WARWICK PUBLIC SCHOOL DISTRICT NO. 29
WARWICK, NORTH DAKOTA

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

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WARWICK PUBLIC SCHOOL DISTRICT NO. 29
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2018

Larry Thiele	President
Jean Wallace	Vice-President
Shane Moxness	Board Member
Heather Lawrence	Board Member
Mary Langley	Board Member
Dean Dauphinais	Superintendent
Theresa Brien-Knutson	Business Manager

BradyMartz

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Warwick Public School District No. 29
Warwick, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Warwick Public School District No. 29, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 financial position of the governmental activities, each major fund, and the remaining fund information of Warwick Public School District No. 29 as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 14 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* As discussed in Note 14 to the financial statements, the District has restated the previously reported Net Position in accordance with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule of the general fund, budgetary comparison schedule of the food service fund, schedule of District's contributions to the TFFR and NDPERS pension plans, schedule of District's contributions to the NDPERS OPEB plan, schedule of District's proportionate share of net pension liability, and schedule of District's proportionate share of net OPEB liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 not a required part of the financial statements.

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The roster of school officials on page 1 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Brady Martz

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

March 8, 2019

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

ASSETS		
Current Assets:		
Cash	$	1,538,577
Property Taxes Receivable		24,201
Due From State		523,287
Due From Federal Government		38,277
Due From Other		104,606
Total Current Assets		2,228,948
Non-Current Assets:		
Capital Assets		
Buildings		4,662,086
Equipment		415,696
Vehicles		634,992
Less Accumulated Depreciation		(2,155,427)
Total Non-Current Assets		3,557,347
TOTAL ASSETS		5,786,295
DEFERRED OUTFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		659,169
Cost Sharing Defined Benefit Pension Plan - NDPERS		383,534
Cost Sharing Defined Benefit OPEB Plan - NDPERS		9,369
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,052,072
LIABILITIES		
Current Liabilities:		
Accounts Payable		18,609
Accrued Liabilities		135,433
Accrued Payroll		151,943
Interest Payable		2,961
Capital Leases Payable Within a Year		119,589
Total Current Liabilities		428,535
Long-Term Liabilities:		
Capital Leases Payable (Net of Current Portion)		464,912
Notes Payable (Net of Current Portion)		355,664
Compensated Absences		61,258
Net OPEB Liability		31,371
Net Pension Liability		3,859,833
Total Non-Current Liabilities		4,773,038
TOTAL LIABILITIES		5,201,573
DEFERRED INFLOWS OF RESOURCES		
Cost Sharing Defined Benefit Pension Plan - TFFR		586,228
Cost Sharing Defined Benefit Pension Plan - NDPERS		42,120
Cost Sharing Defined Benefit OPEB Plan - NDPERS		1,951
TOTAL DEFERRED INFLOWS OF RESOURCES		630,299
NET POSITION		
Net Investment in Capital Assets		2,617,182
Unrestricted		(1,610,687)
TOTAL NET POSITION	$	1,006,495

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Business Support Services	$ 248,668	$ -	$ -	$ (248,668)
Instructional Support Services	101,282	-	-	(101,282)
Administration	264,995	-	-	(264,995)
Operations and Maintenance	355,639	-	-	(355,639)
Transportation	406,970	-	127,543	(279,427)
Regular Instruction	2,885,596	163,937	2,480,616	(241,043)
Special Education	411,415	-	69,446	(341,969)
Extra-Curricular Activities	82,623	-	-	(82,623)
Food Services	246,488	3,701	180,824	(61,963)
Interest and Fees on Long-Term Debt	38,226	-	-	(38,226)
TOTAL GOVERNMENTAL ACTIVITIES	$ 5,041,902	$ 167,638	$ 2,858,429	(2,015,835)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				213,094
Aids and Payments from the State				2,060,191
Unrestricted Investment Earnings				4,425
TOTAL GENERAL REVENUES				2,277,710
Change in Net Position				261,875
Net Position - Beginning As Originally Reported				770,815
GASB 75 Adjustment - See Note 14				(26,195)
Net Position - Beginning As Restated				744,620
Net Position - Ending				$ 1,006,495

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
BALANCE SHEET – GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018

	General Fund	Food Service Fund	Total Governmental Funds
ASSETS			
Cash	$ 1,375,656	$ 162,921	$ 1,538,577
Property Taxes Receivable	24,201	-	24,201
Due From State	508,031	15,256	523,287
Due From Federal Government	38,277	-	38,277
Due From Other	104,606	-	104,606
TOTAL ASSETS	$ 2,050,771	$ 178,177	$ 2,228,948
LIABILITIES			
Accounts Payable	$ 17,690	$ 919	$ 18,609
Accrued Liabilities	135,433	-	135,433
Accrued Payroll	151,943	-	151,943
TOTAL LIABILITIES	305,066	919	305,985
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Uncollected Taxes	22,741	-	22,741
TOTAL DEFERRED INFLOWS OF RESOURCES	22,741	-	22,741
FUND BALANCES			
Assigned	-	177,258	177,258
Unassigned	1,722,964	-	1,722,964
TOTAL FUND BALANCES	1,722,964	177,258	1,900,222
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,050,771	$ 178,177	$ 2,228,948

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

Total fund balances - governmental funds		$ 1,900,222
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as net assets in government funds:		
Cost of capital assets	$ 5,712,774	
Less: accumulated depreciation	(2,155,427)	
Net		3,557,347
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows/(inflows) of resources in the governmental funds.		421,773
Property taxes receivable will be collected during the year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		22,741
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Notes Payable		(355,664)
Capital Lease Payable		(584,501)
Compensated Absences		(61,258)
Net OPEB Liability		(31,371)
Net Pension Liability		(3,859,833)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(2,961)
Net Position - Governmental Activities		$ 1,006,495

