the School District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent and Business Manager prepare the School District budget under the cash basis of accounting. The budget includes proposed expenditures and the means of financing them. The budget includes the general fund.
2. The School Board reviews the budget, may make revisions and approves it on or before August 15. The budget must be filed with the County Auditor by August 25.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared except no amendment changing the taxes levied can be made after October 10.
4. The balance of each appropriation becomes a part of the unappropriated balance at year-end.

For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 CASH

Deposits

In accordance with North Dakota Statutes, the School District maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in another financial institution situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance of bonds.

Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal land bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district, or other political subdivision of the state of North Dakota whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or such other securities approved by the banking board.

The bank balance of the pooled School District deposits and fiduciary funds at June 30, 2020, was \$1,814,732. At June 30, 2020, the carrying amount of the deposits was \$1,375,027, which consisted of School District deposits of \$1,371,727, and agency fund deposits of \$3,300. Of the bank balances, \$250,000 was covered by Federal Depository Insurance. The remaining balance at June 30, 2020 of \$1,564,732 was collateralized with securities held by the pledging financial institutions' agents in the government's name.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 3 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, being Depreciated				
Buildings	\$ 387,426	\$ -	\$ -	\$ 387,426
Equipment	208,197	58,003	-	266,200
Vehicles	189,605	122,719	41,665	270,659
Total Capital Assets, being Depreciated	<u>785,228</u>	<u>180,722</u>	<u>41,665</u>	<u>924,285</u>
Accumulated Depreciation				
Buildings	57,088	19,372	-	76,460
Equipment	75,689	18,767	-	94,456
Vehicles	27,427	31,233	21,180	37,480
Total Accumulated Depreciation	<u>160,204</u>	<u>69,372</u>	<u>21,180</u>	<u>208,396</u>
Governmental Activities Capital Assets, Net	<u>\$ 625,024</u>	<u>\$ 111,350</u>	<u>\$ 20,485</u>	<u>\$ 715,889</u>

Depreciation expense was charged to functions/programs of the School District as follows:

Governmental Activities	
Operation and Maintenance	\$ 38,140
Transportation Services	<u>31,232</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 69,372</u>

NOTE 4 OPERATING LEASE

The School District had previously entered into an operating lease with MT/WY Dakota States FMC Agency for the purpose of providing buses and other motor vehicles for the School District to utilize in 2007. This agreement with MT/WY Dakota States FMC Agency was renewed in 2013 and is on a month to month payment basis. The District uses the fleet of vehicles provided and pays the Agency based on the amount of miles driven taken by a locked-in monthly rate. The lease has no termination date and is effective until cancelled by either party. The District paid \$36,015 on the operating lease during the year ended June 30, 2020.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

NOTE 5 RISK MANAGEMENT

The School District is exposed to various risks of loss relating to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School District carries insurance through the following funds/pools established by the State:

In 1986 state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The School District pays an annual premium to NDRIF for its general liability, auto and public asset insurance coverage. The coverage by NDRIF is limited to losses of one million dollars per occurrence. There is no additional liability for the School District related to the risk pool as of June 30, 2020.

The School District also participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The School District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$663,784 and \$664,282 for the years ended June 30, 2020 and 2019, respectively, per occurrence during a 12-month period. The State Bonding fund provides political subdivisions with blanket employee fidelity bond coverage in the amount of \$2,000,000. The State Bonding Fund does not currently charge any premium for this coverage.

The School District participates in the North Dakota Workforce Safety and Insurance Fund, an Enterprise Fund of the State of North Dakota. The Fund is a state insurance fund and a “no fault” insurance system covering the State’s employers and employees financed by premiums assessed to the 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 any of the past three fiscal years.

NOTE 6 PENSION PLAN

North Dakota Teachers’ Fund for Retirement

The following brief description of TFFR is provided for general information purposes only. Participants should refer to NDCC Chapter 15-39.1 for more complete information.

TFFR is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The TFFR Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contribution rates.

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

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

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

Tier 1 Non-Grandfathered

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

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

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

Tier 2

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

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

Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting 12 months or more does not allow the continuation of teaching, (b) the member has accumulated five years of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC Section 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

Member and Employer Contributions

Member and employer contributions paid to TFFR are set by NDCC Section 15-39.1-09. Every eligible teacher in the State of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC Section 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% interest or defer payment until eligible for pension benefits. A non-vested member who terminates covered employment must claim a refund of contributions paid before age 70½. Refunded members forfeit all service credits under TFFR. These service credits may be repurchased upon return to covered employment under certain circumstances, as defined by the NDCC.

