

ATTACHMENT #7 - November 21, 2023



YEAR ENDED JUNE 30, 2023



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

A Professional Corporation

WARWICK SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2023

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WARWICK SCHOOL DISTRICT

YEAR ENDED JUNE 30, 2023

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Independent Auditor's Report

Board of School Directors
Warwick School District
Lititz, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Warwick School District (the District or School District) as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Warwick School District as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof 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 (GAAS) 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 Warwick School 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.

Responsibilities of Management for the Financial Statements

Warwick School District's 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 Warwick School 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 GAAS 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 GAAS 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 Warwick School 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 Warwick School 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, schedules of pension information, the information about other postemployment benefits - schedule of funding progress and budgetary comparison information 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 Warwick School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2023 on our consideration of Warwick School 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 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 Warwick School District's internal control over financial reporting and compliance.

Brown Schultz Steidman & Fritz

Lancaster, Pennsylvania
October 30, 2023

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2023 (Unaudited)

The discussion and analysis of the Warwick School District's (School District or District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2023 are as follows:

- The District is required to record its share of the Pennsylvania Public School Employees' Retirement System (PSERS) unfunded net pension liability. The District's portion of this liability totals \$97,720,000 and has been reported on its government-wide financial statements. The recognition of this liability causes the District's total liabilities and deferred inflows to exceed its total assets and deferred outflows as of June 30, 2023, generating a net deficit of \$(196,922). In total, net position increased \$14,246,886.
- General revenues accounted for \$68,960,966 in revenue or 79.7% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$17,575,339 or 20.3% of all revenues of \$86,536,305.
- The School District had \$72,289,419 in expenses; only \$17,575,339 of these expenses were offset by program specific charges for services, grants or contributions.
- Among major funds, the General Fund had \$83,884,536 in revenues and \$72,287,818 in expenditures. The District also had \$25,000 in proceeds from the sale of capital assets. In addition, the District transferred \$9,905,715 from the General Fund to the Debt Service Fund and \$1,575,000 from the General Fund to the Capital Reserve Fund.
- As of June 30, 2023, the District's fund balance for the General Fund was \$19,284,961. This is an increase of \$141,003 from the beginning of the year General Fund fund balance of \$19,143,958.

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2023 (Unaudited)

Using this Generally Accepted Accounting Principles (GAAP) Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Warwick School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position (deficit) and statement of activities provide information about the activities of the whole School District, presenting an aggregate view of the School District's assets, deferred outflows and inflows and liabilities, regardless of whether they are relevant to the flows and balances of current financial resources. 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 statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of Warwick School District, the General Fund is by far the most significant fund.

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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2022-2023 school year?" The statement of net position (deficit) and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows 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.

These two statements report the School District's net position (deficit) and changes in net position. The change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial factors include the School District's property tax base, facility condition, required state mandated educational programs and other factors.

In the statement of net position (deficit) and the statement of activities, the School District reports governmental activities. Governmental activities are the activities where most of the School 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.

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2023 (Unaudited)

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Capital Reserve Fund and the Debt Service Fund. Nonmajor funds include the Capital Projects Fund and the Special Revenue Funds (Shirley Bell Scholarship Fund, Michael Clouser Scholarship Fund, Christopher Mitchell Scholarship Fund, John R. Bonfield Scholarship Fund, National Art Honor Society Scholarship Fund, Meghan Keeney Scholarship Fund, Eric Zimmerman Memorial Fund and the Berlin Airlift Memorial Scholarship Fund).

Governmental Funds

Most of 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, which are 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 School 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 (deficit) and the statement of activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

These are the funds that account for the operations of the School District that are financed and operated in a manner similar to those found in the private sector; or where the reporting is on determining net position, changes in net position and where a significant portion of funding is through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in the proprietary funds.

The School District as a Whole

Recall that the statement of net position (deficit) provides the perspective of the School District as a whole.

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(Unaudited)

Table 1 provides a summary of the School District's net position at June 30, 2023 and 2022:

	Table 1 2023		
	Governmental activities	Business- type activities	Total
Assets:			
Current assets	\$ 39,735,409	\$ 3,656,266	\$ 43,391,675
Capital assets	88,336,413	506,619	88,843,032
Total assets	128,071,822	4,162,885	132,234,707
Deferred outflows of resources	20,037,040		20,037,040
Total assets and deferred outflows	<u>\$ 148,108,862</u>	<u>\$ 4,162,885</u>	<u>\$ 152,271,747</u>
Liabilities:			
Current liabilities	\$ 18,247,451	\$ 2,837,924	\$ 21,085,375
Long-term liabilities	117,469,973		117,469,973
Total liabilities	135,717,424	2,837,924	138,555,348
Deferred inflows of resources	13,913,321		13,913,321
Net position (deficit):			
Net investment in capital assets	67,929,121	506,619	68,435,740
Restricted	11,738,654		11,738,654
Unrestricted	(81,189,658)	818,342	(80,371,316)
Total net position (deficit)	<u>(1,521,883)</u>	<u>1,324,961</u>	<u>(196,922)</u>
Total liabilities, deferred inflows and net position (deficit)	<u>\$ 148,108,862</u>	<u>\$ 4,162,885</u>	<u>\$ 152,271,747</u>

