

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

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**ROSTER OF SCHOOL OFFICIALS - UNAUDITED**  
**JUNE 30, 2021**

Jean Wallace	President
Larry Thiele	Vice-President
Shane Moxness	Board Member
Kelly Gannon	Board Member
Mary Langley	Board Member
Angela Brandt	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 and each major fund of Warwick Public School District No. 29, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 and each major fund of Warwick Public School District No. 29 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Adoption of New Accounting Standard*

As described in Note 12 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As discussed in Note 12 to the financial statements, the District has restated the previously reported Net Position and Fund Balances in accordance with this statement. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule of the general 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.

### ***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 January 3, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



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

January 3, 2022

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

The discussion and analysis of Warwick Public School District's financial performance provides an overall review of the District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2021 are as follows:

- Net position of the District decreased \$780,227 as a result of the current year's operations.
- Governmental net position totaled \$(464,151).
- Total revenues from all sources were \$5,823,523.
- Total expenses were \$6,603,750.
- The District's general fund had \$5,529,320 in total revenues and \$5,707,921 in expenditures. Overall, the general fund balance decreased by \$178,601 for the year ended June 30, 2021.

**Using this Annual Report**

This annual report consists of a series of financial statements and related footnotes. These statements are organized so the reader can understand Warwick Public School District No. 29 as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column.

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did the District do financially during the year ended June 30, 2021?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred inflows and outflows of resources, and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

These two statements report the District's net position and changes in its net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, current property tax laws in North Dakota, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Food Service Fund.

#### **Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

#### **Financial Analysis of the District as a Whole**

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2021.

As indicated in the financial highlights, the District's net position decreased by \$780,227. Long-term liabilities increased by \$2,229,116 for the year ended June 30, 2021 primarily due to changes in the net pension liability. Net position may serve over time as a useful indicator of the District's financial position.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

The District's net position of \$(464,151) is segregated into three separate categories. Net position invested in Capital Assets (net of related debt) represents \$2,973,484 of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents \$22,168 of the District's net position. The remaining unrestricted net position represents \$(3,459,803) of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

Table 1

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 1,540,970	\$ 1,866,887
Capital Assets (Net of Accumulated Depreciation)	<u>3,346,427</u>	<u>3,459,374</u>
Total Assets	<u>4,887,397</u>	<u>5,326,261</u>
Deferred Outflows of Resources	<u>2,825,594</u>	<u>1,218,632</u>
Liabilities		
Current Liabilities	677,590	950,602
Non-Current Liabilities	<u>6,712,834</u>	<u>4,362,838</u>
Total Liabilities	<u>7,390,424</u>	<u>5,313,440</u>
Deferred Inflows of Resources	<u>786,718</u>	<u>931,486</u>
Net Position		
Net Investment in Capital Assets	2,973,484	2,923,097
Restricted - Student Activities	22,168	-
Unrestricted	<u>(3,459,803)</u>	<u>(2,623,130)</u>
Total Net Position	<u>\$ (464,151)</u>	<u>\$ 299,967</u>

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Table 2 shows the changes in net position for the fiscal years ended June 30, 2021 and 2020.

Table 2

	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 71,979	\$ 65,643
Operating Grants and Contributions	3,203,984	3,033,801
General Revenues		
Property Taxes	222,272	216,963
State Aid - Formula Grants	2,322,030	2,017,019
Investment Earnings	3,258	3,835
Total Revenues	5,823,523	5,337,261
Expenses		
Business Support Services	344,362	289,341
Instructional Support Services	118,346	113,955
Administration	268,933	304,852
Operations and Maintenance	400,821	480,154
Transportation	230,942	303,455
Regular Instruction	4,413,437	3,784,525
Special Education	407,455	492,936
Extra-Curricular Activities	86,493	97,880
Food Services	318,252	356,148
Interest and Fees on Long-Term Debt	14,709	31,313
Total Expenses	6,603,750	6,254,559
Change in Net Position	(780,227)	(917,298)
Net Position - Beginning	299,967	1,217,265
GASB 84 Adjustment	16,109	-
Net Position - Beginning as Restated	316,076	1,217,265
Net Position - Ending	\$ (464,151)	\$ 299,967

Property taxes constituted 4%, state aid 40%, operating grants and contributions 55%, charges for services made up 1%, and interest income made up less than 1% of the total revenues of governmental activities of the District for fiscal year 2021.

Regular instruction comprised 67% of District expenses.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and other unrestricted revenues.