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Food Service Fund	Total Governmental Funds
REVENUES			
Local Property Tax Levies	$ 209,599	$ -	$ 209,599
Other Local and County Revenues	163,937	3,701	167,638
Revenue from State Sources	2,257,180	-	2,257,180
Revenue from Federal Sources	2,480,616	180,824	2,661,440
Interest	4,094	331	4,425
TOTAL REVENUES	5,115,426	184,856	5,300,282
EXPENDITURES			
Current:			
Business Support Services	248,668	-	248,668
Instructional Support Services	101,282	-	101,282
Administration	264,995	-	264,995
Operations and Maintenance	355,639	-	355,639
Transportation	390,533	-	390,533
Regular Instruction	2,641,585	-	2,641,585
Special Education	411,415	-	411,415
Extra-Curricular Activities	82,623	-	82,623
Food Services	81,141	165,347	246,488
Capital Outlay	665,002	-	665,002
Debt Service:			
Principal Retirement	92,505	-	92,505
Interest and Fiscal Charges on Long-Term Debt	35,265	-	35,265
TOTAL EXPENDITURES	5,370,653	165,347	5,536,000
Excess (Deficiency) of Revenues over Expenditures	(255,227)	19,509	(235,718)
OTHER FINANCING SOURCES			
Proceeds from Capital Lease	584,501	-	584,501
TOTAL OTHER FINANCING SOURCES (USES)	584,501	-	584,501
Net Change in Fund Balances	329,274	19,509	348,783
Fund Balance - Beginning of Year	1,393,690	157,749	1,551,439
Fund Balance - End of Year	$ 1,722,964	$ 177,258	$ 1,900,222

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Total net change in fund balances - Governmental Funds		$	348,783
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the useful lives as depreciation expense.			
Capital Outlays	$ 665,002		
Depreciation Expense	(141,410)		
Excess of capital outlay over depreciation expense			523,592
Some revenues will not be collected for several months after the District's fiscal year end. These revenues are considered "available" revenues in the government funds. These revenues consist of:			
Net change in unavailable property taxes			3,495
Repayment of long-term debt is reported as an expenditure in governmental funds. However, the repayment reduces long-term liabilities in the statement of net position.			92,505
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These items consisted of the (increase)/decrease in:			
Compensated Absences			3,377
Proceeds from capital leases are a long-term liability in the statement of net position. They are netted against repayments of long-term debt which reduce long-term liabilities in the statement of net position.			(584,501)
Changes in deferred outflows and inflows of resources related to net pension liability			(528,713)
Change in net OPEB liability			118
Change in net pension liability			406,180
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest increased by $2,961			(2,961)
Change in net position - Governmental Activities		$	261,875

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
AS OF JUNE 30, 2018

ASSETS	
Cash and Cash Equivalents	$ 28,606
TOTAL ASSETS	$ 28,606
LIABILITIES	
Due to Student Groups	$ 28,606
TOTAL LIABILITIES	$ 28,606

See Notes to the Basic Financial Statements

NOTE 1 DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Warwick Public School District operates the public schools in the City of Warwick, North Dakota. There is a combined elementary school and junior/senior high school.

Reporting Entity - Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of an organization's governing body and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources. Component units may also include organizations that are fiscally dependent on the District. Fiscal dependence can include the District's approval of the budget, issuance of debt, and/or levying of taxes for the organization.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Basis of Presentation

The District's basic financial statements consist of government-wide statements and fund financial statements.

Government-Wide Financial Statements:

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements display information about the District as a whole.

The statement of net position presents the financial condition of the governmental activities of the District at year-end.

The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. The statement identifies the extent to which each governmental function is self-financing or drawing from the general revenues of the District. Direct expenses are expenses that are specifically associated with a service, program or department. The direct expenses are clearly identifiable to a particular function. Program revenues include charges to recipients for goods or services offered by the program and grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District.

The Government-wide financial statements do not include fiduciary funds of component units that are fiduciary in nature.

Fund Financial Statements:

In order to aid financial management and to demonstrate legal compliance, the District segregates transactions related to certain functions or activities in separate funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of the governmental fund financial statements is on major funds. Each major fund is presented as a separate column in the fund financial statements. Non-major funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

Fund Accounting

The District's funds consist of the following:

Governmental Funds:

Governmental funds are utilized to account for most of the District's governmental functions. The reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which the obligation will be paid. Fund balance represents the difference between the governmental fund assets and liabilities. The District's major governmental funds are as follows:

General Fund:
This fund is the general operating fund of the District. It accounts for all financial resources except those requiring to be accounted for in another fund.

Special Revenue Fund:
Special Revenue fund is used to account for the proceeds of certain specific revenue sources that are legally restricted to expenditures for specified purposes. Included in this category is the food service operating fund. It accounts for all financial resources related to food service.

The District does not have any non-major governmental funds.

Fiduciary Funds*:*

The District's only fiduciary fund is an agency fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The District's agency fund consists of the following:

Student Activity Fund:
The fund accounts for the financial transactions related to the District's student activity programs.

Measurement Focus and Basis of Accounting

Measurement Focus:

Government-wide Financial Statements:

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred inflows and outflows of resources, and liabilities associated with the operation of the District are included in the statement of net position.

Fund Financial Statements:

The governmental funds are accounted for by using a flow of current financial resources measurement focus. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

The current financial resources measurement focus differs from the manner which the governmental activities of the government-wide financial statements are prepared. Due to the difference, the District's financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds.

Basis of Accounting:

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Government-wide financial statements are prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District's governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are generally recorded as the related fund liability is incurred.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

Revenues - Exchange and Non-Exchange Transactions:

Exchange transactions are transactions in which each party gives and receives essentially equal value. Under the accrual basis of accounting, revenue for exchange transactions is recorded when the exchange takes place. Under the modified accrual basis of accounting, revenue for exchange transactions is recorded when the resources are measurable and available.

Non-exchange transactions include transactions in which the District receives value without directly providing value in return. Non-exchange transactions include property taxes, grants, entitlements, and donations.

Under the accrual basis of accounting, property taxes are recorded as revenue in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recorded in the fiscal year in which all eligibility requirements have been satisfied. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it is recorded in the financial records of the District.

