

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

AUDITED BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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WARWICK PUBLIC SCHOOL DISTRICT NO. 29
ROSTER OF SCHOOL OFFICIALS - UNAUDITED
JUNE 30, 2022

Jean Wallace	President
Bonita Moron	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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Warwick Public School District No. 29 (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2022 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As described in Note 13 to the financial statements, the District adopted new account guidance, GASB Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of school officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 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**

March 31, 2023

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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 2022 are as follows:

- Net position of the District increased \$1,580,746 as a result of the current year's operations.
- Governmental net position totaled \$1,116,595.
- Total revenues from all sources were \$7,703,792.
- Total expenses were \$6,123,046.
- The District's general fund had \$7,481,366 in total revenues and \$7,398,338 in expenditures. Overall, the general fund balance increased by \$83,028 for the year ended June 30, 2022.

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, 2022?" 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, 2022

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, 2022.

As indicated in the financial highlights, the District's net position increased by \$1,580,746. Long-term liabilities decreased by \$3,344,396 for the year ended June 30, 2022 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, 2022

The District's net position of \$1,116,595 is segregated into three separate categories. Net position invested in Capital Assets (net of related debt) represents \$4,473,232 of the District's entire net position. It should be noted that these assets are not available for future spending. Restricted net position represents \$14,134 of the District's net position. The remaining unrestricted net position represents \$(3,370,771) of the District's net position. The unrestricted net position is available to meet the District's ongoing obligations.

Table 1

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 1,800,878	\$ 1,540,970
Capital Assets (Net of Accumulated Depreciation)	4,671,859	3,346,427
Leased Assets (Net of Accumulated Amortization)	3,023	-
Total Assets	<u>6,475,760</u>	<u>4,887,397</u>
Deferred Outflows of Resources	<u>1,698,684</u>	<u>2,825,594</u>
Liabilities		
Current Liabilities	937,820	677,590
Non-Current Liabilities	3,365,210	6,712,834
Total Liabilities	<u>4,303,030</u>	<u>7,390,424</u>
Deferred Inflows of Resources	<u>2,754,819</u>	<u>786,718</u>
Net Position		
Net Investment in Capital Assets	4,473,232	2,973,484
Restricted - Student Activities	14,134	22,168
Unrestricted	(3,370,771)	(3,459,803)
Total Net Position	<u>\$ 1,116,595</u>	<u>\$ (464,151)</u>

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Table 2 shows the changes in net position for the fiscal years ended June 30, 2022 and 2021.

Table 2

	2022	2021
Revenues		
Program Revenues		
Charges for Services	\$ 82,405	\$ 71,979
Operating Grants and Contributions	5,245,537	3,203,984
General Revenues		
Property Taxes	221,861	222,272
State Aid - Formula Grants	2,150,856	2,322,030
Investment Earnings	3,133	3,258
Total Revenues	7,703,792	5,823,523
Expenses		
Business Support Services	218,316	344,362
Instructional Support Services	126,060	118,346
Administration	345,185	268,933
Operations and Maintenance	486,481	400,821
Transportation	291,790	230,942
Regular Instruction	3,808,073	4,413,437
Special Education	379,592	407,455
Extra-Curricular Activities	155,254	86,493
Food Services	297,951	318,252
Interest and Fees on Long-Term Debt	14,344	14,709
Total Expenses	6,123,046	6,603,750
Change in Net Position	1,580,746	(780,227)
Net Position - Beginning	(464,151)	316,076
Net Position - Ending	\$ 1,116,595	\$ (464,151)

Property taxes constituted 3%, state aid 28%, operating grants and contributions 68%, 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 2022.

Regular instruction comprised 62% of District expenses.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

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 6/30/2022	Net Cost for Year Ended 6/30/2022	Total Cost for Year Ended 6/30/2021	Net Cost for Year Ended 6/30/2021
Business Support Services	\$ 218,316	\$ (218,316)	\$ 344,362	\$ (344,362)
Instructional Support Services	126,060	(126,060)	118,346	(118,346)
Administration	345,185	(345,185)	268,933	(268,933)
Operations and Maintenance	486,481	(486,481)	400,821	(400,821)
Transportation	291,790	(179,496)	230,942	(158,499)
Regular Instruction	3,808,073	1,145,943	4,413,437	(1,534,497)
Special Education	379,592	(379,592)	407,455	(380,670)
Extra-Curricular Activities	155,254	(133,276)	86,493	(77,157)
Food Services	297,951	(58,297)	318,252	(29,793)
Interest and Fees on Long-Term Debt	14,344	(14,344)	14,709	(14,709)
Total Expenses	<u>\$ 6,123,046</u>	<u>\$ (795,104)</u>	<u>\$ 6,603,750</u>	<u>\$ (3,327,787)</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, 2022

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 \$7,721,080 and expenditures of \$7,696,289 for the year ended June 30, 2022. As of June 30, 2022, the unassigned fund balance of the District's general fund was \$1,110,528.