Table 3

	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021	Total Cost for Year Ended 6/30/2020	Net Cost for Year Ended 6/30/2020
Business Support Services	\$ 344,362	\$ (344,362)	\$ 289,341	\$ (289,341)
Instructional Support Services	118,346	(118,346)	113,955	(113,955)
Administration	268,933	(268,933)	304,852	(304,852)
Operations and Maintenance	400,821	(400,821)	480,154	(480,154)
Transportation	230,942	(158,499)	303,455	(190,128)
Regular Instruction	4,413,437	(1,534,497)	3,784,525	(1,095,975)
Special Education	407,455	(380,670)	492,936	(464,651)
Extra-Curricular Activities	86,493	(77,157)	97,880	(97,880)
Food Services	318,252	(29,793)	356,148	(86,866)
Interest and Fees on Long-Term Debt	14,709	(14,709)	31,313	(31,313)
Total Expenses	<u>\$ 6,603,750</u>	<u>\$ (3,327,787)</u>	<u>\$ 6,254,559</u>	<u>\$ (3,155,115)</u>

Business support services and administration include expenses associated with administrative and financial supervision of the District.

Instructional support services include the activities involved with assisting staff with the content and process of teaching to pupils.

Administration includes payroll expenses for the Superintendent and for the School Board members as well as other benefit expenses.

Operations and maintenance of plant activities involve maintaining the school grounds, buildings, and equipment in an effective working condition.

Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Special education includes costs that support the education of students with other needs.

Extra-curricular activities include expenses related to student activities provided by the District, which are designed to provide opportunities for pupils to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Food Services include expenses directly dealing with providing breakfast and lunch service to students and staff of the District.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Interest and fees on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

**Financial Analysis of the District's Governmental Funds**

The focus of the District's governmental funds is to provide information on the near-term inflows, outflows, and balances of available resources. Unassigned fund balance generally may be used as a measure of the District's net resources available for spending at the end of the fiscal year. These funds are accounted for by using the modified accrual basis of accounting. The District's governmental funds had total revenues of \$5,817,899 and expenditures of \$6,026,173 for the year ended June 30, 2021. As of June 30, 2021, the unassigned fund balance of the District's general fund was \$1,019,466.

**Budget Highlights**

During the course of the 2021 fiscal year, the District's general fund received \$652,755 less revenues and incurred \$1,118,089 less expenditures than budgeted. This is primarily the result of Title I and ESSER revenues coming in much lower than budgeted for during the year as well as ESSER expenditures being lower than budgeted.

**Capital Assets**

As of June 30, 2021, the District had \$3,346,427 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2021 (see Note 4 for details).

Table 4

	6/30/2020	6/30/2021
Buildings	\$ 2,761,794	\$ 2,673,467
Equipment	186,945	209,788
Vehicles	510,635	463,172
Total	\$ 3,459,374	\$ 3,346,427

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Long-Term Liabilities:**

As of June 30, 2020, the District had \$6,888,727 in outstanding long-term liabilities. The District increased its long-term liabilities by \$2,229,116 from June 30, 2020 (See Note 5). See below for a description of the District's long-term liabilities:

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
Notes Payable	\$ 182,360	\$ -	\$ (48,921)	\$ 133,439	\$ 57,957
Capital Lease Payable	353,917	-	(114,413)	239,504	117,936
Compensated Absences	68,099	-	(10,889)	57,210	-
Net OPEB Liability	52,325	26,002	(15,575)	62,752	-
Net Pension Liability	4,002,910	3,332,428	(939,516)	6,395,822	-
<b>Total</b>	<b><u>\$4,659,611</u></b>	<b><u>\$3,358,430</u></b>	<b><u>\$(1,129,314)</u></b>	<b><u>\$6,888,727</u></b>	<b><u>\$ 175,893</u></b>

**For the Future:**

Warwick Public School District will continue to evaluate our financial status based on the demographics and needs of the District. Staffing will be based on current and projected enrollment and resources needed to assist our families. The District has added staff at different levels due to the availability of federal dollars to assist with the costs. The impact of COVID on the 2020/2021 school year has placed an additional financial demand on the District. CARES dollars have been used to assist with the additional costs in preventive resources, a sustained evaluation of needs will result in determining allocations to keep our students and staff safe.

**Contacting the District's Financial Management:**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. You may request a copy of this report by contacting Theresa Brien-Knutson, Business Manager, Warwick Public School District, 210 4<sup>th</sup> Ave, Warwick, ND 58381, or email at Theresa.Brien@k12.nd.us

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

<b>ASSETS</b>	
Current Assets:	
Cash	\$ 1,110,214
Property Taxes Receivable	44,227
Due From State	368,742
Due From Other Government	17,787
Total Current Assets	1,540,970
Non-Current Assets:	
Capital Assets	
Buildings	4,698,864
Equipment	596,680
Vehicles	695,341
Less Accumulated Depreciation	(2,644,458)
Total Non-Current Assets	3,346,427
<b>TOTAL ASSETS</b>	<b>4,887,397</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	988,137
Cost Sharing Defined Benefit Pension Plan - NDPERS	1,798,952
Cost Sharing Defined Benefit OPEB Plan - NDPERS	38,505
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,825,594</b>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	93,665
Accrued Liabilities	186,239
Accrued Payroll	215,620
Interest Payable	6,173
Capital Leases Payable Within a Year	117,936
Notes Payable Within a Year	57,957
Total Current Liabilities	677,590
Long-Term Liabilities:	
Capital Leases Payable (Net of Current Portion)	121,568
Notes Payable (Net of Current Portion)	75,482
Compensated Absences	57,210
Net OPEB Liability	62,752
Net Pension Liability	6,395,822
Total Non-Current Liabilities	6,712,834
<b>TOTAL LIABILITIES</b>	<b>7,390,424</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan - TFFR	434,120
Cost Sharing Defined Benefit Pension Plan - NDPERS	351,094
Cost Sharing Defined Benefit OPEB Plan - NDPERS	1,504
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>786,718</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,973,484
Restricted - Student Activities	22,168
Unrestricted	(3,459,803)
<b>TOTAL NET POSITION</b>	<b>\$ (464,151)</b>