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2020

The District's contributions to the North Dakota Teachers' Fund for Retirement for the year ending June 30, 2020 were \$57,407.

NOTE 7 ECONOMIC DEPENDENCY

Twin Buttes School District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of this support, if this were to occur, may have a material effect on the District's programs and therefore on its continued operations.

NOTE 8 INTERFUND TRANSFERS

During 2020 the District transferred \$265,000 from the general fund to the capital projects fund to cover the cost of future capital projects.

NOTE 9 SUBSEQUENT EVENTS

No significant events occurred subsequent to the School District's yearend. Subsequent events have been evaluated through February 4, 2021, which is the date these financial statements were available to be issued.

TWIN BUTTES SCHOOL DISTRICT NO. 37
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original/Final Budget	Actual	Final Budget Favorable (Unfavorable)
Revenue			
Local Sources	\$ 12,840	\$ 121,384	\$ 108,544
State Sources	501,745	816,900	315,155
Federal Sources	<u>1,318,900</u>	<u>1,330,169</u>	<u>11,269</u>
Total revenues	<u>1,833,485</u>	<u>2,268,453</u>	<u>434,968</u>
Expenditures			
Current:			
Instruction	935,642	807,684	127,958
Support Services			
Guidance and Library Services	88,970	89,832	(862)
Administration Services	349,068	344,029	5,039
Operations and Maintenance	211,443	232,164	(20,721)
Transportation Services	111,007	237,779	(126,772)
Food Services	91,601	102,105	(10,504)
Non-Education/Facilities	4,200	7,917	(3,717)
Student Activities	-	3,522	(3,522)
Capital Outlay	-	<u>180,722</u>	<u>(180,722)</u>
Total expenditures	<u>1,791,931</u>	<u>2,005,754</u>	<u>(213,823)</u>
Other Financing Sources (Uses)			
Sale of Assets	-	11,580	11,580
Transfers Out	-	<u>(265,000)</u>	<u>(265,000)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(253,420)</u>	<u>(253,420)</u>
Net Change in Fund Balance	41,554	9,279	(32,275)
Fund Balance (Deficit), Beginning of Year	<u>788,545</u>	<u>788,545</u>	<u>-</u>
Fund Balance (Deficit), End of Year	<u>\$ 830,099</u>	<u>\$ 797,824</u>	<u>\$ (32,275)</u>

Budgetary Information

The School District overspent its expenditure budget by \$213,823 for the year ended June 30, 2020.

See Note to the Other Information

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY-- NDTFFR
LAST 10 YEARS

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.064102%	\$ 882,852	\$ 449,696	196.32%	65.50%
2018	0.066341%	952,786	450,991	211.26%	65.50%
2017	0.063637%	875,077	429,535	203.73%	63.20%
2016	0.061778%	905,079	401,385	225.49%	59.20%
2015	0.072851%	952,786	448,113	212.62%	65.10%
2014	0.075974%	796,076	440,692	180.64%	66.60%

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

Information for years prior to June 30, 2015 is not available.

See Note to the Other Information

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF EMPLOYER CONTRIBUTIONS – NDTFFR
LAST 10 YEARS

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2020	\$ 57,407	\$ (57,407)	\$ -	\$ 450,250	12.75%
2019	57,336	(57,336)	-	449,696	12.75%
2018	57,501	(57,501)	-	450,991	12.75%
2017	54,766	(54,766)	-	429,535	12.75%
2016	51,177	(51,177)	-	401,385	12.75%
2015	57,134	(57,134)	-	448,113	12.75%

Information for years prior to June 30, 2015 is not available.

See Note to the Other Information

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTE TO THE OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 CHANGES OF ASSUMPTIONS

Amounts reported in 2016 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated April 30, 2015.

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.