Budget Highlights

During the course of the 2022 fiscal year, the District's general fund received \$1,694,747 more revenues and incurred \$1,600,652 more expenditures than budgeted. This is primarily the result of ESSER revenues coming in much higher than budgeted for during the year as well as ESSER expenditures being higher than budgeted.

Capital Assets

As of June 30, 2022, the District had \$4,671,859 invested in capital assets, net of accumulated depreciation. Table 4 shows balances as of June 30, 2022 (see Note 4 for details).

Table 4

	6/30/2021	6/30/2022
Construction in Progress	\$ -	\$ 1,434,271
Buildings	2,673,467	2,585,140
Equipment	209,788	187,790
Vehicles	463,172	464,658
Total	\$ 3,346,427	\$ 4,671,859

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

Long-Term Liabilities:

As of June 30, 2022, the District had \$3,544,331 in outstanding long-term liabilities. The District decreased its long-term liabilities by \$3,344,396 from June 30, 2021 (See Note 5). See below for a description of the District's long-term liabilities:

	Balance 7/1/2021	Additions	Retirements	Balance 6/30/2022	Due in One Year
Notes Payable	\$ 133,439	\$ -	\$ (57,957)	\$ 75,482	\$ 59,913
Finance Purchase Payable	239,504	-	(117,936)	121,568	121,568
Compensated Absences	57,210	-	776	57,986	-
Net OPEB Liability	62,752	11,890	(43,920)	30,722	-
Net Pension Liability	6,395,822	1,333,810	(4,471,059)	3,258,573	-
Total	\$ 6,888,727	\$ 1,345,700	\$ (4,690,096)	\$ 3,544,331	\$ 181,481

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 2021/2022 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 4th Ave, Warwick, ND 58381, or email at Theresa.Brien@k12.nd.us

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Current Assets:	
Cash	\$ 988,977
Property Taxes Receivable	29,645
Due From State	28,015
Due From Federal	754,241
Total Current Assets	1,800,878
Non-Current Assets:	
Capital Assets	
Buildings	4,698,864
Equipment	602,991
Vehicles	767,841
Construction in Progress	1,434,271
Less Accumulated Depreciation	(2,832,108)
Leased Assets	4,600
Less Accumulated Amortization	(1,577)
Total Non-Current Assets	4,674,882
TOTAL ASSETS	6,475,760
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	591,461
Cost Sharing Defined Benefit Pension Plan - NDPERS	1,077,544
Cost Sharing Defined Benefit OPEB Plan - NDPERS	29,679
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,698,684
LIABILITIES	
Current Liabilities:	
Accounts Payable	104,845
Accrued Liabilities	169,170
Accrued Payroll	243,431
Unearned Income	230,480
Interest Payable	6,173
Finance Purchase Payable Within a Year	121,568
Notes Payable Within a Year	59,913
Lease Liabilities Payable Within a Year	2,240
Total Current Liabilities	937,820
Long-Term Liabilities:	
Notes Payable (Net of Current Portion)	15,569
Lease Liabilities (Net of Current Portion)	2,360
Compensated Absences	57,986
Net OPEB Liability	30,722
Net Pension Liability	3,258,573
Total Non-Current Liabilities	3,365,210
TOTAL LIABILITIES	4,303,030
DEFERRED INFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan - TFFR	1,191,250
Cost Sharing Defined Benefit Pension Plan - NDPERS	1,541,028
Cost Sharing Defined Benefit OPEB Plan - NDPERS	22,541
TOTAL DEFERRED INFLOWS OF RESOURCES	2,754,819
NET POSITION	
Net Investment in Capital and Lease Assets	4,473,232
Restricted - Student Activities	14,134
Unrestricted	(3,370,771)
TOTAL NET POSITION	\$ 1,116,595

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
GOVERNMENTAL ACTIVITIES				
Business Support Services	\$ 218,316	\$ -	\$ -	\$ (218,316)
Instructional Support Services	126,060	-	-	(126,060)
Administration	345,185	-	-	(345,185)
Operations and Maintenance	486,481	-	-	(486,481)
Transportation	291,790	-	112,294	(179,496)
Regular Instruction	3,808,073	28,718	4,925,298	1,145,943
Special Education	379,592	-	-	(379,592)
Extra-Curricular Activities	155,254	21,978	-	(133,276)
Food Services	297,951	31,709	207,945	(58,297)
Interest and Fees on Long-Term Debt	14,344	-	-	(14,344)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6,123,046	\$ 82,405	\$ 5,245,537	(795,104)
GENERAL REVENUES				
Property Taxes, Levied for General Purposes				221,861
Aids and Payments from the State				2,150,856
Unrestricted Investment Earnings				3,133
TOTAL GENERAL REVENUES				2,375,850
Change in Net Position				1,580,746
Net Position - Beginning				(464,151)
Net Position - Ending				\$ 1,116,595