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income.

Unearned Revenues:

Unearned revenue arises when assets are recognized in the financial statements before the revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenues.

On the governmental fund financial statements, receivables that will not be collected during the availability period have been reported as unearned revenue.

Expenses and Expenditures:

Governmental funds accounting measurement focus is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded in the fiscal year in which the related fund liability is incurred. Under the accrual basis of accounting, expenses are recorded when incurred.

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.

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 fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

The General fund expenditures were $771,033 over budget at June 30, 2018.

Cash and Cash Equivalents:

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments:

Investments are recorded at market value. North Dakota State Statute authorizes school districts to invest their surplus funds in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the Treasury of the United States, or its agencies, instrumentality's, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase, written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation of the state, d) Obligations of the state.

Fair Value Measurements:

The Organization accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

Capital Assets:

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities' column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost (or estimated historical cost). The assets are updated for additions and retirements during the District's fiscal year. The District has established a capitalization threshold of $5,000. Donated fixed assets are recorded at acquisition values at the date received. The District does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The District's land and construction in progress costs are capitalized but are not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The District has established the following useful lives:

Buildings and Improvements	50 Years
Equipment and Fixtures	10 Years
Vehicles	10 Years

Compensated Absences:

Employees and teachers who have been employed by the District for 6 years or less are eligible for sick leave pay for a maximum of 90 days at $25 and $35 per day, respectively. For employees and teachers who have been employed by the District for greater than 6 years, sick leave pay increases to $50 and $60 for a maximum of 90 days. Upon termination, an employee will be paid for any unused sick days. At June 30, 2018, the accrued compensated absence liability was $61,258.

Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities and long-term obligations are reported in the District's government-wide financial statements. The District's governmental fund financials report only those obligations that will be paid from current financial resources.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the North Dakota Teacher's 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.

Other Post-Employment Benefits (OPEB):

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance Classifications:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

> *Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items. The District does not have any fund balance classified as nonspendable.
>
> *Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints impose by state statutory provisions and administered by the North Dakota Department of Education. The District does not have any fund balance classified as restricted.
>
> *Committed* – consists of internally imposed constraints. These constraints are established by resolution of the Board of Education. The District does not have any fund balance classified as committed.
>
> *Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the District's intended use. These constraints are established by the Board of Education and/or management.
>
> *Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for us, it is the District's policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

The District has classified the spendable fund balances as Assigned and Unassigned and considers each to have been spent when expenditures are incurred.

Net Position:

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resource (expense/expenditure) until then. The District has two items reported on the statement of net position as *cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan, as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items, one which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also has two items reported on the statement of net position *as cost sharing defined benefit pension plan* and *cost sharing defined benefit OPEB plan*, which represents the actuarial differences within the NDPERS and TFFR pension plans and NDPERS OPEB plan.

Inter-fund 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 inter-fund transfers. Inter-fund 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. Inter-fund activities within the District's governmental activities and its business-type activities, is eliminated in the statement of activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School Board and are either unusual in nature or infrequent in occurrence.

Estimates:

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Revenue Recognition - Property Taxes:

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2018.

Property taxes attach as an enforceable lien on property January 1. A five percent reduction is allowed if paid by February 15. Penalty and interest are added March 15 if the first half-of-the taxes have not been paid. Additional penalties are added October 15, if not paid. Taxes are collected by the county and usually remitted monthly to the School District.

Property tax revenue in the governmental funds is recognized in compliance with National Council of Government Accounting (NCGA) Interpretation 3, *Revenue Recognition - Property Taxes*. This interpretation states that property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property taxes are limited by state laws. All School District tax levies are in compliance with state laws.

Significant Group Concentrations of Credit Risk:

As of June 30, 2018, the District's receivables consist of amounts due from other governmental units within the State of North Dakota and the federal government.

NOTE 3 CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

In accordance with North Dakota laws, the District maintains deposits at a depository authorized by the School Board. The depository is a member of the Federal Reserve System.

North Dakota laws require that all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal at least 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. North Dakota laws require that securities pledged as collateral be held in safekeeping by the District treasurer or in a financial institution other than that furnishing the collateral.

At June 30, 2018, the carrying amount of the District's deposits was $1,567,183 and the bank balance was $1,593,923. The entire bank balance was covered by Federal Depository Insurance or by collateral held by the District's Agent in the District's name in amounts sufficient to meet North Dakota legal requirements.

Interest Rate Risk

In accordance with its formal investment policy, the District invests its operating funds primarily in short term certificates of deposit and limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Investments

The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

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

	Balance 7/1/2017	Additions	Disposals	Balance 6/30/2018
Governmental Activities:				
Capital Assets Being Depreciated				
Buildings	$ 4,581,585	$ 80,501	$ -	$ 4,662,086
Equipment	415,696	-	-	415,696
Vehicles	50,491	584,501	-	634,992
Total	5,047,772	665,002	-	5,712,774
Less Accumulated Depreciation				
Land Improvements	-	-	-	-
Buildings	1,673,855	87,205	-	1,761,060
Equipment	291,946	37,768	-	329,714
Vehicles	48,216	16,437	-	64,653
Total	2,014,017	141,410	-	2,155,427
Net Capital Assets Being Depreciated	3,033,755	523,592	-	3,557,347
Net Capital Assets for Governmental Activities	$ 3,033,755	$ 523,592	$ -	$ 3,557,347

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

	Additions	Depreciation
Regular Instruction	$ 80,501	$ 124,973
Transportation	584,501	16,437
Total	$ 665,002	$ 141,410

NOTE 5 LONG-TERM DEBT

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

Summary of Long-Term Debt

	Restated Balance 7/1/2017	Additions	Retirements	Balance 6/30/2018	Due in One Year
Notes Payable	$ 448,169	$ -	$ (92,505)	$ 355,664	$ -
Capital Lease Payable	-	584,501	-	584,501	119,589
Compensated Absences	64,635	-	(3,377)	61,258	-
Net OPEB Liability	31,489	10,733	(10,851)	31,371	-
Net Pension Liability	4,266,013	1,305,840	(1,712,020)	3,859,833	-
Total	$ 4,810,306	$ 1,901,074	$ (1,818,753)	$ 4,892,627	$ 119,589

Interest expense was $38,226 for the year ended June 30, 2018.

