

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29
WARWICK, NORTH DAKOTA**

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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WARWICK PUBLIC SCHOOL DISTRICT NO. 29
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2019

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

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, 2019, 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, 2019, 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.

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 purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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 December 6, 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 & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

December 6, 2019

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS	
Current Assets:	
Cash	\$ 1,354,170
Property Taxes Receivable	30,633
Due From State	37,815
Due From Federal Government	826,909
Due From Other	37,848
Total Current Assets	<u>2,287,375</u>
Non-Current Assets:	
Capital Assets	
Buildings	4,698,864
Equipment	536,961
Vehicles	676,642
Less Accumulated Depreciation	<u>(2,270,383)</u>
Total Non-Current Assets	<u>3,642,084</u>
TOTAL ASSETS	<u><u>5,929,459</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	516,227
Cost Sharing Defined Benefit Pension Plan - NDPERS	414,336
Cost Sharing Defined Benefit OPEB Plan - NDPERS	14,731
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>945,294</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	44,346
Accrued Liabilities	214,236
Accrued Payroll	186,789
Interest Payable	1,937
Capital Leases Payable Within a Year	110,995
Total Current Liabilities	<u>558,303</u>
Long-Term Liabilities:	
Capital Leases Payable (Net of Current Portion)	353,917
Notes Payable	182,360
Compensated Absences	62,905
Net OPEB Liability	34,296
Net Pension Liability	3,811,364
Total Non-Current Liabilities	<u>4,444,842</u>
TOTAL LIABILITIES	<u>5,003,145</u>
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	595,612
Cost Sharing Defined Benefit Pension Plan - NDPERS	57,284
Cost Sharing Defined Benefit OPEB Plan - NDPERS	1,447
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>654,343</u>
NET POSITION	
Net Investment in Capital Assets	2,994,812
Unrestricted	<u>(1,777,547)</u>
TOTAL NET POSITION	<u><u>\$ 1,217,265</u></u>

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES	Expenses	Charges for Services	Operating Grants and Contributions
Business Support Services	\$ 321,612	\$ -	\$ (321,612)
Instructional Support Services	118,380	-	(118,380)
Administration	286,555	-	(286,555)
Operations and Maintenance	453,374	-	(453,374)
Transportation	333,118	-	(333,118)
Regular Instruction	3,074,878	67,600	(2,907,278)
Special Education	475,833	-	(475,833)
Extra-Curricular Activities	88,602	-	(88,602)
Food Services	302,447	1,886	(300,561)
Interest and Fees on Long-Term Debt	23,070	-	(23,070)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 5,477,869	\$ 69,486	\$ (1,938,071)
GENERAL REVENUES			
Property Taxes, Levied for General Purposes			210,415
Aids and Payments from the State			1,933,222
Unrestricted Investment Earnings			5,204
TOTAL GENERAL REVENUES			2,148,841
Change in Net Position			210,770
Net Position - Beginning			1,006,495
Net Position - Ending			\$ 1,217,265

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Food Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash	\$ 1,284,102	\$ 70,068	\$ 1,354,170
Property Taxes Receivable	30,633	-	30,633
Due From State	22,185	15,630	37,815
Due From Federal Government	826,909	-	826,909
Due From Other	37,848	-	37,848
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,201,677</u>	<u>\$ 85,698</u>	<u>\$ 2,287,375</u>
LIABILITIES			
Accounts Payable	\$ 43,782	\$ 564	\$ 44,346
Accrued Liabilities	205,547	8,689	214,236
Accrued Payroll	186,789	-	186,789
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>436,118</u>	<u>9,253</u>	<u>445,371</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Uncollected Taxes	24,981	-	24,981
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>24,981</u>	<u>-</u>	<u>24,981</u>
FUND BALANCES			
Assigned	-	76,445	76,445
Unassigned	1,740,578	-	1,740,578
TOTAL FUND BALANCES	<u>1,740,578</u>	<u>76,445</u>	<u>1,817,023</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 2,201,677</u>	<u>\$ 85,698</u>	<u>\$ 2,287,375</u>