See Notes to the Basic Financial Statements

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Business Support Services	\$ 344,362	\$ -	\$ -	\$ (344,362)
Instructional Support Services	118,346	-	-	(118,346)
Administration	268,933	-	-	(268,933)
Operations and Maintenance	400,821	-	-	(400,821)
Transportation	230,942	-	72,443	(158,499)
Regular Instruction	4,413,437	49,755	2,829,185	(1,534,497)
Special Education	407,455	-	26,785	(380,670)
Extra-Curricular Activities	86,493	9,336	-	(77,157)
Food Services	318,252	12,888	275,571	(29,793)
Interest and Fees on Long-Term Debt	14,709	-	-	(14,709)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 6,603,750</b>	<b>\$ 71,979</b>	<b>\$ 3,203,984</b>	<b>(3,327,787)</b>
<b>GENERAL REVENUES</b>				
Property Taxes, Levied for General Purposes				222,272
Aids and Payments from the State				2,322,030
Unrestricted Investment Earnings				3,258
<b>TOTAL GENERAL REVENUES</b>				<b>2,547,560</b>
Change in Net Position				(780,227)
Net Position - Beginning				299,967
GASB 84 Adjustment - See Note 12				16,109
Net Position - Beginning as Restated				316,076
Net Position - Ending				<b>\$ (464,151)</b>

See Notes to the Basic Financial Statements



**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 1,110,214	\$ -	\$ 1,110,214
Property Taxes Receivable	44,227	-	44,227
Due From State	343,338	25,404	368,742
Due From Other Government	17,787	-	17,787
Due From Other Funds	<u>61,853</u>	<u>-</u>	<u>61,853</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 1,577,419</b></u>	<u><b>\$ 25,404</b></u>	<u><b>\$ 1,602,823</b></u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 93,662	\$ -	\$ 93,662
Due to Other Funds	-	61,853	61,853
Accrued Liabilities	182,745	3,494	186,239
Accrued Payroll	<u>215,620</u>	<u>-</u>	<u>215,620</u>
<b>TOTAL LIABILITIES</b>	<u><b>492,027</b></u>	<u><b>65,347</b></u>	<u><b>557,374</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Uncollected Taxes	<u>43,758</u>	<u>-</u>	<u>43,758</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>43,758</b></u>	<u><b>-</b></u>	<u><b>43,758</b></u>
<b>FUND BALANCES</b>			
Unassigned	1,019,466	(39,943)	979,523
Restricted - Student Activities	<u>22,168</u>	<u>-</u>	<u>22,168</u>
<b>TOTAL FUND BALANCES</b>	<u><b>1,041,634</b></u>	<u><b>(39,943)</b></u>	<u><b>1,001,691</b></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><b>\$ 1,577,419</b></u>	<u><b>\$ 25,404</b></u>	<u><b>\$ 1,602,823</b></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, 2021**

Total fund balances - governmental funds		\$ 1,001,691
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	\$ 5,990,885	
Less: accumulated depreciation	<u>(2,644,458)</u>	
Net		3,346,427
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.		
		2,038,876
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.		
		43,758
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		(133,439)
Capital Lease Payable		(239,504)
Compensated Absences		(57,210)
Net OPEB Liability		(62,752)
Net Pension Liability		(6,395,822)
Interest payable is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		
		<u>(6,173)</u>
Net Position - Governmental Activities		<u>\$ (464,148)</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, 2021**