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds
ASSETS			
Cash	\$ 988,977	\$ -	\$ 988,977
Property Taxes Receivable	29,645	-	29,645
Due From State	28,015	-	28,015
Due From Federal	754,241	-	754,241
Due From Other Funds	55,890	-	55,890
	<u>\$ 1,856,768</u>	<u>\$ -</u>	<u>\$ 1,856,768</u>
TOTAL ASSETS			
LIABILITIES			
Accounts Payable	\$ 104,845	\$ -	\$ 104,845
Due to Other Funds	-	55,890	55,890
Accrued Liabilities	126,880	42,290	169,170
Accrued Payroll	243,431	-	243,431
Unearned Income	230,480	-	230,480
	<u>705,636</u>	<u>98,180</u>	<u>803,816</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Uncollected Taxes	26,470	-	26,470
	<u>26,470</u>	<u>-</u>	<u>26,470</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
FUND BALANCES			
Unassigned	1,110,528	(98,180)	1,012,348
Restricted - Student Activities	14,134	-	14,134
	<u>1,124,662</u>	<u>(98,180)</u>	<u>1,026,482</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 1,856,768</u>	<u>\$ -</u>	<u>\$ 1,856,768</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, 2022

Total fund balances - governmental funds	\$	1,026,482
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	\$	7,503,967
Less: accumulated depreciation		<u>(2,832,108)</u>
Net		4,671,859
Lease assets used in governmental activities are not financial resources and, therefore are not reported as assets in governmental funds.		
Cost	\$	4,600
Less: Accumulated Amortization		<u>(1,577)</u>
Net		3,023
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.		
		(1,056,135)
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.		
		26,470
Long-term liabilities are not due and payable in the current period and therefore are not recorded as liabilities in the governmental funds.		
Lease Liabilities		(4,600)
Notes Payable		(75,482)
Finance Purchase Payable		(121,568)
Compensated Absences		(57,986)
Net OPEB Liability		(30,722)
Net Pension Liability		(3,258,573)
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>\$</u>	<u>1,116,595</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, 2022

	General Fund	Food Service Fund	Total Governmental Funds
REVENUES			
Local Property Tax Levies	\$ 239,149	\$ -	\$ 239,149
Other Local and County Revenues	50,696	31,709	82,405
Revenue from State Sources	2,263,150	344	2,263,494
Revenue from Federal Sources	4,925,298	207,601	5,132,899
Interest	3,073	60	3,133
TOTAL REVENUES	7,481,366	239,714	7,721,080
EXPENDITURES			
Current:			
Business Support Services	215,064	-	215,064
Instructional Support Services	126,060	-	126,060
Administration	345,185	-	345,185
Operations and Maintenance	486,481	-	486,481
Transportation	220,776	-	220,776
Regular Instruction	3,764,932	-	3,764,932
Special Education	379,592	-	379,592
Extra-Curricular Activities	155,254	-	155,254
Food Services	-	297,951	297,951
Capital Outlay	1,513,082	-	1,513,082
Debt Service:			
Principal Retirement	175,893	-	175,893
Principal Retirement - Leases	1,431	-	1,431
Interest and Fiscal Charges on Long-Term Debt	14,344	-	14,344
Interest and Fiscal Charges on Leases	244	-	244
TOTAL EXPENDITURES	7,398,338	297,951	7,696,289
Excess (Deficiency) of Revenues over Expenditures	83,028	(58,237)	24,791
Net Change in Fund Balances	83,028	(58,237)	24,791
Fund Balance - Beginning of Year	1,041,634	(39,943)	1,001,691
Fund Balance - End of Year	\$ 1,124,662	\$ (98,180)	\$ 1,026,482

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, 2022

Total net change in fund balances - Governmental Funds \$ 24,791

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	\$	1,513,082
Depreciation Expense		<u>(187,651)</u>

Excess of capital outlay over depreciation expense 1,325,431

Lease payments are reported in the governmental funds as expenditures. However, in the statement of activities, those assets are set up as lease assets and amortized over the life of the lease along with interest expenses. In the current period, this resulted in the following difference:

Amortization Expense - Leases	\$	(3,008)
Fund Financials Expenses - Leases		<u>1,431</u>

(1,577)

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 (17,288)

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. 175,893

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 (776)

Changes in deferred outflows and inflows of resources related to net pension liability (3,095,007)

Change in net OPEB liability 32,030

Change in net pension liability 3,137,249

Change in net position - Governmental Activities \$ 1,580,746

See Notes to the Basic Financial Statements

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2022

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, 2022

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, 2022

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, 2022

The General fund expenditures were \$1,600,652 over budget at June 30, 2022.