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
JUNE 30, 2019

Total fund balances - governmental funds		\$ 1,817,023
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	\$ 5,912,467	
Less: accumulated depreciation	<u>(2,270,383)</u>	
Net		3,642,084
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.		
		290,951
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.		
		24,981
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		(182,360)
Capital Lease Payable		(464,912)
Compensated Absences		(62,905)
Net OPEB Liability		(34,296)
Net Pension Liability		(3,811,364)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		<u>(1,937)</u>
Net Position - Governmental Activities		<u>\$ 1,217,265</u>

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, 2019

	General Fund	Food Service Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Local Property Tax Levies	\$ 208,175	\$ -	\$ 208,175
Other Local and County Revenues	67,600	1,886	69,486
Revenue from State Sources	2,076,132	-	2,076,132
Revenue from Federal Sources	3,128,280	199,122	3,327,402
Interest	4,875	329	5,204
	<u>5,485,062</u>	<u>201,337</u>	<u>5,686,399</u>
TOTAL REVENUES			
EXPENDITURES			
Current:			
Business Support Services	321,612	-	321,612
Instructional Support Services	118,380	-	118,380
Administration	286,555	-	286,555
Operations and Maintenance	453,374	-	453,374
Transportation	273,679	-	273,679
Regular Instruction	2,861,019	-	2,861,019
Special Education	475,833	-	475,833
Extra-Curricular Activities	88,602	-	88,602
Food Services	297	302,150	302,447
Capital Outlay	271,110	-	271,110
Debt Service:			
Principal Retirement	292,893	-	292,893
Interest and Fiscal Charges on Long-Term Debt	24,094	-	24,094
	<u>5,467,448</u>	<u>302,150</u>	<u>5,769,598</u>
TOTAL EXPENDITURES			
Excess (Deficiency) of Revenues over Expenditures	<u>17,614</u>	<u>(100,813)</u>	<u>(83,199)</u>
Net Change in Fund Balances	17,614	(100,813)	(83,199)
Fund Balance - Beginning of Year	<u>1,722,964</u>	<u>177,258</u>	<u>1,900,222</u>
Fund Balance - End of Year	<u>\$ 1,740,578</u>	<u>\$ 76,445</u>	<u>\$ 1,817,023</u>

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, 2019

Total net change in fund balances - Governmental Funds \$ (83,199)

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	\$	271,110
Depreciation Expense		<u>(185,007)</u>

Excess of capital outlay over depreciation expense	86,103
Net Book Value on Disposal of Asset	(1,366)

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	2,240
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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.	292,893
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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	(1,647)
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Changes in deferred outflows and inflows of resources related to net pension liability	(130,822)
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Change in net OPEB liability	(2,925)
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Change in net pension liability	48,469
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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 decreased by \$1,024

	<u>1,024</u>
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Change in net position - Governmental Activities	<u><u>\$ 210,770</u></u>
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See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF ASSETS AND LIABILITIES – FIDUCIARY FUNDS
JUNE 30, 2019

ASSETS	
Cash and Cash Equivalents	<u>\$ 23,837</u>
TOTAL ASSETS	<u><u>\$ 23,837</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 23,837</u>
TOTAL LIABILITIES	<u><u>\$ 23,837</u></u>

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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 \$65,610 over budget at June 30, 2019.

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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	50 Years
Equipment	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, respectively, for a maximum of 90 days. Upon termination, an employee will be paid for any unused sick days. At June 30, 2019, the accrued compensated absence liability was \$62,905.

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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 imposed 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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, 2019.