	General Fund	Food Service Fund	Total Governmental Funds
<b>REVENUES</b>			
Local Property Tax Levies	\$ 216,648	\$ -	\$ 216,648
Other Local and County Revenues	85,876	12,888	98,764
Revenue from State Sources	2,394,473	848	2,395,321
Revenue from Federal Sources	2,829,185	274,723	3,103,908
Interest	3,138	120	3,258
<b>TOTAL REVENUES</b>	<u>5,529,320</u>	<u>288,579</u>	<u>5,817,899</u>
<b>EXPENDITURES</b>			
Current:			
Business Support Services	344,362	-	344,362
Instructional Support Services	118,346	-	118,346
Administration	268,933	-	268,933
Operations and Maintenance	400,821	-	400,821
Transportation	164,780	-	164,780
Regular Instruction	3,657,303	-	3,657,303
Special Education	407,455	-	407,455
Extra-Curricular Activities	86,493	-	86,493
Food Services	-	318,252	318,252
Capital Outlay	68,625	-	68,625
Debt Service:			
Principal Retirement	163,334	-	163,334
Interest and Fiscal Charges on Long-Term Debt	27,469	-	27,469
<b>TOTAL EXPENDITURES</b>	<u>5,707,921</u>	<u>318,252</u>	<u>6,026,173</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(178,601)</u>	<u>(29,673)</u>	<u>(208,274)</u>
Net Change in Fund Balances	<u>(178,601)</u>	<u>(29,673)</u>	<u>(208,274)</u>
Fund Balance - Beginning of Year	1,204,126	(10,270)	1,193,856
GASB 84 Adjustment - See Note 12	16,109	-	16,109
Fund Balance - Beginning of Year as Restated	<u>1,220,235</u>	<u>(10,270)</u>	<u>1,209,965</u>
Fund Balance - End of Year	<u>\$ 1,041,634</u>	<u>\$ (39,943)</u>	<u>\$ 1,001,691</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, 2021**

Total net change in fund balances - Governmental Funds \$ (208,274)

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	\$	68,625
Depreciation Expense		<u>(181,572)</u>

Excess of depreciation expense over capital outlay (112,947)

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	5,624
--	-------

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.	163,334
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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	10,889
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Changes in deferred outflows and inflows of resources related to net pension liability	1,751,730
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Change in net OPEB liability	(10,427)
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Change in net pension liability	(2,392,916)
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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 \$12,760

12,760

Change in net position - Governmental Activities	<u>\$ (780,227)</u>
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See Notes to the Basic Financial Statements

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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.

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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.

***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.

***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

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources and uses of current financial resources.

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

**Basis of Accounting:**

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

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

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

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

**Revenues - Exchange and Non-Exchange Transactions:**

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

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

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

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

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**Unearned and Unavailable 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 unavailable revenue.

**Expenses and Expenditures:**

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

**Budgets and Budgetary Accounting:**

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

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

1. The administration prepares the District's budget. The budget includes proposed expenditures and the means of financing them. The budget is prepared on the modified accrual basis of accounting.
2. The Board reviews the budget, may make revisions, and adopts the final budget at the September board meeting to ensure it is adopted before the fifteenth of October each year. The budget is then filed with the county auditor by October tenth of each year.
3. The budget may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared, except no amendment changing the taxes levied can be made after October fifteenth of each year. The budget amounts shown in the financial statements are the final authorized amounts.
4. All appropriations lapse at the close of the District's fiscal year. The balance of the appropriation reverts back to each respective fund and is available for future appropriation.



**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

The General fund expenditures were \$1,118,089 under budget at June 30, 2021.

**Cash and Cash Equivalents:**

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

**Investments:**

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

**Fair Value Measurements:**

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

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

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

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

**Capital Assets:**

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

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

Buildings	50 Years
Equipment	10 Years
Vehicles	10 Years

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**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 \$35 per day. For employees and teachers who have been employed by the District for greater than 6 years, sick leave pay increases to \$60 for a maximum of 90 days. Upon termination, an employee will be paid for any unused sick days. At June 30, 2021, the accrued compensated absence liability was \$57,210.

**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 Public Employee Retirement System (NDPERS) and Teacher's Fund for Retirement (TFFR) and additions to/deductions from NDPERS and TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Post-Employment Benefits (OPEB):**

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

**Fund Balance Classifications:**

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

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

*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.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

*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 use, 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.

The District will strive to limit a maximum unassigned general fund balance of not more than 35 percent plus \$50,000 of the annual budget.

**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.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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 one type of item, 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 are eliminated in the statement of activities.

**Extraordinary and Special Items:**

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

**Estimates:**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Revenue Recognition - Property Taxes:**

Taxes receivable consist of current and delinquent uncollected taxes at June 30, 2021.

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.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

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, 2021, the District's receivables consist of amounts due from other governmental units within the State of North Dakota and the federal government.