Notes payable and the capital lease are generally liquidated by the District's general fund.

Notes Payable

The District entered into a commercial promissory note to Western State Bank May 17, 2016. The agreement was to provide financing relating to the boiler replacement in the amount of $500,000. The note has an interest rate of 5%.

Annual debt service requirements to maturity for the note are as follows:

	Western State Bank Note Payable		
Year	Principal	Interest	Total
2019	$ -	$ -	$ -
2020	38,944	24,831	63,775
2021	316,720	15,828	332,548
Total	$ 355,664	$ 40,659	$ 396,323

Capital Lease Payable

During April 2018, the District entered into a Lease Purchase Agreement as lessee for financing the acquisition of seven school buses from SCB Public Finance. The bus lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The buses are valued at $584,501 and the capital lease matures on August 15, 2022. This capital lease has an interest rate of 3.037%.

Annual lease obligation requirements to maturity for the note are as follows:

	Capital Lease		
Year	Principal	Interest	Total
2019	$ 119,589	$ 5,723	$ 125,312
2020	110,995	14,317	125,312
2021	114,413	10,899	125,312
2022	117,936	7,375	125,311
2023	121,568	3,744	125,312
Total	$ 584,501	$ 42,058	$ 626,559

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

At June 30, 2018, a summary of the governmental fund balance classifications are as follows:

	Food Service Fund	Total
Assigned for:		
Food Service	$177,258	$ 177,258

Assigned fund balances reflect resources that can be used only for the specific purposes determined by a formal action of the School District's Board of Education. At June 30, 2018, there were the following accounts:

<u>Assigned for Food Service:</u>
This account represents funds held by the School District available to service hot lunch.

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

<u>North Dakota Teacher's Fund For Retirement</u>

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.

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.

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.

Pension Costs

At June 30, 2018, the District reported a liability of $3,184,289 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At July 1, 2017, the Employer's proportion was 0.231833 percent which was a decrease of 0.033216 from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Employer recognized pension expense of $251,006. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 12,214	$ 34,761
Changes in actuarial assumptions	226,964	-
Difference between projected and actual investment earnings	43,984	-
Changes in proportion	179,198	551,467
Contributions paid to TFFR subsequent to the measurement date	196,809	-
Total	$ 659,169	$ 586,228

$196,809 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2019	$ (558)
2020	68,433
2021	25,237
2022	(50,540)
2023	(104,947)
Thereafter	(61,493)

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.25% to 14.50%, varying by service, including inflation and productivity
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

The actuarial assumptions used were based on the results of an actuarial experience study dated April 30, 2015. They are the same as the assumptions used in the July 1, 2017, funding actuarial valuation for TFFR.

As a result of the April 30, 2015 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	58.00%	6.70%
Global Fixed Income	23.00%	0.80%
Global Real Assets	18.00%	5.20%
Cash Equivalents	1.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2017, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2017.

Pension Liability Sensitivity

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	6.75%	7.75%	8.75%
School's proportionate share of the TFFR net pension liability:	$ 4,233,569	$ 3,184,289	$ 2,310,795

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report.

North Dakota Public Employees' Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of $100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition of disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of covered compensation. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member’s account balance includes the vested employer contributions equal to the member’s contributions to an eligible deferred compensation plan. The minimum member contribution is $25 and the maximum may not exceed the following:

1 to 12 months of service – Greater of one percent of monthly salary or $25
13 to 25 months of service – Greater of two percent of monthly salary or $25
25 to 36 months of service – Greater of three percent of monthly salary or $25
Longer than 36 months of service – Greater of four percent of monthly salary or $25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported a liability of $675,544 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017, the District's proportion was 0.042029 percent which was an increase of 0.002742 from its proportion measured July 1, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $108,122. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,015	$ 3,291
Changes in actuarial assumptions	277,019	15,237
Difference between projected and actual investment earnings	9,086	-
Changes in proportion	55,530	23,592
Contributions paid to NDPERS subsequent to the measurement date	37,884	-
Total	$ 383,534	$ 42,120

$37,884 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2019	$ 64,759
2020	77,225
2021	67,937
2022	63,467
2023	30,142

Actuarial Assumptions

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36 - 40	7.50%
	41 - 49	6.00%
	50+	5.00%
	*Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.75%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00%	6.05%
International Equity	21.00%	6.70%
Private Equity	5.00%	10.20%
Domestic Fixed Income	17.00%	1.43%
International Fixed Inc.	5.00%	-0.45%
Global Real Assets	20.00%	5.16%
Cash Equivalents	1.00%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	5.44%	6.44%	7.44%
School's proportionate share of the NDPERS net pension liability:	$ 917,072	$ 675,544	$ 474,603

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

NOTE 8 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to $5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported a liability of $31,371 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017, the District's proportion was 0.039659 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $3,823. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 765
Changes of assumptions	3,038	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,186
Changes in proportion and differences between employer contributions and proportionate share of contribution	265	-
District contributions subsequent to the measurement date	6,066	-
Total	$ 9,369	$ 1,951

$6,066 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ending June 30:		
2019	$	101
2020		101
2021		101
2022		101
2023		398
2024		398
Thereafter		152

***Actuarial assumptions*.** The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	37.00%	5.80%
Small Cap Domestic Equities	9.00%	7.05%
International Equities	14.00%	6.20%
Core-Plus Fixed Income	40.00%	1.56%

***Discount rate*.** The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017, and July 1, 2016, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50 percent, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease in Discount Rate 6.50%	Discount Rate 7.50%	1% Increase in Discount Rate 8.50%
District's proportionate share of the net OPEB liability	$ 39,272	$ 31,371	$ 24,598

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPEB financial report.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDIRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses on one million dollars per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to 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 one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The District participates in the North Dakota Worker's Compensation Bureau and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 10 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2018 was $16,315.