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, 2019, 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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, 2019, the carrying amount of the District's deposits was \$1,378,007 and the bank balance was \$1,882,848. 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 primary 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 7/1/2018	Additions	Disposals	Balance 6/30/2019
Governmental Activities:				
Capital Assets Being Depreciated				
Buildings	\$ 4,662,086	\$ 36,778	\$ -	\$ 4,698,864
Equipment	415,696	169,682	48,417	536,961
Vehicles	634,992	64,650	23,000	676,642
Total	<u>5,712,774</u>	<u>271,110</u>	<u>71,417</u>	<u>5,912,467</u>
Less Accumulated Depreciation				
Buildings	1,761,060	87,683	-	1,848,743
Equipment	329,714	37,885	47,051	320,548
Vehicles	64,653	59,439	23,000	101,092
Total	<u>2,155,427</u>	<u>185,007</u>	<u>70,051</u>	<u>2,270,383</u>
Net Capital Assets Being Depreciated	<u>3,557,347</u>	<u>86,103</u>	<u>1,366</u>	<u>3,642,084</u>
Net Capital Assets for Governmental Activities	<u>\$ 3,557,347</u>	<u>\$ 86,103</u>	<u>\$ 1,366</u>	<u>\$ 3,642,084</u>

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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

	<u>Additions</u>	<u>Depreciation</u>
Regular Instruction	\$ 206,460	\$ 125,568
Transportation	64,650	59,439
Total	<u>\$ 271,110</u>	<u>\$ 185,007</u>

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

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2019</u>	<u>Due in One Year</u>
Notes Payable	\$ 355,664	\$ -	\$ (173,304)	\$ 182,360	\$ -
Capital Lease Payable	584,501	-	(119,589)	464,912	110,995
Compensated Absences	61,258	1,647	-	62,905	-
Net OPEB Liability	31,371	12,423	(9,498)	34,296	-
Net Pension Liability	<u>3,859,833</u>	<u>1,161,294</u>	<u>(1,209,763)</u>	<u>3,811,364</u>	<u>-</u>
Total	<u>\$ 4,892,627</u>	<u>\$ 1,175,364</u>	<u>\$(1,512,154)</u>	<u>\$ 4,555,837</u>	<u>\$ 110,995</u>

Interest expense was \$23,070 for the year ended June 30, 2019.

Payments related to the notes payable balance in the current year were \$173,304, which included \$63,775 that was due on November 5, 2019. The next payment due is on November 5, 2020.

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%.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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

Western State Bank Note Payable			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 182,360	\$ 12,528	\$ 194,888
Total	<u>\$ 182,360</u>	<u>\$ 12,528</u>	<u>\$ 194,888</u>

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			
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 110,995	\$ 14,317	\$ 125,312
2021	114,413	10,899	125,312
2022	117,936	7,375	125,311
2023	<u>121,568</u>	<u>3,744</u>	<u>125,312</u>
Total	<u>\$ 464,912</u>	<u>\$ 36,335</u>	<u>\$ 501,247</u>

NOTE 6 FUND BALANCES

A. CLASSIFICATIONS

At June 30, 2019, a summary of the governmental fund balance classifications are as follows:

	<u>Food Service Fund</u>	<u>Total</u>
Assigned for:		
Food Service	<u>\$ 76,445</u>	<u>\$ 76,445</u>

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
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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, 2019, there were the following accounts:

Assigned for Food Service: 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:

North Dakota Teacher's Fund For Retirement

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

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

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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

At June 30, 2019, the District reported a liability of \$3,028,600 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, 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, 2018, the Employer's proportion was 0.227226 percent which was a decrease of 0.004607 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Employer recognized pension expense of \$203,545. At June 30, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 8,220	\$ 82,370
Changes in actuarial assumptions	166,840	-
Difference between projected and actual investment earnings	-	10,471
Changes in proportion	134,399	502,771
Contributions paid to TFFR subsequent to the measurement date	206,768	-
Total	<u>\$ 516,227</u>	<u>\$ 595,612</u>

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

\$206,768 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, 2020.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ 34,962
2021	(7,375)
2022	(81,647)
2023	(135,862)
2024	(78,825)
Thereafter	(17,406)

Actuarial Assumptions

The total pension liability in the July 1, 2018 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, 2018, 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equities	58.00%	6.70%
Global Fixed Income	23.00%	1.50%
Global Real Assets	18.00%	5.10%
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, 2018. 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, 2018, 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, 2018. 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, 2018.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate

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:	\$ 4,089,486	\$ 3,028,600	\$ 2,146,272

Pension Plan Fiduciary Net Position

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

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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 24 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, 2019, the District reported a liability of \$782,764 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2018, the District's proportion was 0.046383 percent which was an increase of 0.004354 from its proportion measured July 1, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$142,969. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 2,072	\$ 26,631
Changes in actuarial assumptions	282,561	11,172
Difference between projected and actual investment earnings	-	3,808
Changes in proportion	77,916	15,673
Contributions paid to NDPERS subsequent to the measurement date	95,974	-
Total	<u>\$ 458,523</u>	<u>\$ 57,284</u>

\$51,787 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, 2020.