**NOTE 3 CASH AND INVESTMENTS**

**Custodial Credit Risk – Deposits**

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

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

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

At June 30, 2021, the carrying amount of the District's deposits was \$1,110,214 and the bank balance was \$1,277,877. 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.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**NOTE 4 CAPITAL ASSETS**

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

	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 6/30/2021</u>
<b>Governmental Activities:</b>				
Capital Assets Being Depreciated				
Buildings	\$ 4,698,864	\$ -	\$ -	\$ 4,698,864
Equipment	546,754	49,926	-	596,680
Vehicles	676,642	18,699	-	695,341
Total	<u>5,922,260</u>	<u>68,625</u>	<u>-</u>	<u>5,990,885</u>
Less Accumulated Depreciation				
Buildings	1,937,070	88,327	-	2,025,397
Equipment	359,809	27,083	-	386,892
Vehicles	166,007	66,162	-	232,169
Total	<u>2,462,886</u>	<u>181,572</u>	<u>-</u>	<u>2,644,458</u>
Net Capital Assets Being Depreciated	<u>3,459,374</u>	<u>(112,947)</u>	<u>-</u>	<u>3,346,427</u>
Net Capital Assets for Governmental Activities	<u>\$ 3,459,374</u>	<u>\$ (112,947)</u>	<u>\$ -</u>	<u>\$ 3,346,427</u>

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	\$ 49,926	\$ 115,410
Transportation	18,699	66,162
Total	<u>\$ 68,625</u>	<u>\$ 181,572</u>

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**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**

	Balance 7/1/2020	Additions	Retirements	Balance 6/30/2021	Due in One Year
Notes Payable	\$ 182,360	\$ -	\$ (48,921)	\$ 133,439	\$ 57,957
Capital Lease Payable	353,917	-	(114,413)	239,504	117,936
Compensated Absences	68,099	-	(10,889)	57,210	-
Net OPEB Liability	52,325	26,002	(15,575)	62,752	-
Net Pension Liability	4,002,910	3,332,428	(939,516)	6,395,822	-
<b>Total</b>	<b>\$4,659,611</b>	<b>\$3,358,430</b>	<b>\$(1,129,314)</b>	<b>\$6,888,727</b>	<b>\$ 175,893</b>

Interest expense was \$14,709 for the year ended June 30, 2021.

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

**Notes Payable**

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

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

Western State Bank Note Payable			
Year	Principal	Interest	Total
2022	\$ 57,957	\$ 5,818	\$ 63,775
2023	59,913	3,862	63,775
2024	15,569	797	16,366
<b>Total</b>	<b>\$ 133,439</b>	<b>\$ 10,477</b>	<b>\$ 143,916</b>



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**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:

<u>Year</u>	<u>Principal</u>	<u>Capital Lease Interest</u>	<u>Total</u>
2022	\$ 117,936	\$ 7,375	\$ 125,311
2023	121,568	3,744	125,312
Total	<u>\$ 239,504</u>	<u>\$ 11,119</u>	<u>\$ 250,623</u>

**NOTE 6 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.



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*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 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 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

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

*Tier 1 Non-grandfathered*

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

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

*Tier 2*

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

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

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
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**Death and Disability Benefits**

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

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

**Member and Employer Contributions**

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

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

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

At June 30, 2021, the District reported a liability of \$3,875,322 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2020, 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, 2020, the Employer's proportion was 0.253206 percent which was an increase of 0.02203800 from its proportion measured as of June 30, 2019.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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For the year ended June 30, 2021, the Employer recognized pension expense of \$394,507. At June 30, 2021, 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	\$ 799	\$ 145,433
Changes in actuarial assumptions	174,424	-
Difference between projected and actual investment earnings	239,229	-
Changes in proportion	337,577	288,687
Contributions paid to TFFR subsequent to the measurement date	236,108	-
Total	<u>\$ 988,137</u>	<u>\$ 434,120</u>

\$236,108 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, 2022.

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>
2022	\$ 56,857
2023	1,565
2024	60,461
2025	92,320
2026	52,756
Thereafter	53,950

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.80% to 14.80%, varying by service, including inflation and productivity
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active and inactive members, mortality rates were based on the PubT-2010 Employee Table, projected with generational improvement using Scale MP-2019. For healthy retirees, mortality rates were based on 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019. For disabled retirees, mortality rates were based on the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
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The actuarial assumptions used were based on the results of an actuarial experience study dated March 19, 2020. They are the same as the assumptions used in the July 1, 2020, funding actuarial valuation for TFFR.

As a result of the March 19, 2020 actuarial experience study, the TFFR Board adopted several assumption changes, including the following:

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Individual salary increases were lowered;
- Rates of turnover, retirement, and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates.

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 as of July 1, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equities	58.00%	6.90%
Global Fixed Income	23.00%	1.30%
Global Real Assets	18.00%	5.00%
Cash Equivalents	1.00%	0.00%

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2020. 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, 2020, 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 July 1, 2020. 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, 2020.

**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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
School's proportionate share of the TFFR net pension liability:	\$ 5,161,721	\$ 3,875,322	\$ 2,806,259

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. TFFR's Comprehensive Annual Financial Report (CAFR) is located at [www.nd.gov/rio/sib/publications/cafr/default.htm](http://www.nd.gov/rio/sib/publications/cafr/default.htm).