NOTE 12 COMMITMENTS

Lease Commitments

The District leases copy machines under a non-cancelable operating lease for five years. The following is a schedule of future minimum rentals under the lease at June 30, 2018:

Year Ending June 30,	
2019	$ 7,564
2020	4,741
2021	4,176
2022	1,392
	$ 17,873

NOTE 13 NEW PRONOUNCEMENTS

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

ASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the endo f a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

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

NOTE 14 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

This District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* As a result, beginning net position has been restated to reflect the related net OPEB liability and deferred outflows of resources as of July 1, 2017 as follows:

Net Position July 1, 2017, as previously reported	$ 770,815
Restatement for OPEB accounting:	
Net OPEB Liability	(31,489)
OPEB related Deferred Outflows of Resources	5,294
Net Position July 1, 2017, as restated	$ 744,620

NOTE 15 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 8, 2019, which is the date these financial statements were available to be issued.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	$ 165,000	$ 165,000	$ 209,599	$ 44,599
Other Local & County Revenues	113,500	113,500	163,937	50,437
Revenue From State Sources	2,187,245	2,187,245	2,257,180	69,935
Revenue From Federal Sources	2,405,000	2,405,000	2,480,616	75,616
Interest	3,000	3,000	4,094	1,094
TOTAL REVENUES	4,873,745	4,873,745	5,115,426	241,681
EXPENDITURES				
Business Support Services	234,285	234,285	248,668	14,383
Instructional Support Services	99,321	99,321	101,282	1,961
Administration	350,700	350,700	264,995	(85,705)
Operations and Maintenance	453,300	453,300	355,639	(97,661)
Transportation	360,900	360,900	390,533	29,633
Regular Instruction	2,478,574	2,478,574	2,641,585	163,011
Special Education	252,500	252,500	411,415	158,915
Extra-Curricular Activities	99,500	99,500	82,623	(16,877)
Food Services		79,000	81,141	2,141
Capital Outlay	-	-	665,002	665,002
Principal Retirement	64,000	64,000	92,505	(28,505)
Interest and Fiscal Charges on Long-Term Debt	-	-	35,265	(35,265)
TOTAL EXPENDITURES	4,393,080	4,472,080	5,370,653	771,033
Excess (Deficiency) of Revenues Over Expenditures	480,665	401,665	(255,227)	(529,352)
OTHER FINANCING SOURCES (USES)				
Proceeds from Capital Lease	-	-	584,501	(584,501)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	584,501	584,501
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	480,665	401,665	329,274	(72,391)
Fund Balances - Beginning	1,393,690	1,393,690	1,393,690	-
Fund Balances - Ending	$ 1,874,355	$ 1,795,355	$ 1,722,964	$ (72,391)

See Notes to the Required Supplementary Information

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
BUDGETARY COMPARISON SCHEDULE FOR THE FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Other Local & County Revenues	$ -	$ -	$ 3,701	$ 3,701
Revenue from Federal Sources	-	-	180,824	180,824
Interest	-	-	331	331
TOTAL REVENUES	-	-	184,856	184,856
EXPENDITURES				
Food Services	135,200	135,200	165,347	30,147
TOTAL EXPENDITURES	135,200	135,200	165,347	30,147
Excess (Defieciency) of Revenues Over Expenditures	(135,200)	(135,200)	19,509	154,709
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(135,200)	(135,200)	19,509	154,709
Fund Balances - Beginning	157,749	157,749	157,749	-
Fund Balances - Ending	$ 22,549	$ 22,549	$ 177,258	$ 154,709

See Notes to the Required Supplementary Information

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE TFFR AND NDPERS PENSION PLANS
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

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
2018	$ 196,809	$ (196,809)	$ -	$ 1,544,287	12.74%
2017	219,566	(219,566)	-	1,722,089	12.75%
2016	227,034	(227,034)	-	1,780,738	12.75%
2015	163,645	(163,645)	-	1,522,299	10.75%

North Dakota Public Employees Retirement System

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
2018	$ 37,884	$ (37,884)	$ -	$ 532,083	7.12%
2017	28,664	(30,091)	(1,427)	395,922	7.60%
2016	21,656	(28,317)	(6,661)	285,101	9.93%
2015	23,583	(23,583)	-	331,226	7.12%

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE NDPERS OPEB PLAN
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

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
2018	$ 6,066	$ 6,066	$ -	$ 532,083	1.14%

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

Teachers Fund for Retirement

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) (a)	District's Covered-Employee Payroll	Proportionate 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
2018	0.231833%	$ 3,184,289	$ 1,564,808	203.49%	63.20%
2017	0.265049%	3,883,123	1,722,089	225.49%	59.20%
2016	0.289502%	3,786,267	1,780,738	212.62%	62.10%
2015	0.262441%	2,749,916	1,522,299	180.64%	66.60%

North Dakota Public Employees Retirement System

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) (a)	District's Covered-Employee Payroll	Proportionate 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
2018	0.042029%	$ 675,544	$ 429,049	157.45%	61.98%
2017	0.039287%	382,890	395,922	96.71%	70.46%
2016	0.032002%	217,608	285,101	76.33%	77.15%
2015	0.039320%	249,572	331,226	75.35%	77.70%

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.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for prior years is not available.

See Notes to the Required Supplementary Information

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN YEARS (PRESENTED PROSPECTIVELY)

North Dakota Public Employees Retirement System – OPEB

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.0397%	$ 31,371	$ 429,049	7.31%	59.78%

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

The District implemented GASB Statement No. 75 for its fiscal year ended June 30, 2018. Information for prior years is not available.

See Notes to the Required Supplementary Information

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures exceeded budgeted expenditures by $771,033 and in the Food Service Fund, actual expenditures exceeded budgeted expenditures by $30,147.

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.