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

<u>Year ending June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ 94,401
2021	84,135
2022	78,537
2023	42,810
2024	5,382

Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
Salary increases	<u>Service At</u>		
	<u>Beginning of Year</u>	<u>State Employee</u>	<u>Non-State Employee</u>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.25%	8.00%
	<u>Age</u>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

*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

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	30.00%	6.05%
International Equity	21.00%	6.71%
Private Equity	7.00%	10.20%
Domestic Fixed Income	23.00%	1.45%
Global Real Assets	19.00%	5.11%

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).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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 6.32 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 (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	5.32%	6.32%	7.32%
School's proportionate share of the NDPERS net pension liability:	\$ 1,063,630	\$ 782,764	\$ 548,390

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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, 2019, the District reported a liability of \$34,296 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018 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, 2018, the District's proportion was 0.043547 percent which was an increase of 0.003888 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$4,742. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,027	\$ 709
Changes of assumptions	2,814	-
Net difference between projected and actual earnings on OPEB plan investments	-	738
Changes in proportion and differences between employer contributions and proportionate share of contribution	3,141	-
District contributions subsequent to the measurement date	<u>7,749</u>	<u>-</u>
Total	<u>\$ 14,731</u>	<u>\$ 1,447</u>

\$7,749 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, 2020.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
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:		
2020	\$	793
2021		793
2022		793
2023		1,119
2024		1,059
2025		791
Thereafter		187

Actuarial Assumptions

The total OPEB liability in the July 1, 2018 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, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Domestic Equities	37.00%	7.15%
Small Cap Domestic Equities	9.00%	14.42%
International Equities	14.00%	8.83%
Core-Plus Fixed Income	40.00%	0.10%

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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, 2018, and July 1, 2017, 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, 2018, 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	\$ 43,393	\$ 34,296	\$ 26,498

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 (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

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, 2019, 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, 2019 was \$9,416.

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, 2019:

Year Ending June 30,	
2020	\$ 6,816
2021	6,816
2022	4,032
2023	2,640
2024	2,420
	<u>\$ 22,724</u>

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 13 NEW PRONOUNCEMENTS

GASB 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. 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 end of 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*, 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

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

NOTE 14 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through December 6, 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, 2019

	Budgeted Amounts			Over (Under) Final Budget
	Original	Final	Actual	
REVENUES				
Local Property Tax Levies	\$ 200,000	\$ 200,000	\$ 208,175	\$ 8,175
Other Local & County Revenues	192,000	192,000	67,600	(124,400)
Revenue From State Sources	2,230,000	2,230,000	2,076,132	(153,868)
Revenue From Federal Sources	3,091,707	3,091,707	3,128,280	36,573
Interest	4,500	4,500	4,875	375
TOTAL REVENUES	5,718,207	5,718,207	5,485,062	(233,145)
EXPENDITURES				
Business Support Services	332,386	332,386	321,612	(10,774)
Instructional Support Services	120,103	120,103	118,380	(1,723)
Administration	357,450	357,450	286,555	(70,895)
Operations and Maintenance	475,000	475,000	453,374	(21,626)
Transportation	476,500	476,500	273,679	(202,821)
Regular Instruction	3,123,083	3,123,083	2,861,019	(262,064)
Special Education	435,000	435,000	475,833	40,833
Extra-Curricular Activities	82,316	82,316	88,602	6,286
Food Services	-	-	297	297
Capital Outlay	-	-	271,110	271,110
Principal Retirement	-	-	292,893	292,893
Interest and Fiscal Charges on Long-Term Debt	-	-	24,094	24,094
TOTAL EXPENDITURES	5,401,838	5,401,838	5,467,448	65,610
Excess (Deficiency) of Revenues Over Expenditures	316,369	316,369	17,614	(298,755)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	316,369	316,369	17,614	(298,755)
Fund Balances - Beginning	1,722,964	1,722,964	1,722,964	-
Fund Balances - Ending	\$ 2,039,333	\$ 2,039,333	\$ 1,740,578	\$ (298,755)