**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

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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). For members hired on or after January 1, 2016, the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly 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. For members hired on or after January 1, 2020, the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

**Death and Disability Benefits**

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

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

**Refunds of Member Account Balance**

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



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**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. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 8.26% 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, 2021, the District reported a liability of \$2,520,498 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the District's proportion was 0.080117 percent which was an increase of 0.01022900 from its proportion measured July 1, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$540,266. At June 30, 2021, the District 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	\$ 9,809	\$ 127,716
Changes in actuarial assumptions	1,351,146	223,378
Difference between projected and actual investment earnings	81,349	-
Changes in proportion	303,099	-
Contributions paid to NDPERS subsequent to the measurement date	53,549	-
Total	<u>\$ 1,798,952</u>	<u>\$ 351,094</u>

\$53,549 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, 2022.

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

Year ending June 30:	Pension Expense Amount	
2022	\$	422,721
2023		368,384
2024		308,842
2025		294,362

**Actuarial Assumptions**

The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on the actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 Scale.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	6.30%
International Equity	21.00%	6.85%
Private Equity	7.00%	9.75%
Domestic Fixed Income	23.00%	1.25%
Global Real Assets	19.00%	5.01%

**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.



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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 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

**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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease in Discount Rate 3.64%	Discount Rate 4.64%	1% Increase in Discount Rate 5.64%
School's proportionate share of the NDPERS net pension liability:	\$ 3,270,157	\$ 2,520,498	\$ 1,907,094

**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 7 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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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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. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. 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, 2021, the District reported a liability of \$62,752 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020 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, 2020, the District's proportion was 0.074598 percent which was an increase of 0.00945100 from its proportion measured as of June 30, 2019.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

For the year ended June 30, 2021, the District recognized OPEB expense of \$12,835. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,394	\$ 1,504
Changes of assumptions	8,414	-
Net difference between projected and actual earnings on OPEB plan investments	2,158	-
Changes in proportion and differences between employer contributions and proportionate share of contribution	17,966	-
District contributions subsequent to the measurement date	8,574	-
Total	\$ 38,505	\$ 1,504

\$8,574 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, 2022.

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

<b>Year Ending June 30:</b>	
2022	\$ 5,823
2023	6,381
2024	6,279
2025	5,621
2026	3,775
2027	548

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2020 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
International Equities	21.00%	6.45%
Domestic Fixed Income	40.00%	1.15%

**Discount rate.** The discount rate used to measure the total OPEB liability was 6.50%. 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, 2020, calculated using the discount rate of 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease in Discount Rate 5.50%	Discount Rate 6.50%	1% Increase in Discount Rate 7.50%
District's proportionate share of the net OPEB liability	\$ 82,300	\$ 62,752	\$ 46,221

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**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 8 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 two million dollars per occurrence.

The District also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The District pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the District with blanket fidelity bond coverage in the amount of \$2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

**NOTE 9 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, 2021, 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 10 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, 2021 was \$11,995.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2021**

**NOTE 11 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, 2021:

Year Ending June 30,	
2022	\$ 4,032
2023	2,640
2024	<u>2,420</u>
	<u>\$ 9,092</u>

**NOTE 12 CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

The District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, beginning net position and beginning general fund balances have been restated to reflect the student activity cash balance of \$16,109, resulting in an increase in net position and general fund balance:

Net Position July 1, 2020 as previously reported	\$	299,967
Restatement for fiduciary accounting:		
Student Activity Fund Balance		<u>16,109</u>
Net Position July 1, 2020 as restated	\$	<u>316,076</u>
Fund Balances General Fund July 1, 2020 as previously reported	\$	1,204,126
Restatement for fiduciary accounting:		
Student Activity Fund Balance		<u>16,109</u>
Fund Balances General Fund July 1, 2020 as restated	\$	<u>1,220,235</u>

**NOTE 13 DEFICIT FUND BALANCE**

The Food Service fund has a deficit fund balance of \$(39,943) as of June 30, 2021. This deficit is expected to be addressed with future revenues and/or transfers from other funds.

**NOTE 14 INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2021, is as follows:

Receivable Fund	Payable Fund	Amount
General	Food Service	\$ 61,853

Interfund loans were made to compensate for funds with negative cash balances.



**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

**NOTE 15 NEW PRONOUNCEMENTS**

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 June 15, 2021. 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, 2020. Earlier application is encouraged.

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, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR), most notable, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement provides exceptions and clarifications regarding hedging derivative instruments for such transactions that result from the replacement of IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The statement provides definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* provides additional guidance for determining whether a primary government is financially accountable for a potential component unit. This Statement requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended,



**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED  
JUNE 30, 2021

should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021.