2. The Board reviews the budget, may make revisions, and adopts the final budget before August tenth of each year. The budget is then filed with the county auditor by August tenth of each year.

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 August tenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.

4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.

NOTE 2 – CHANGES OF ASSUMPTIONS

TFFR

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 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.

NDPERS

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

OPEB

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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

To the Board of Education
Warwick Public School District No. 29
Warwick, North Dakota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of the District as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise Warwick Public School District No. 29's basic financial statements and have issued our report thereon dated March 8, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warwick Public School District No. 29's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-003 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warwick Public School District No. 29's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District'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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

March 8, 2019

BradyMartz

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

To the Board of Education
Warwick Public School District No. 29
Warwick, North Dakota

Report on Compliance for Each Major Federal Program

We have audited Warwick Public School District No. 29's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Warwick Public School District No. 29’s major federal program for the year ended June 30, 2018. The Warwick Public School District's major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Warwick Public School District No. 29's major federal program 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 non-compliance 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 the major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Warwick Public School District No. 29 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Warwick Public School District No. 29 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 a major federal program in order 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

March 8, 2019

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

CFDA #	Description	Pass-Through Entity Identifying Number	Expenditures
Department of the Interior			
Passed Through Spirit Lake Tribe			
15.130	Indian Education Assistance to Schools		$ 13,127
	Total Department of the Interior		13,127
Department of Education			
84.041B	Impact Aid		1,866,845
84.060	Indian Education Grants to Local Educational Agencies		60,331
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	423,291
84.358	Title VI B - Rural Education Achievement	F84358	3,864
84.367	Title II Part A - Teacher and Principal Quality	F84367	55,143
84.424	Title IV Transferability	F84424	9,946
	Total Passed through ND DPI		492,244
Passed Through Devils Lake Public School District			
84.287A	21st Century Community Learning Centers	F84287A	48,069
	Total Passed Through North Valley Career-Tech Center		48,069
	Total Department of Education		2,467,489
Department of Agriculture			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Child Nutrition - School Lunch	F10555	98,884
10.553	Child Nutrition - School Breakfast	F10553	50,732
10.559	Summer Food Service	F10559	3,640
10.555	Food Distribution-Non Cash	F10555	16,315
	Total Cluster		169,571
10.560	SAE Food Nutrition	F10560	953
10.582	Fruit and Vegetable Grant	F10582	10,300
	Total Department of Agriculture		180,824
	TOTAL		$ 2,661,440

See Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Warwick Public School District No. 29 under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Warwick Public School District No. 29, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 - NONMONETARY TRANSACTIONS

The District receives commodities through the food distribution program and the assistance is valued at the fair value of the commodities received and disbursed.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Warwick Public School District No. 29 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 - PASS-THROUGH ENTITIES

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

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_x_ yes ___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes _x_ none reported
Non-compliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ yes _x_ none reported
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 2 CFR 200.516(a)?	___ yes _x_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program of Cluster
84.041	Impact Aid

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	___ yes _x_ no

SECTION II – FINANCIAL STATEMENT FINDINGS

2018-001 Finding

Criteria
To provide reasonable assurance that segregation of duties take place while also taking into account the size of the District.

Condition
The District has one employee who is responsible for all accounting functions involved. The employee handles all income monies, prepares the receipts documents, prepares the deposits, issues all checks and distributes them, receives the bank statements and does the reconciliations. The employee also records the receipts and disbursements to the journals and maintains the general ledger. Considering the size of the District, it is not feasible to obtain proper separation of duties and the degree of internal control is severely limited.

Cause
There is only one business manager and due to the District's size, they are unable to hire more staff.

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

Recommendation
The District should separate the duties when it becomes feasible.

Management's Response
At the present time, the Warwick Public School District No. 29 has segregated the accounting duties in the most effective manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.

2018-002 Finding

Criteria
An appropriate system of internal controls requires that a District make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with accounting principles generally accepted in the United States of America.

Condition
The District's auditors prepared the financial statements as of June 30, 2018. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of American (GAAP). An appropriate system of internal controls requires that a District must make a determination that financial statements and the underlying general ledger accounts are properly stated in compliance with GAAP. This requires the District's personnel to maintain a working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures.

Effect
The District currently does not maintain the working knowledge of current accounting principles generally accepted in the United States of America and required financial statement disclosures to make a determination that financial statements are properly stated in compliance with accounting principles generally accepted in the United States of America.

Recommendation
Compensating controls could be provided through client preparation of the financial statement preparation and/or review function.

Management's Response
Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Brady, Martz & Associates, P.C., a public accounting firm, to assist in the preparation of the financial statements as part of their annual audit of Warwick Public School District No. 29, Warwick, North Dakota.

2018-003 Finding

Criteria
A good system of internal accounting control contemplates a system designed to reconcile cash accounts in order to ensure proper recording of financial transactions.

Condition
The District's general fund, food service fund, and student activities fund cash accounts were not properly reconciled to the bank statements during the year ended June 30, 2018. It was noted that certain automatic payments occurring on the bank statement were not recorded in the District's books.

Effect
Cash account balances per the District's financial records were not in agreement with the reconciliations performed. In addition, discrepancies in the District's financial ledger accounts remained undetected by management of the District.

Recommendation
We recommend the District ensures that all cash accounts are reconciled to the corresponding bank statement on a monthly basis.

Management's Response
We are aware of this issue and plan to ensure that cash accounts are reconciled on a monthly basis.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no findings to be reported in this section.

2017-001 Finding

Criteria
There should be sufficient accounting personnel so duties of employees are segregated. The segregation of duties would provide better control over the assets of the School District.

Condition
Warwick Public School District No. 29, Warwick, North Dakota, has one business manager responsible for most accounting functions.

Effect
There is no segregation of duties as one employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements. This increases the risk of misstatement of the School District's financial condition.

Recommendation
Due to the size of the School District, it is not feasible to obtain proper segregation of duties and no recommendation will be made.