Updated mortality assumption to the RP-2014 mortality tables with generational improvement

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 School Board
Twin Buttes School District No. 37
Halliday, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Buttes School District No. 37 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Twin Buttes School District No. 37's basic financial statements, and have issued our report thereon dated February 4, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Twin Buttes School District No. 37'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 Twin Buttes School District No. 37's internal control. Accordingly, we do not express an opinion on the effectiveness of Twin Buttes School District No. 37'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs listed as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Twin Buttes School District No. 37's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Twin Buttes School District No. 37's Responses to Findings

Twin Buttes School District No. 37's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Twin Buttes School District No. 37's responses were not subjected to the 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

February 4, 2021

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

To the School Board
Twin Buttes School District No. 37
Halliday, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Twin Buttes School District No. 37'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 Twin Buttes School District No. 37's major federal programs for the year ended June 30, 2020. Twin Buttes School District No. 37's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of Twin Buttes School District No. 37'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 Twin Buttes School District No. 37'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 Twin Buttes School District No. 37's compliance.

Opinion on Each Major Federal Program

In our opinion, Twin Buttes School District No. 37 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, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control over Compliance

Management of Twin Buttes School District No. 37 is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Twin Buttes School District No. 37'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 Twin Buttes School District No. 37'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003 that we consider to be a significant deficiency.

Twin Buttes School District No. 37's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Twin Buttes School District No. 37's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



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

February 4, 2021

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>CFDA #</u>	<u>Description</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Education			
Direct			
84.041	Impact Aid	N/A	\$ 30,519
Passed through Bureau of Indian Affairs			
84.027	IDEA B	A19AV00791	24,690
84.336	Title IIA - Teacher Quality Partnership Grants	A19AV00791	4,755
84.358	Title VIB - Rural Education	A19AV00791	236
Passed through ND Department of Public Instruction			
84.367	Title II A Teacher Principal Quality Training	F84367	6,452
Passed through Bureau of Indian Affairs			
84.424	Program Adjustment	A19AV00791	19,689
Passed through ND Department of Public Instruction			
84.424	Title IV Student Support and Academic Enrichment	F84424A	10,631
Passed through Bureau of Indian Affairs			
84.010	Title I Grants to Local Education Agencies	A19AV00791	117,676
Passed through ND Department of Public Instruction			
84.010	Title I Grants to Local Education Agencies	F84010	51,102
84.010	Title I Grants to Local Education Agencies	S010A170034	85,436
			<u>254,214</u>
Total U.S. Department of Education			<u>351,186</u>
U.S. Department of Interior			
Passed through Bureau of Indian Affairs			
15.042	Indian School Equalization Program- Regular Instruction	A19AV00791	340,194
15.042	COVID-19 Education Stabilization Fund	A19AV00791	3,737
			<u>343,931</u>
15.044	Indian School Student Transportation	A19AV00791	61,235
15.046	Administrative Cost Grants for Indian Schools	A19AV00791	233,541
15.047	Indian Education Facilities, Operations & Maintenance	A19AV00791	225,051
15.151	Education Enhancements	A19AV00791	92
			<u>92</u>
Total U.S. Department of Interior			<u>863,850</u>
U.S. Department of Agriculture			
Passed through ND Department of Public Instruction			
Child Nutrition Cluster			
10.555	School Nutrition - Lunch	F10555	23,080
10.555	Food Distribution - Non Cash	F10555	1,907
			<u>24,987</u>
10.559	COVID-19 Summer Food Service Program for Children	F10559	8,627
Total Child Nutrition Cluster			<u>33,614</u>
Total U.S. Department of Agriculture			<u>33,614</u>
Total Expenditures of Federal Awards			<u>\$ 1,248,650</u>

See Notes to the Schedule of Expenditures of Federal Awards

TWIN BUTTES SCHOOL DISTRICT NO. 37
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the schedule are reported on the modified cash basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

NOTE 2 INDIRECT COST RATE

The School District does not draw for indirect administrative expenses and has not elected to use the 10% de minimis cost rate.

NOTE 3 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Twin Buttes School District No. 37 under programs of the federal government for the year ended June 30, 2020. The information 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 present only a selected portion of the operations of the Twin Buttes School District No. 37, it is not intended to and does not present the financial position, changes in net position or fund balance.