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, 2022

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, 2022, the accrued compensated absence liability was \$57,986.

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.

Leases

The determination of whether an arrangement contains a lease is made at inception by evaluating whether the arrangement conveys the right to use an identified asset and whether the District has control of the right to use asset. Control includes the right to obtain present service capacity and the right to determine the nature and manner of use of the underlying asset, as specified in the contract.

Leases with an initial lease term of more than 12 months, or that contain an option to purchase that the District is reasonably certain to exercise, are recognized based on the present value of lease payments over the lease term discounted using the interest rate implicit in the lease. In cases where the implicit rate is not readily determinable, the District uses its incremental borrowing rate based on the information available at the lease commencement date. The District has made an accounting policy election to use a risk free rate based on US Treasury T-bill rate as of the lease commencement. The District accounts for lease agreements with lease and non-lease components together as a single lease component for all underlying classes of assets.

The District continues to record rent expense for short term leases on a straight-line basis over the lease term. Short term leases have a term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the District is reasonably certain to exercise.

The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

The District's lease agreements do not include any material residual value guarantees or restrictive covenants.

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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.

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Net Position:

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

Deferred Outflows/Inflows of Resources:

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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, 2022.

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

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

Significant Group Concentrations of Credit Risk:

As of June 30, 2022, 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, 2022, the carrying amount of the District's deposits was \$988,977 and the bank balance was \$1,632,540. 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Interest Rate Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk - Investments

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

NOTE 4 CAPITAL ASSETS

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

	Balance 7/1/2021	Additions	Disposals	Balance 6/30/2022
Governmental Activities:				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ -	\$ 1,434,271	\$ -	1,434,271
Total	-	1,434,271	-	1,434,271
Capital Assets Being Depreciated				
Buildings	4,698,864	-	-	4,698,864
Equipment	596,680	6,311	-	602,991
Vehicles	695,341	72,500	-	767,841
Total	5,990,885	78,811	-	6,069,696
Less Accumulated Depreciation				
Buildings	2,025,397	88,327	-	2,113,724
Equipment	386,892	28,309	-	415,201
Vehicles	232,168	71,015	-	303,183
Total	2,644,457	187,651	-	2,832,108
Net Capital Assets Being Depreciated	3,346,428	(108,840)	-	3,237,588
Net Capital Assets for Governmental Activities	<u>\$ 3,346,428</u>	<u>\$ 1,325,431</u>	<u>\$ -</u>	<u>\$ 4,671,859</u>

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

	Additions	Depreciation
Regular Instruction	\$ 6,311	\$ 116,637
Regular Instruction - CWIP	1,434,271	-
Transportation	72,500	71,014
Total	<u>\$ 1,513,082</u>	<u>\$ 187,651</u>

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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 7/1/2021	Additions	Retirements	Balance 6/30/2022	Due in One Year
Notes Payable	\$ 133,439	\$ -	\$ (57,957)	\$ 75,482	\$ 59,913
Finance Purchase Payable	239,504	-	(117,936)	121,568	121,568
Compensated Absences	57,210	-	776	57,986	-
Net OPEB Liability	62,752	11,890	(43,920)	30,722	-
Net Pension Liability	6,395,822	1,333,810	(4,471,059)	3,258,573	-
Total	\$ 6,888,727	\$ 1,345,700	\$ (4,690,096)	\$ 3,544,331	\$ 181,481

Interest expense was \$14,344 for the year ended June 30, 2022.

Notes payable and the finance purchase 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
2023	\$ 59,913	\$ 3,862	\$ 63,775
2024	15,569	797	16,366
Total	\$ 75,482	\$ 4,659	\$ 80,141

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Finance Purchase Payable

During April 2018, the District entered into a Finance Purchase Agreement as lessee for financing the acquisition of seven school buses from SCB Public Finance. The bus lease qualifies as a finance purchase 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 finance purchase matures on August 15, 2022. This finance purchase 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>Finance Purchase Interest</u>	<u>Total</u>
2023	\$ 121,568	\$ 3,744	\$ 125,312
Total	<u>\$ 121,568</u>	<u>\$ 3,744</u>	<u>\$ 125,312</u>

NOTE 6 LEASES

The District leases a copy machine at its school location in Warwick, North Dakota. The term of the lease is for a period of 60 months, commencing in May 2019 and terminating May 2024, with a monthly payment of \$220.