Management's Response
At the present time, the Warwick Public School District No. 29 has segregated the accounting duties in the most effective manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.

Corrective Action Taken
None. See current year finding 2018-001.

2017-002 Finding

Criteria
A good system of internal accounting control contemplates a system designed to prepare financial statements in accordance with generally accepted accounting principles.

Condition
The school district does not have an internal control system designed to provide for the preparation of financial statements being audited. As auditors, we were requested to assist in drafting the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Effect
Inadequate controls over financial reporting of the School Sistrict result in the more than 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 auditors.

Recommendation
While we recognize that this condition is not unusual for an organization of 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.

Management's Response
Since it is not cost-effective for an organization our size to have staff to prepare audit-ready financial statements, we have chosen to hire Lervik and Johnson, P.C., a public accounting firm, to assist in the preparation of the financial statements as part of their annual audit of Warwick Public School District No. 29, Warwick, North Dakota.

Corrective Action Taken
None. See current year finding 2018-002.

2017-003 Finding

Criteria
A good system of internal accounting control contemplates a system designed to reconcile cash accounts in order to ensure proper recording of financial transactions.

Condition
The School District's general fund cash account was not reconciled to the bank statements regularly during the year ended June 30, 2017. It was noted that certain automatic payments occurring on the bank statement were not recorded in the School District's books.

Effect
Discrepancies in the School District's financial ledger accounts could remain undetected by management of the School District. Examples of such discrepancies include lack of recording actual activity in the general ledger, recording activity incorrectly, and recording of activity within the wrong fund.

Recommendation
We recommend the School District ensures that all cash accounts are reconciled to the corresponding bank statement on a monthly basis.

Management's Response
We are aware of this issue and plan to ensure that cash accounts are reconciled on a monthly basis.

Corrective Action Taken
None. See current year finding 2018-003.

Home of the Warriors

Phone: 294-2561

Warwick Public School
210 4th Avenue,
Warwick, ND 58381

Fax: 294-2626

CORRECTIVE ACTION PLAN
AS OF JUNE 30, 2018

2018-001

Contact Person
Theresa Brien-Knutson

Planned Corrective Action
The District will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2018-002

Contact Person
Theresa Brien-Knutson

Planned Corrective Action
The District will implement when it becomes cost-effective.

Planned Completion Date
The planned completion date for the CAP is when it becomes cost-effective.

2018-003

Contact Person
Theresa Brien-Knutson

Planned Corrective Action
The business manager will prepare cash reconciliations on a monthly basis.

Planned Completion Date
March 31, 2019

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
WARWICK, NORTH DAKOTA

MANAGEMENT REPORT

AS OF JUNE 30, 2018

AUDIT COMMITTEE LETTER

March 8, 2019

To the Board of Education
The Warwick Public School District No. 29

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Warwick Public School District No. 29 for the year ended June 30, 2018 and have issued our report thereon dated March 8, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 2, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Warwick Public School District No. 29 are described in Note 2 to the financial statements. As described in Note 14, the District changed accounting policies related to OPEB plans by adopting GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions,* in 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Warwick Public School District No. 29's financial statements were:

> Management's estimates include assumptions used in determining the net pension liability for cost sharing defined benefit plans. We evaluated the key factors and assumptions used to determine future liabilities for defined benefit plans in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates include assumptions used in determining the net OPEB liability for its NDPERS OPEB cost sharing defined benefit plan. We evaluated the key factors and assumptions used to determine the future liability for the defined benefit plan in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Although material, entries were made primarily to convert the financial statements from a cash basis to accrual basis and are included in the attached schedule.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule of the General Fund, Budgetary Comparison Schedule of the Food Service Fund, Schedule of District's Contributions to the TFFR and NDPERS Pension Plans, Schedule of District's Contributions to the NDPERS OPEB Plan, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District's Proportionate Share of Net OPEB Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the roster of school officials, which accompany the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Board of Education and management of Warwick Public School District No. 29 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Brady Martz

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

MANAGEMENT LETTER

BradyMartz

To the Board of Education
Warwick Public School District No. 29
Warwick, North Dakota

In planning and performing our audit of the financial statements of Warwick Public School District No. 29 (District) for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance we considered the District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of deficiencies in internal control other than material weaknesses and significant deficiencies that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously communicated to you about the District's internal control in our letter dated March 8, 2019. This letter does not affect our report dated March 8, 2019, on the financial statements of Warwick Public School District No. 29.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various personnel of the District, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Education and management and should not be used for any other purpose. We did not audit the District's responses included in this letter, and accordingly, express no opinion on them.

We wish to take this opportunity to thank the Board of Education and management for the opportunity to provide these services and to extend our thanks to your personnel for their cooperation and assistance during our engagement.

If you have any questions in regard to our audit, please do not hesitate to contact us.

Brady Martz

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

March 8, 2019

Warwick Public School District No. 29
Management Letter Memorandum
For the Year Ended June 30, 2018

1. **Observation:**

   During control discussions with the client, it was noted the school board does not currently review a budget to actual report.

   Recommendation:

   Recommend the school board is provided with a budget to actual report to review at board meetings on at least a monthly basis.

   Response:

   Management will provide the board with a budget to actual report to review at monthly board meetings.

2. **Observation:**

   It was noted there is no formal fund balance policy.

   Recommendation:

   Recommend for the board to formally approve and the District implement a fund balance policy.

   Response:

   Management will recommend to the school board to implement a fund balance policy.

3. **Observation:**

   It was noted the budget is not being imported into the Software Unlimited accounting software.

   Recommendation:

   Recommend importing the expenditure and revenue budgets to assist in management decisions.

   Response:

   Management will contact Software Unlimited and get help with importing the expenditure and revenue budgets to assist in management decisions.

4. **Observation:**

During our testing of revenues, it was noted there were several checks received from granting agencies prior to year end that were not deposited into the bank account until well after year end.

Recommendation:

Recommend for all checks received to be deposited on a timely basis.

Response:

Management will deposit checks on a timely basis.