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	<u> x </u> yes	<u> </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> </u> yes	<u> x </u> no
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	<u> </u> yes	<u> x </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> x </u> yes	<u> </u> no
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	<u> x </u> yes	<u> </u> no

Identification of Major Programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Indian School Equalization Program	15.042
Administrative Cost Grants for Indian Schools	15.046

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

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings

2020-001 Preparation of Financial Statements – Material Weakness

Criteria: An appropriate system of internal control requires the entity to prepare financial statements in compliance with accounting principles generally accepted in the United States of America, as applied under the modified cash basis of accounting.

Condition: The School District prepares periodic financial information for internal use that meets the needs of the Board. However, the School District currently does not prepare financial statements, including accompanying note disclosures, as required by the modified cash basis of accounting. The School District has elected to have the auditors assist in the preparation of the financial statements and notes.

Cause: The School District has elected to not allocate resources for the preparation of the financial statements.

Effect: There is an increased risk of material misstatement to the School District's financial statements.

Recommendation: We recommend the School District consider the additional risk of having the auditors assist in the preparation of the financial statements and note disclosures and consider preparing them in the future. As a compensation control the School District should establish an internal control policy to document the annual review of the financial statements and schedules and to review a financial statement disclosure checklist.

View of Responsible Officials: Due to financial, efficiency and time constraints, it has been determined by the School District's management that it is in the best interest of the School District to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit.

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

2020-002 Segregation of Duties – Material Weakness

Criteria: Generally, a system of internal control has the proper separation of duties between the authorization, custody, record keeping and reconciliation functions.

Condition: The School District's internal control structure does not provide for the proper segregation of duties and reconciliation.

Cause: Size and budget constraints limit the number of personnel within the accounting department.

Effect: The design of internal control over financial reporting could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The above functions should be reviewed periodically and consideration given to improving the segregation of duties. Compensating controls over the underlying financial information may be obtained through oversight by management and the Board.

View of Responsible Officials: The Board will continue to review financial information as a compensating control.

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2020

Section III – Federal Award Findings and Questioned Costs

2020-003 15.042 Indian School Equalization Program
15.046 Administrative Cost Grants for Indian Schools

**Equipment and Real Property Management – Lack of Adequate Equipment Records
Significant Deficiency in Internal Control over Compliance**

Criteria: The School District is required to maintain equipment records for all equipment purchased by the programs, to which a physical inventory must be reconciled at least every two years.

Condition: The School District does not maintain adequate equipment records by which to reconcile the physical inventory over equipment purchased by the programs at least every two years.

Cause: The School District did not have adequate controls to ensure the physical inventory is being reconciled to a listing of equipment purchased by the programs.

Effect: The lack of inventory records and reconciliation results in a lack of certainty regarding disposals, of which a portion of the proceeds may be owed to the Federal agency administering the programs.

Questioned Costs: None required to report.

Repeat Finding from Prior Year: Yes, prior year finding 2019-005

Recommendation: We recommend the School District implement internal control procedures to ensure appropriate records are being kept and reconciled to the physical inventory count and in the case of any disposals that the appropriate amount of proceeds be remitted to the Federal agency administering the programs.

View of Responsible Officials: Management agrees with the finding.

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

2019-001 Preparation of Financial Statements

Criteria: Proper controls over financial reporting include the ability to prepare financial statements and accompanying notes to the financial statements that are materially correct.

Condition: The School District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: The School District does not have staff trained in GASB reporting requirements.

Effect: Inadequate controls over financial reporting of the School District result in more than a remote likelihood that the School District would not be able to draft the financial statements and accompanying notes to the financial statements that are materially correct without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the School District and changes in reporting requirements.

View of Responsible Officials: Management agrees with the finding. Due to the small size of our District, it is not cost effective for the District to properly address this deficiency.

Corrective Action: See current year finding 2020-001.

2019-002 Recording of Transactions and Passed Audit Adjustment

Criteria: A good system of internal accounting control contemplates proper reconcilements of all general ledger accounts and adjustments of those accounts to the reconciled balances.

Condition: We identified misstatements in the School District's financial statements causing us to propose material audit adjustments. We identified a passed audit adjustment that was immaterial to the School District's financial statements.

Cause: Misstatements to the financial statements could result from inadequate controls over recording of transactions.

Effect: Inadequate internal controls over recording of transactions affect the School District's ability to detect misstatements to the financial statements.

Recommendation: While we recognize that this condition is not unusual for an organization your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Board should continually be aware of the financial reporting of the District.

Corrective Action: No current year finding.