Following is the total lease expense for the year ended June 30, 2022:

Lease expense	<u>Year Ended 6/30/2022</u>
Amortization expense by class of underlying asset	
Copy Machine	\$ 3,008
Total amortization expense	3,008
Interest on lease liabilities	244
Variable lease expense	-
Total	<u>\$ 3,252</u>

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Following is a schedule of activity of leased assets and lease liabilities for the year ended June 30, 2022:

Lease Assets	As Restated Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year	Amounts Due Within One Year
Copy Machine	\$ 6,031	\$ -	\$ -	\$ (1,431)	\$ 4,600	
	6,031	-	-	(1,431)	4,600	
Less: Accumulated Amortization						
Copy Machine	-	(3,008)	-	1,431	(1,577)	
	-	(3,008)	-	1,431	(1,577)	
Total Lease Assets, net	<u>\$ 6,031</u>	<u>\$ (3,008)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,023</u>	
Lease Liabilities	<u>\$ 6,031</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,431)</u>	<u>\$ 4,600</u>	<u>\$ 2,240</u>

Following is a schedule by years of future minimum payment required under the leases:

Year Ending June 30,	Principal	Interest	Total Payments
2023	\$ 2,240	\$ 400	\$ 2,640
2024	2,360	60	2,420
Total Future Payments	<u>\$ 4,600</u>	<u>\$ 460</u>	<u>\$ 5,060</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS – STATEWIDE

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

Disclosures relating to these plans follow:

North Dakota Teacher's Fund For Retirement

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

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

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

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Pension Benefits

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

Tier 1 Grandfathered

A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and the member has reached age 65, or 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

Death and Disability Benefits

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

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

Member and Employer Contributions

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

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

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

At June 30, 2022, the District reported a liability of \$2,531,817 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2021, 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, 2021, the Employer's proportion was 0.240289 percent which was a decrease of 0.01291706 from its proportion measured as of June 30, 2020.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

For the year ended June 30, 2022, the Employer recognized pension expense of \$52,490. At June 30, 2022, 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	\$ 17,590	\$ 106,773
Changes in actuarial assumptions	88,929	-
Difference between projected and actual investment earnings	-	741,859
Changes in proportion	242,764	342,618
Contributions paid to TFFR subsequent to the measurement date	242,178	-
Total	<u>\$ 591,461</u>	<u>\$ 1,191,250</u>

\$242,178 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, 2023.

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>
2023	\$ (259,267)
2024	(201,295)
2025	(168,106)
2026	(205,227)
2027	32,897
Thereafter	(40,969)

Actuarial Assumptions

The total pension liability in the July 1, 2021 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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, 2021, funding actuarial valuation for TFFR.

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 TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 TFFR target asset allocation as of June 30, 2021, is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	55.00%	6.90%
Global Fixed Income	26.00%	0.70%
Global Real Assets	18.00%	4.80%
Cash Equivalents	1.00%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2021, 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, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2021. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
 NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2022

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 of June 30, 2021, 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:	\$ 3,801,618	\$ 2,531,817	\$ 1,477,377

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

<https://www.rio.nd.gov/sites/www/files/documents/PDFs/RIO/Reports/annualreport2021.pdf>.

North Dakota Public Employees' Retirement System

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

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

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

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). 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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

Death and Disability Benefits

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

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

Refunds of Member Account Balance

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

Member and Employer Contributions

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

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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

At June 30, 2022, the District reported a liability of \$726,754 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2021, the District's proportion was 0.069726 percent which was a decrease of 0.01039100 from its proportion measured July 1, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$174,528. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,547	\$ 74,175
Changes in actuarial assumptions	804,376	1,048,738
Difference between projected and actual investment earnings	-	269,542
Changes in proportion	205,380	148,573
Contributions paid to NDPERS subsequent to the measurement date	55,241	-
Total	<u>\$ 1,077,544</u>	<u>\$ 1,541,028</u>

\$55,241 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, 2023.

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
2023	\$ (34,626)
2024	(87,357)
2025	(105,574)
2026	(291,168)

Actuarial Assumptions

The total pension liability in the July 1, 2021 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

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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%	6.00%
International Equity	21.00%	6.70%
Private Equity	7.00%	9.50%
Domestic Fixed Income	23.00%	0.73%
Global Real Assets	19.00%	4.77%

Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease in Discount Rate 6.00%	Discount Rate 7.00%	1% Increase in Discount Rate 8.00%
School's proportionate share of the NDPERS net pension liability:	\$ 1,155,784	\$ 726,754	\$ 369,520

Pension Plan Fiduciary Net Position

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

NOTE 8 DEFINED BENEFIT OPEB PLAN

Defined Benefit OPEB Plan

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

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

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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, 2022, the District reported a liability of \$30,721 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021 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, 2021, the District's proportion was 0.055237 percent which was a decrease of 0.01936100 from its proportion measured as of June 30, 2020.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

For the year ended June 30, 2022, the District recognized OPEB expense of \$5,143. At June 30, 2022, 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	\$ 1,764	\$ 842
Changes of assumptions	4,758	-
Net difference between projected and actual earnings on OPEB plan investments	-	10,526
Changes in proportion and differences between employer contributions and proportionate share of contribution	14,312	11,173
District contributions subsequent to the measurement date	8,845	-
Total	\$ 29,679	\$ 22,541

\$8,845 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, 2023.