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, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Other Local & County Revenues	\$ -	\$ -	\$ 1,886	\$ 1,886
Revenue from Federal Sources	-	-	199,122	199,122
Interest	-	-	329	329
TOTAL REVENUES	-	-	201,337	201,337
EXPENDITURES				
Food Services	304,021	304,021	302,150	(1,871)
TOTAL EXPENDITURES	304,021	304,021	302,150	(1,871)
Excess (Deficiency) of Revenues Over Expenditures	(304,021)	(304,021)	(100,813)	203,208
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(304,021)	(304,021)	(100,813)	203,208
Fund Balances - Beginning	177,258	177,258	177,258	-
Fund Balances - Ending	\$ (126,763)	\$ (126,763)	\$ 76,445	\$ 203,208

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
2019	\$ 206,768	\$ (206,768)	\$ -	\$ 1,621,711	12.75%
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
2019	\$ 95,974	\$ (95,974)	\$ -	\$ 680,207	14.11%
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.

See Notes to the Required Supplementary Information

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
	\$	\$		\$		
2019	7,749	7,749		-	680,207	1.14%
2018	6,006	6,006		-	532,083	1.13%

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)	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	0.227226%	\$ 3,028,600	\$ 1,544,703	196.06%	65.50%
2017	0.231833%	3,184,289	1,564,808	203.49%	63.20%
2016	0.265049%	3,883,123	1,722,089	225.49%	59.20%
2015	0.289502%	3,786,267	1,780,738	212.62%	62.10%
2014	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	0.046383%	\$ 782,764	\$ 476,500	164.27%	62.80%
2017	0.042029%	675,544	429,049	157.45%	61.98%
2016	0.039287%	382,890	395,922	96.71%	70.46%
2015	0.032002%	217,608	285,101	76.33%	77.15%
2014	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	0.0435%	\$ 34,296	476,500	7.20%	61.89%
2017	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

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

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 \$65,610 and in the Food Service Fund, budgeted expenditures exceeded actual expenditures by \$1,871.

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 – CHANGES OF ASSUMPTIONS

TFFR

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

- Investment return assumption lowered from 8% to 7.75%.
- Inflation assumption lowered from 3% to 2.75%.
- Total salary scale rates lowered by 0.25% due to lower inflation.
- Added explicit administrative expense assumption, equal to prior year administrative expense plus inflation.
- Rates of turnover and retirement were changed to better reflect anticipated future experience.
- Updated mortality assumption to the RP-2014 mortality tables with generational improvement.

NDPERS

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 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 2019 reflect actuarial assumption changes effective July 1, 2018 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 aggregate remaining fund information of the District as of and for the year ended June 30, 2019, 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 December 6, 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

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

December 6, 2019

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

To the Board of Education
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 programs for the year ended June 30, 2019. The Warwick Public School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether 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 programs. 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 programs for the year ended June 30, 2019.

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 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, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-003 that we consider to be a significant deficiency.