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

2019-003 Segregation of Duties

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The School District has a lack of segregation of duties in certain areas due to a limited staff.

Cause: The School District has limited staff and resources available to be able to properly segregate all duties.

Effect: Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned function.

Recommendation: While we recognize that your office staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, all accounting functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the School District.

View of Responsible Officials: Management agrees with the finding. Due to the small size of our District and the limited staff, the District continues to segregate duties when and where possible to ensure accountability.

Corrective Action: See current year finding 2020-002.

2019-004 Budgeting

Criteria: A good system of internal accounting control and state compliance requires preparation of an annual budget.

Condition: The School District did not prepare and adhere to a budget in fiscal year 2019.

Cause: Improper spending, improper cash management, and noncompliance could occur as a result of not preparing and adhering to a budget.

Effect: Failing to prepare and adhere to a budget could limit the School District's ability to maintain appropriate spending, cash management, and compliance which could result in decreases to fund balance and noncompliance.

Recommendation: We recommend that a budget is prepared and adhered to each fiscal year.

View of Responsible Officials: Management agrees with the finding. The Business Manager plans to ensure that a budget will be prepared and adhered to each fiscal year.

Corrective Action: No current year finding.

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

2019-005

U.S. Department of Interior, Passed through Bureau of Indian Affairs
CFDA #15.042; CFDA #15.046, 2019 Award Year
Indian Equalization Program
Administrative Cost Grants for Indian Schools

Equipment and Real Property Management – Lack of Adequate Equipment Records

Criteria: The School District is required to maintain equipment records for all equipment purchased by the programs, to which a physical inventory must be reconciled at least every two years.

Condition: The School District does not maintain adequate equipment records by which to reconcile the physical inventory over equipment purchased by the programs at least every two years.

Cause: The School District did not have adequate controls to ensure the physical inventory is being reconciled to a listing of equipment purchased by the programs.

Effect: The lack of inventory records and reconciliation results in a lack of certainty regarding disposals, of which a portion of the proceeds may be owed to the Federal agency administering the programs.

Questioned Costs: None required to report.

Repeat Finding from Prior Year: Yes, prior year finding 2018-005

Recommendation: We recommend the School District implement internal control procedures to ensure appropriate records are being kept and reconciled to the physical inventory count and in the case of any disposals that the appropriate amount of proceeds be remitted to the Federal agency administering the programs.

View of Responsible Officials: Management agrees with the finding.

Corrective Action: See current year finding 2020-003

TWIN BUTTES SCHOOL DISTRICT NO. 37
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

2019-006

U.S. Department of Interior, Passed through Bureau of Indian Affairs
CFDA #15.046, 2019 Award Year
Administrative Cost Grants for Indian Schools

Allowable Costs and Activities – Approval of Expenditures

Criteria: The School District's control procedures require a requisition form and purchase order to be approved prior to purchasing products/services.

Condition: Six of sixty program expenditures tested for the program did not contain proper approval in accordance with the District's purchasing policy.

Cause: The School District's designed control procedures are not being followed by all parties making purchases.

Effect: This could lead to unauthorized purchases and improper use of program funds.

Questioned Costs: None required to report.

Repeat Finding from Prior Year: No

Recommendation: We recommend the School District enforce internal control procedures to prevent the purchase of products/services that do not have proper authorization.

View of Responsible Officials: Management agrees with the finding.

Corrective Action: No current year finding.



Twin Buttes Elementary School

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Corrective Action Plan For the Year Ended June 30, 2020

2020-001

Contact Person

Lori Pemberton-Fredericks, Business Manager

Corrective Action Plan

No action is planned on the finding. Due to financial, efficiency and time constraints, it has been determined by the School District's management that it is in the best interest of the School District to have the financial statements and accompanying note disclosures prepared by the auditing firm at the time of the audit.

Planned Completion Date for CAP

None. See above.

2020-002

Contact Person

Lori Pemberton-Fredericks, Business Manager

Corrective Action Plan

The School Board will continue to review financial information as a compensating control.

Planned Completion Date for CAP

Ongoing

2020-003

Contact Person

Lori Pemberton-Fredericks, Business Manager

Corrective Action Plan

The School District has purchased inventory software and is working to update all current purchases. Valuations Northwest completed a full inventory in May of 2019.

Planned Completion Date for CAP

June 30, 2021