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

Year Ending June 30:	
2023	\$ 311
2024	235
2025	(259)
2026	(1,810)
2027	(184)

Actuarial Assumptions

The total OPEB liability in the July 1, 2021 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, 2022

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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Domestic Equities	33.00%	5.85%
Small Cap Domestic Equities	6.00%	6.75%
International Equities	26.00%	6.25%
Domestic Fixed Income	35.00%	0.50%

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 rates described in this report. 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, 2021, 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	\$ 45,564	\$ 30,721	\$ 18,162

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

Pension Plan Fiduciary Net Position

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

NOTE 9 RISK MANAGEMENT

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRIF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The District pays an annual premium to NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses on 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 10 CONTINGENT LIABILITIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2022, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE 11 NON-MONETARY TRANSACTIONS

The District receives food commodities from the federal government to subsidize its hot lunch program. The market value of commodities received for the year ended June 30, 2022 was \$12,830.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

NOTE 12 COMMITMENTS

Construction Commitments

The District entered into a contract to replace the HVAC system. As of June 30, 2022, the remaining portion of the contract is \$865,729. The District entered in to a second contract to build an addition for the middle school. As of June 30, 2022, the remaining portion of the contract is \$3,082,667.

NOTE 13 CHANGE IN ACCOUNTING PRINCIPLE

The District implemented GASB Statement No. 87, *Leases* in the fiscal year ended June 30, 2022. GASB Statement No. 87 establishes a single model for lease accounting based on the foundation principal that leases are financings of the right to use an underlying asset.

The adoption of GASB 87 resulted in the recognition of a right to use leased asset and lease liability of \$6,031 as of July 1, 2021. Results for periods prior to June 30, 2022 continue to be reported in accordance with the District's historical accounting treatment. See note 6 for expanded disclosures regarding the District's leases.

NOTE 14 DEFICIT FUND BALANCE

The Food Service fund has a deficit fund balance of \$(98,180) as of June 30, 2022. This deficit is expected to be addressed with future revenues and/or transfers from other funds.

NOTE 15 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2022, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food Service	\$ 55,890

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

NOTE 16 NEW PRONOUNCEMENTS

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

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. 99, *Omnibus 2022*, provides guidance on the following accounting matters:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions.
- Pledges of future revenues when resources are not received by the pledging government.
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statement.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, provides guidance on accounting and financial reporting requirements for accounting changes and error corrections. Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2022

beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement No. 101, *Compensated Absences*, provides guidance on the recognition and measurement guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

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

NOTE 17 SUBSEQUENT EVENTS

No significant events occurred subsequent to the District's year end. Subsequent events have been evaluated through March 31, 2023, 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, 2022

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Local Property Tax Levies	\$ 220,000	\$ 220,000	\$ 239,149	\$ 19,149
Other Local & County Revenues	87,500	87,500	50,696	(36,804)
Revenue From State Sources	2,424,183	2,424,183	2,263,150	(161,033)
Revenue From Federal Sources	3,051,436	3,051,436	4,925,298	1,873,862
Interest	3,500	3,500	3,073	(427)
TOTAL REVENUES	5,786,619	5,786,619	7,481,366	1,694,747
EXPENDITURES				
Business Support Services	291,210	291,210	215,064	(76,146)
Instructional Support Services	121,568	121,568	126,060	4,492
Administration	349,354	349,354	345,185	(4,169)
Operations and Maintenance	472,835	472,835	486,481	13,646
Transportation	322,065	322,065	220,776	(101,289)
Regular Instruction	3,527,037	3,527,037	3,764,932	237,895
Special Education	455,317	455,317	379,592	(75,725)
Extra-Curricular Activities	84,800	84,800	155,254	70,454
Capital Outlay	-	-	1,513,082	1,513,082
Principal Retirement	100,000	100,000	175,893	75,893
Interest and Fiscal Charges on Long-Term Debt	-	73,500	16,019	(57,481)
TOTAL EXPENDITURES	5,724,186	5,797,686	7,398,338	1,600,652
Excess (Deficiency) of Revenues Over Expenditures	62,433	(11,067)	83,028	94,095
Fund Balances - Beginning	1,041,634	1,041,634	1,041,634	-
Fund Balances - Ending	<u>\$ 1,104,067</u>	<u>\$ 1,030,567</u>	<u>\$ 1,124,662</u>	<u>\$ 94,095</u>