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

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



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

December 6, 2019

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<u>CFDA #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of the Interior</u>			
Passed Through Spirit Lake Tribe			
15.130	Indian Education Assistance to Schools		\$ 29,999
	Total Department of the Interior		<u>29,999</u>
<u>Department of Education</u>			
84.041B	Impact Aid		2,232,511
84.060	Indian Education Grants to Local Educational Agencies		57,289
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	620,887
84.367	Title II Part A - Teacher and Principal Quality	F84367	62,788
84.424	Title IV Transferability	F84424	<u>55,641</u>
	Total Passed through ND DPI		<u>739,316</u>
Passed Through Devils Lake Public School District			
84.287	21st Century Community Learning Centers	F84287A	<u>69,165</u>
	Total Passed Through North Valley Career-Tech Center		<u>69,165</u>
	Total Department of Education		<u>3,098,281</u>
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.555	Child Nutrition - School Lunch	F10555	125,888
10.553	Child Nutrition - School Breakfast	F10553	50,134
10.559	Summer Food Service	F10559	3,349
10.555	Food Distribution-Non Cash	F10555	<u>9,416</u>
	Total Cluster		<u>188,787</u>
10.560	SAE Food Nutrition	F10560	1,351
10.582	Fruit and Vegetable Grant	F10582	<u>8,984</u>
	Total Department of Agriculture		<u>199,122</u>
	TOTAL		<u>\$3,327,402</u>

See Notes to the Schedule of Expenditures of Federal Awards

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards (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.

NOTE 2 – INDIRECT COST RATE

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 3 - 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 4 - BASIS OF PRESENTATION

The accompanying 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, 2019. 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 5 - 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, 2019

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? x yes 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? x yes 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)? x yes no

Identification of major programs:

CFDA Number(s) Name of Federal Program of Cluster

84.041	Impact Aid
84.010	Title I

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001 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.

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

2019-002 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 general accepted in the United States of America.

Condition

The District's auditors prepared the financial statements as of June 30, 2019. 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.

Cause

The District does not have the resources to prepare full accrual financial statements.

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. We will review the draft financial statements and adjusting journal entries as recommended.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-003 Finding

CFDA No. 84.010 - Title I Grants to Local Educational Agencies
Award Period: July 1, 2018 through June 30, 2019
U.S. Department of Education
Passthrough Entity: North Dakota Department of Public Instruction

Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Criteria

To provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with costs principles identified in 2 CFR §200.

Condition

During the testing of the District's expenditures, it was noted two expenditures incurred during the fiscal year did not have proper supporting documentation.

Cause

The District did not maintain supporting invoice documentation for these expenditures.

Effect

Questioned costs are occurring due to the lack of supporting documentation

Questioned Costs

\$278.99 (actual costs)

Context

Forty (40) expenditures from CFDA No. 84.010 were selected for testing, twenty-three (23) to vendors and seventeen (17) payroll transactions. Two of the vendor transactions, or 8.7% of the vendor transactions tested, did not have proper supporting documentation. Of the total expenditures for CFDA 84.010, \$620,887, the sample of expenditures tested totaled \$510,120, or 82.2% of total CFDA expenditures. The sample selected is considered to be statistically valid.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the District maintain all supporting documentation for expenditures incurred.

Management's Response

Management will follow procedures and properly maintain supporting documentation for expenditures incurred.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-001 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 2019-001.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-002 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 district 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 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.

Corrective Action Taken

None. See current year finding 2019-002.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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 school district's general fund cash account was not reconciled to the bank statements regularly during the year ended June 30, 2018. 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

Corrective action has been taken by management.

Home of the Warriors

School Board:

Larry Thiele, Chairman
Heather Lawrence, Director
Mary Langley, Director
Shane Moxness, Director
Jean Wallace, Vice-Chairman
Theresa Brien, Business Manager



Administration:

Dean Dauphinais, Superintendent
Angela Brandt, Elem. Principal
Ben Allmaras, HS Principal
Cheryl Poitra, MS Principal

Phone: 294-2561

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

Fax: 294-2626

**CORRECTIVE ACTION PLAN
JUNE 30, 2019**

2019-001

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.

2019-002

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.

2019-003

Contact Person

Theresa Brien-Knutson

Planned Corrective Action

Management will follow procedures and properly maintain supporting documentation for expenditures incurred.

Planned Completion Date

Immediately.

WARWICK PUBLIC SCHOOL DISTRICT DOES NOT DISCRIMINATE ON THE BASIS OF RACE, NATIONAL ORIGIN, SEX OR HANDICAP IN ITS EDUCATION PROGRAMS, ACTIVITIES AND EMPLOYMENT PRACTICES.