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

**NOTE 16 SUBSEQUENT EVENTS**

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through January 3, 2022, 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, 2021**

	Budgeted Amounts			Over (Under) Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Local Property Tax Levies	\$ 204,000	\$ 204,000	\$ 216,648	\$ 12,648
Other Local & County Revenues	60,000	60,000	85,876	25,876
Revenue From State Sources	2,447,986	2,447,986	2,394,473	(53,513)
Revenue From Federal Sources	3,465,589	3,465,589	2,829,185	(636,404)
Interest	4,500	4,500	3,138	(1,362)
<b>TOTAL REVENUES</b>	<b>6,182,075</b>	<b>6,182,075</b>	<b>5,529,320</b>	<b>(652,755)</b>
<b>EXPENDITURES</b>				
Business Support Services	261,878	261,878	344,362	82,484
Instructional Support Services	119,272	119,272	118,346	(926)
Administration	228,400	228,400	268,933	40,533
Operations and Maintenance	503,050	503,050	400,821	(102,229)
Transportation	412,550	412,550	164,780	(247,770)
Regular Instruction	4,848,802	4,848,802	3,657,303	(1,191,499)
Special Education	396,308	396,308	407,455	11,147
Extra-Curricular Activities	55,250	55,250	86,493	31,243
Capital Outlay	-	-	68,625	68,625
Principal Retirement	500	500	163,334	162,834
Interest and Fiscal Charges on Long-Term Debt	-	-	27,469	27,469
<b>TOTAL EXPENDITURES</b>	<b>6,826,010</b>	<b>6,826,010</b>	<b>5,707,921</b>	<b>(1,118,089)</b>
Excess (Deficiency) of Revenues Over Expenditures	(643,935)	(643,935)	(178,601)	465,334
Fund Balances - Beginning	1,204,126	1,204,126	1,204,126	-
GASB 84 Adjustment - See Note 12	16,109	16,109	16,109	-
Fund Balances - Beginning as Restated	1,220,235	1,220,235	1,220,235	-
Fund Balances - Ending	\$ 576,300	\$ 576,300	\$ 1,041,634	\$ 465,334

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
2021	\$ 236,108	\$ (236,108)	\$ -	\$ 1,851,905	12.75%
2020	237,646	(237,646)	-	1,863,929	12.75%
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
2021	\$ 53,549	\$ (53,549)	\$ -	\$ 752,092	7.12%
2020	58,070	(58,070)	-	815,589	7.12%
2019	51,787	(51,787)	-	680,207	7.61%
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
2021	\$ 8,574	\$ 8,574	\$ -	\$ 752,092	1.14%
2020	9,266	9,266	-	726,950	1.27%
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) (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
2020	0.253206%	\$ 3,875,322	\$ 1,847,543	209.76%	63.40%
2019	0.231168%	3,183,771	1,621,711	196.32%	65.50%
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
2021	0.080120%	\$ 2,520,498	\$ 883,790	285.19%	48.91%
2020	0.069890%	819,138	726,950	112.68%	71.66%
2019	0.046383%	782,764	476,500	164.27%	62.80%
2018	0.042029%	675,544	429,049	157.45%	61.98%
2017	0.039287%	382,890	395,922	96.71%	70.46%
2016	0.032002%	217,608	285,101	76.33%	77.15%
2015	0.039320%	249,572	331,226	75.35%	77.70%

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

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

See Notes to the Required Supplementary Information

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

**North Dakota Public Employees Retirement System – OPEB**

For the Fiscal Year Ended June 30	District's proportion of the net OPEB liability (asset)	District's proportionate share of the net OPEB liability (asset)	District's covered - employee payroll	District's proportionate share of the net OPEB liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2020	0.0746%	\$ 62,752	\$ 850,394	7.38%	63.38%
2019	0.0651%	52,325	726,950	7.20%	63.13%
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, 2021

**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, budgeted expenditures exceeded actual expenditures by \$1,118,089.

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 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.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

**NOTE 2 – CHANGES OF ASSUMPTIONS**

**TFFR**

Amounts reported in 2021 and later reflect the following actuarial assumption changes based on the results of an actuarial experience study dated March 19, 2020.

- Investment return assumption lowered from 7.75% to 7.25%;
- Inflation assumption lowered from 2.75% to 2.30%;
- Total salary increases were lowered;
- Rates of turnover, retirement and disability were changed to better reflect anticipated future experience;
- The post-retirement healthy mortality table was updated to 104% of the PubT-2010 Retiree table for retirees and to 95% of the PubT-2010 Contingent Survivor table for beneficiaries, both projected with generational improvement using Scale MP-2019;
- The disabled mortality was updated to the PubNS-2010 Non-Safety Disabled Mortality table projected with generational improvement using Scale MP-2019; and
- The pre-retirement mortality table was updated to the PubT-2010 Employee table projected with generational improvement using Scale MP-2019.

Amount reported in 2016-2020 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**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.50% to 7.00%
- The assumed rate of price inflation was lowered from 2.5% to 2.25%.
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation.
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.



**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

**OPEB**

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**NOTE 3 – CHANGES OF BENEFIT TERMS**

**NDPERS**

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final of the average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

**OPEB**

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

**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 and each major fund of the District as of and for the year ended June 30, 2021, 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 January 3, 2022.

### **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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warwick Public School District No. 29's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. 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**

January 3, 2022

## 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 program for the year ended June 30, 2021. The Warwick Public School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Warwick Public School District No. 29's major federal 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 program for the year ended June 30, 2021.