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
2022	\$ 242,178	\$ (242,178)	\$ -	\$ 1,899,440	12.75%
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
2022	\$ 55,241	\$ (55,241)	\$ -	\$ 775,861	7.12%
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
2022	\$ 8,845	\$ (8,845)	\$ -	\$ 775,861	1.14%
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
2022	0.240289%	\$ 2,531,817	\$ 1,851,906	136.71%	75.70%
2021	0.253206%	3,875,322	1,847,543	209.76%	63.40%
2020	0.231168%	3,183,771	1,621,711	196.32%	65.50%
2019	0.227226%	3,028,600	1,544,703	196.06%	65.50%
2018	0.231833%	3,184,289	1,564,808	203.49%	63.20%
2017	0.265049%	3,883,123	1,722,089	225.49%	59.20%
2016	0.289502%	3,786,267	1,780,738	212.62%	62.10%
2015	0.262441%	2,749,916	1,522,299	180.64%	66.60%

North Dakota Public Employees Retirement System

For the Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.069726%	\$ 726,754	\$ 752,092	96.63%	78.26%
2021	0.080120%	2,520,498	883,790	285.19%	48.91%
2020	0.069890%	819,138	726,950	112.68%	71.66%
2019	0.046380%	782,764	476,500	164.27%	63.53%
2018	0.042030%	675,544	429,049	157.45%	61.98%
2017	0.039290%	382,890	395,922	96.71%	70.46%
2016	0.032000%	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
2022	0.0552%	\$ 30,721	\$ 752,092	4.08%	76.63%
2021	0.0746%	62,752	850,394	7.38%	63.38%
2020	0.0651%	52,325	726,950	7.20%	63.13%
2019	0.0435%	34,296	476,500	7.20%	61.89%
2018	0.0397%	31,371	429,049	7.31%	59.78%

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

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

See Notes to the Required Supplementary Information

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1– BUDGETARY COMPARISON

Budgets and Budgetary Accounting:

The District's Board follows the procedures established by North Dakota law for the budgetary process. The governing body of each School District, annually on or before the last day of July must levy taxes. The governing body of the School District may amend its tax levy and budget for the current fiscal year on or before the tenth day of October of each year. Taxes for School District purposes must be based upon an itemized budget statement which must show the complete expenditure by program of the District for the current fiscal year and the sources of the revenue from which it is to be financed. The School Board, in levying taxes, is limited by the amount necessary to be raised for the purpose of meeting the appropriations included in the school budget of the current fiscal year, and the sum necessary to be provided as an interim fund, together with a tax sufficient in amount to pay the interest on the bonded debt of the District and to provide a sinking fund to pay and discharge the principal thereon at maturity. During the current year in the General Fund, actual expenditures exceeded budgeted expenditures by \$1,600,652.

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, 2022

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

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

OPEB

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2022

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, 2020.

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, 2020.

**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, 2022, and the related notes to the basic financial statements, which collectively comprise Warwick Public School District No. 29's basic financial statements and have issued our report thereon dated March 31, 2023.

Report 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 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

March 31, 2023

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

Qualified and Unmodified Opinions

We have audited the District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on Education Stabilization Fund Program

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Warwick Public School District No. 29 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Unmodified Opinion on Impact Aid Program

In our opinion, Warwick Public School District No. 29 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Education Stabilization Fund Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Education Stabilization Fund Program as described in finding number 2022-003 for Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Brady Martz