5. **Observation:**

During our discussions with staff, there are two check stamps currently held by the District for the two board members responsible for approving checks. We also noted the District currently has an unofficial policy that these check stamps can be used by other individuals to sign off on behalf of the board.

Recommendation:

Recommend the physical access to these check stamps to be maintained by these board members and usage of these check stamps be limited to only the individuals for whom the check stamps have been created.

Response:

Management will give the check stamps to the board members and come up with a schedule they will need to come in to stamp checks.

6. **Observation:**

Per review of the school board meeting minutes, the school board does not formally review or approve an annual budget.

Recommendation:

Recommend the school board to review and formally approve the District's budgets annually.

Response:

Will review and approved budgets annually at the September board meeting.

7. **Observation:**

Per review of the school board meeting minutes, the school board does not formally approve an annual mill levy.

Recommendation:

Recommend for the school board to formally approve the mill levy annually.

Response:

School board will approve the mill levy annually at the September board meeting.

8. **Observation:**

It was noted during discussions with management the school superintendent is not currently bonded. N.D.C.C. requires the superintendent to provide to the District a bond in amount equal to at least the maximum amount of money that may be subject to the superintendent's control at any time.

Recommendation:

Recommend the superintended to provide to the District a bond in amount equal to at least the maximum amount of money that may be subject to the superintendent's control at any time.

Response:

Superintendent is working on getting bonded through the state.

9. **Observation:**

Bank reconciliations, while performed on a timely basis, were not properly reconciled to the trial balance and contained significant differences. Large entries to cash were made to record electronic payments made that were not reflected in the general ledger. In addition, the bank reconciliations are not being reviewed and approved after they have been performed.

Recommendation:

Recommend for the bank account activity to be properly recorded in the general ledger and for the reconciliation differences in the bank reconciliations to be researched and corrected on a regular basis. We also recommend for the superintendent to review and formally approve all bank reconciliations after they have been performed.

Response:

Bank reconciliations will be corrected on a regular basis and will contact auditor if there are questions. Superintendent will review and approve all bank reconcilations.

10. Observation:

During our review of bank reconcilations there is an old outstanding check listed.

Recommendation:

Recommend for all old outstanding checks to be thoroughly reviewed to determine if the status of outstanding is correct. If so, the District should take measures to reissue the check to the payee, or follow the guidance in North Dakota Century Code (N.D.C.C.) 47-30.1 for unclaimed property.

Response:

Will follow North Dakota Century Code (N.D.C.C.) 47-30.1 for outstanding checks.

11. Observation:

The approval process for invoices only includes the review and approval of non-reoccurring invoices by the board in the board minutes. It was noted during discussion, and testing, that any regularly occurring bills are not included in the formal approval in the board minutes.

Recommendation:

Recommend for all disbursements to be formally approved in the board minutes.

Response:

Disbursements and board bills will be approved at each board meeting.

12. Observation:

During our review of cash disbursements, we noted that no receiving report is required for purchases.

Recommendation:

Recommend management consider using receiving reports to track purchases received in order to vouch back to the purchase order and invoices. This method helps support that the correct items and quantities were received.

Response:

Management will develop a plan to track purchases and keep receiving reports.

13. Observation:

During our review of cash disbursements, we noted the District has a purchase order policy to be used for purchases made; however, our testing showed the purchase order form is not always completed.

Recommendation:

Recommend that management follow purchasing policies and require a purchase order for all purchases. Each purchase order should be approved by the party designated in the purchase order policy prior to making the purchase.

Response:

Management will implement the purchase order policy for all purchases going forward.

14. Observation:

During our review of cash receipts, we noted that charge rates for student activities, such as sporting events, and food service prices are not annually reviewed and approved by the board.

Recommendation:

Recommend the board review and formally approve the rates on an annual basis.

Response:

Board will review and approved rates of student activities and food service prices annually.

15. Observation:

During our review of payroll, we noted that when employees have timecard discrepancies no form is filled out to support the reason or cause.

Recommendation:

Recommend management consider having employees complete a timecard discrepancy form to document the cause and reason that the timecard will change. The form should also be reviewed, signed, and dated by a supervisor of the employee.

Response:

Form has been created and is being used for time discrepancies.

16. Observation:

During our review of payroll, we noted that the superintendent does not sign the employee agreement with employees who are paid on an hourly basis.

Recommendation:

Recommend that management have the superintendent sign the agreement with the employee to support that the agreed rate was approved by management.

Response:

Superintendent will sign work agreements with employees.

17. Observation:

During our review of payroll, we noted that timecards are not reviewed by employee supervisors.

Recommendation:

Recommend that management have the supervisor of the employee review, sign, and date the timecard.

Response:

Supervisors will review, sign, and date time cards for each pay period.

18. Observation:

During our review of the employee files, we noted that I-9 forms are not complete. The employer section is left blank on all I-9s.

Recommendation:

Recommend management to review all employee's files to insure I-9 forms are complete. For any form not complete, the employee and District should fill out a new form and the District should keep both the old and new copies of this form on file.

Response:

I-9 forms will be updated and completed.

CASH MANAGEMENT

As of June 30, 2018, cash balances in the various funds of the District totaled $1,525,308, a decrease of approximately $143,507 over 2017 balances. Cash by fund at June 30, 2018 and 2017 was as follows:

	2018	2017
General	$ 1,375,656	$ 1,227,168
Food Service	162,921	154,633
	$ 1,538,577	$ 1,381,801

Total interest earned during FYE June 30, 2018 was $4,425.

BUDGETING

District budgeting practices appear to be effective as differences are primarily due to the effects of the new capital lease entered into with SCB Public Finance. A summary of actual versus budget follows:

	Revenues		Expenditures	
	Actual	Budget	Actual	Budget
General	$ 5,699,927	$ 4,873,745	$ 5,370,653	$ 4,472,080

FUND BALANCES

	2018	2017
General	$ 1,722,964	$ 1,393,690
Food Service	177,258	157,749
	$ 1,900,222	$ 1,551,439