## **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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



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

January 3, 2022

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<u>AL #</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		\$ 16,802
	Total Department of the Interior		<u>16,802</u>
<u>Department of Education</u>			
84.041B	Impact Aid		1,963,275
84.060	Indian Education Grants to Local Educational Agencies		25,699
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	477,987
84.367	Title II Part A - Teacher and Principal Quality	F84367	3,886
84.424	Title IV Transferability	F84424	3,907
84.425D	COVID - ESSER	F84425D	99,607
	Total Passed through ND DPI		<u>585,387</u>
Passed Through Devils Lake Public School District			
84.048	Career and Technical Education		9,286
84.287	21st Century Community Learning Centers		62,334
	Total Passed Through Devils Lake Public School District		<u>71,620</u>
	Total Department of Education		<u>2,645,981</u>
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
	Child Nutrition Cluster:		
10.559	COVID - Summer Food Service Program for Children		261,903
10.555	Food Distribution-Non Cash		11,995
	Total Cluster		<u>273,898</u>
10.560	SAE Food Nutrition	F10560	825
	Total Department of Agriculture		<u>274,723</u>
<u>Department of Treasury</u>			
Passed Through the North Dakota State Department of Public Instruction			
21.019	COVID - Treasury Cares	F21019	166,402
	Total Department of Treasury		<u>166,402</u>
	TOTAL		<u>\$ 3,103,908</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, 2021

**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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 AL 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, 2021**

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified  
Internal control over financial reporting:  
    Material weakness(es) identified?   x   yes    no  
    Significant deficiency(ies) identified that are  
        not considered to be material weaknesses?    yes   x   none reported

Non-compliance material to financial  
statements noted?    yes   x   no

Federal Awards

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

Type of auditor’s report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are  
required to be reported in accordance with  
2 CFR 200.516(a)?    yes   x   no

Identification of major programs:

AL Number(s) Name of Federal Program or Cluster

84.041           Impact Aid

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

Auditee qualified as low-risk auditee?    yes   x   no



**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2021

**Section II – Financial Statement Findings**

**2021-001 FINDING**

**Criteria**

An appropriate system of internal controls maintains proper segregation of duties to provide reasonable assurance that transactions are handled appropriately.

**Condition**

The District has one office employee who is responsible for all accounting functions involved. The individual issues all checks and distributes them and does the bank reconciliations. The individual also records receipts and disbursements to the journals and maintains the general ledger. The degree of internal control is severely limited.

**Cause**

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

**Effect**

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

**Repeat Finding**

This is a repeat finding of 2020-001.

**Recommendation**

The District should separate the duties when it becomes feasible. As a compensating control, the District should ensure oversight by the Superintendent and Board regarding financial transaction activity.

**Management's Response**

We concur with the auditor's recommendation. The District will consider the costs and benefits of this recommendation.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**2021-002 FINDING**

**Criteria**

An appropriate system of internal controls requires the District to prepare financial statements in compliance with accounting principles generally accepted in the United States of America.

**Condition**

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board. However, the District currently does not prepare financial statements, including accompanying note disclosures, as required by accounting principles generally accepted in the United States of America. The District has elected to have the auditors assist in the preparation of the financial statements and notes.

**Cause**

The District elected to not allocate resources for the preparation of the financial statements.

**Effect**

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

**Repeat Finding**

This is a repeat finding of 2020-002.

**Recommendation**

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

**Management's Response**

We concur with the auditor's finding and will consider the risks and costs associated with the financial statement preparation.

**Section III – Federal Awards Findings and Questioned Costs**

There are no findings to be reported in this section.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**2020-001 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.

**Corrective Action Taken**

None. See current year finding 2021-001.

**WARWICK PUBLIC SCHOOL DISTRICT NO. 29**  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**2020-002 Finding**

**Criteria**

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

**Condition**

The District's auditors prepared the financial statements as of June 30, 2020. In addition, adjusting entries were proposed to bring the financial statements into compliance with accounting principles generally accepted in the United States of America (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.

**Corrective Action Taken**

None. See current year finding 2021-002.



Warwick Public School

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Warwick, ND 58381

Phone: (701) 294-2561 Fax: (701) 294-2626

Superintendent & High School Principal

Angela Brandt

Elementary & Middle School Principal

Kayla Rusten

**CORRECTIVE ACTION PLAN  
JUNE 30, 2021**

**2021-001**

**Contact Person**

Theresa Brien-Knutson, Business Manager

**Planned Corrective Action**

The District will implement when it becomes cost-effective.

**Planned Completion Date**

June 30, 2022

**2021-002**

**Contact Person**

Theresa Brien-Knutson, Business Manager

**Planned Corrective Action**

The District will implement when it becomes cost-effective.

**Planned Completion Date**

June 30, 2022



*Angela Brandt*

Superintendent/High School Principal

Warwick Public School

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