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

March 31, 2023

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>AL #</u>	<u>Description</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>Department of Education</u>			
84.041B	Impact Aid		\$ 1,846,158
84.060	Indian Education Grants to Local Educational Agencies		103,853
Passed Through the North Dakota State Department of Public Instruction			
84.010	Chapter 1/TITLE I-Compensatory	F84010	692,984
84.358	Small, Rural School Achievement Program	F84358	5,616
84.367	Title II Part A - Teacher and Principal Quality	F84367	99,340
84.424	Title IV Transferability	F84424A	115,670
Education Stabilization Fund			
84.425D	COVID-19 Elementary and Secondary School Emergency Relief Fund	F84425D	1,672,179
84.425U	COVID-19 Elementary and Secondary School Emergency Relief Fund II	F84425U	333,776
84.425W	COVID-19 Elementary and Secondary School Emergency Relief Fund III	F84425W	752
Total 84.425 Education Stabilization Fund			2,006,707
Total Passed through ND DPI			2,920,317
Passed Through Devils Lake Public School District			
84.048	Career and Technical Education		6,010
84.287	21st Century Community Learning Centers		48,960
Total Passed Through Devils Lake Public School District			54,970
Total Department of Education			4,925,298
<u>Department of Agriculture</u>			
Passed Through the North Dakota State Department of Public Instruction			
Child Nutrition Cluster:			
10.553	COVID-19 School Breakfast Program	F10553	39,048
10.555	COVID-19 National School Lunch Program	F10555	136,495
10.555	CNP Emergency Costs	F10555C	2,661
10.555	School/CN Supply Chain Assistance	F10555S	8,565
10.555	Food Distribution-Non Cash	F10555	12,830
10.582	Fruit and Vegetable Grant	F10582	6,068
Total Cluster			205,667
10.560	SAE Food Nutrition	F10560	1,320
10.649	COVID-19 SNAP State and Local PEBT	F10649	614
Total Department of Agriculture			207,601
TOTAL			\$ 5,132,899

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. 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, 2022

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? X yes 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: Qualified and Unmodified

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

Identification of major programs:

AL Number(s) Name of Federal Program or Cluster

84.041 Impact Aid
84.425 Education Stabilization Fund

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, 2022

Section II – Financial Statement Findings

2022-001 FINDING

Criteria

A proper system of internal control has the proper segregation of duties between authorization, custody, record keeping and reconciliation.

Condition

There is not a system in place for accounting duties to be properly segregated between authorization, custody, record keeping and reconciliation.

Cause

The District is subject to size and budget constraints limiting the number of personnel within the accounting department.

Effect

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

Repeat Finding

This is a repeat finding of 2021-001.

Recommendation

We recommend the District review their internal controls over the accounting functions to determine if additional procedures can be implemented that are cost effective. The board should constantly be aware of this condition. Compensating controls that mitigate the related risks could be (or are) provided through appropriate oversight of the performance of these functions and review of the financial reports by individuals with knowledge of current operations and accounting principles.

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, 2022

2022-002 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 2021-002.

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.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Section III – Federal Awards Findings and Questioned Costs

2022-003 FINDING

Assistance Listing Number 84.425 Education Stabilization Fund
Department of Education
North Dakota Department of Public Instruction
Special Tests and Provisions
2 CFR Part 200.326

Criteria

For construction contracts and subcontracts greater than \$2,000 funded with federal dollars, the District should verify prevailing wage rate clauses were included in the contract or subcontract and for each week in which work was performed under the contract or subcontract the District should monitor certified payroll registers to ensure contractors and subcontractors were paying employees the prevailing wage rates.

Condition

The District did not provide the wage rate clauses to contractors. In addition, the District did not obtain from contractors the certified payroll registers, nor did they perform testing to ensure contractors were paying the prevailing wage rates.

Cause

The District was unaware of the compliance requirements regarding the construction projects.

Effect

The District is not in compliance with Wage Rate Requirements, a part of the Special Tests and Provisions.

Questioned Costs

Undeterminable.

Repeat Finding

This is not a repeat finding.

Recommendation

We recommend the District to review the wage rate compliance requirements as part of the special tests and provisions of this program in the compliance supplement and to create and implement a process of submitting prevailing wage rates to contractors as well as obtaining the certified payroll registers to determine if contractors are in compliance.

Management's Response

The District will plan to get payroll registers monthly from contractors moving forward.

WARWICK PUBLIC SCHOOL DISTRICT NO. 29
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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.

Corrective Action Taken

None. See current year finding 2022-001.

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.

Corrective Action Taken

None. See current year finding 2022-002.

WARWICK PUBLIC SCHOOL

210 4th Ave. Warwick, North Dakota, 58381

Phone: (701) 294-2561 Fax: (701) 294-2626 website: warwick.k12.nd.us



Angela Brandt
Superintendent & HS Principal

Kayla Rusten
Elementary & Middle School Principal

CORRECTIVE ACTION PLAN JUNE 30, 2022

2022-001

Contact Person

Theresa Brien-Knutson, Business Manager

Planned Corrective Action

The District will implement when it becomes cost-effective.

Planned Completion Date

June 30, 2023

2022-002

Contact Person

Theresa Brien-Knutson, Business Manager

Planned Corrective Action

The District will implement when it becomes cost-effective.

Planned Completion Date

June 30, 2023

2022-003

Contact Person

Theresa Brien-Knutson, Business Manager

Planned Corrective Action

The District will plan to get payroll registers monthly from the contractors moving forward.

Planned Completion Date

June 30, 2023

Kelly Canon
Board Director

Jean Wallace
Board President

Mary Langley
Board Director

Bonita Morin
Board Vice President

Shane Moxnes
Board Director