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2023
(Unaudited)

	Table 1 2022		
	Governmental activities	Business- type activities	Total
Assets:			
Current assets	\$ 47,726,406	\$ 3,388,429	\$ 51,114,835
Capital assets	82,587,267	554,223	83,141,490
Total assets	130,313,673	3,942,652	134,256,325
Deferred outflows of resources	23,385,975		23,385,975
Total assets and deferred outflows	<u>\$ 153,699,648</u>	<u>\$ 3,942,652</u>	<u>\$ 157,642,300</u>
Liabilities:			
Current liabilities	\$ 20,278,901	\$ 2,738,251	\$ 23,017,152
Long-term liabilities	122,444,982		122,444,982
Total liabilities	142,723,883	2,738,251	145,462,134
Deferred inflows of resources	26,623,974		26,623,974
Net position (deficit):			
Net investment in capital assets	52,361,073	554,223	52,915,296
Restricted	17,731,365		17,731,365
Unrestricted	(85,740,647)	650,178	(85,090,469)
Total net position (deficit)	(15,648,209)	1,204,401	(14,443,808)
Total liabilities, deferred inflows and net position (deficit)	<u>\$ 153,699,648</u>	<u>\$ 3,942,652</u>	<u>\$ 157,642,300</u>

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 YEAR ENDED JUNE 30, 2023
 (Unaudited)

Table 2 shows the change in net position for the fiscal years ended June 30, 2023 and 2022:

	Table 2 2023		
	Governmental activities	Business- type activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 44,426	\$ 892,168	\$ 936,594
Operating grants and contributions	14,943,087	1,695,659	16,638,746
General revenues:			
Property and earned income taxes	54,899,899		54,899,899
Grants and entitlements	12,495,997		12,495,997
Other	1,493,563	71,507	1,565,070
Total revenues	<u>83,876,972</u>	<u>2,659,334</u>	<u>86,536,306</u>
Program expenses:			
Instruction	46,286,636		46,286,636
Support services	21,175,272		21,175,272
Operation of noninstructional services, extracurricular activities	1,879,925		1,879,925
Community services	50,189		50,189
Interest and fiscal charges	66,153		66,153
Miscellaneous	292,471		292,471
Food services		2,176,777	2,176,777
Intellectual property		361,997	361,997
Total expenses	<u>69,750,646</u>	<u>2,538,774</u>	<u>72,289,420</u>
Increase in net position	<u>\$ 14,126,326</u>	<u>\$ 120,560</u>	<u>\$ 14,246,886</u>

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 YEAR ENDED JUNE 30, 2023
 (Unaudited)

	Table 2 2022		
	Governmental activities	Business- type activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 43,355	\$ 312,006	\$ 355,361
Operating grants and contributions	15,913,711	2,612,593	18,526,304
General revenues:			
Property and earned income taxes	54,036,145		54,036,145
Grants and entitlements	11,688,461		11,688,461
Other	(409,147)	336	(408,811)
	81,272,525	2,924,935	84,197,460
Total revenues			
Program expenses:			
Instruction	43,611,286		43,611,286
Support services	19,220,057		19,220,057
Operation of noninstructional services, extracurricular activities	1,645,872		1,645,872
Community services	49,965		49,965
Interest and fiscal charges	408,049		408,049
Miscellaneous	196,293		196,293
Food services		2,080,082	2,080,082
Intellectual property		369,567	369,567
	65,131,522	2,449,649	67,581,171
Total expenses			
Increase (decrease) in net position	\$ 16,141,003	\$ 475,286	\$ 16,616,289

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2023 (Unaudited)

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and operating grants and contributions 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 unrestricted state entitlements.

Table 3

	<u>Total cost of services 2023</u>	<u>Net cost of services 2023</u>
Instruction	\$ 46,286,636	\$ 35,380,886
Support services	21,175,272	18,176,689
Operation of noninstructional services, extracurricular activities and other	2,222,585	1,934,886
Interest and fiscal charges	<u>66,153</u>	<u>(729,328)</u>
Total expenses	<u>\$ 69,750,646</u>	<u>\$ 54,763,133</u>

Table 3

	<u>Total cost of services 2022</u>	<u>Net cost of services 2022</u>
Instruction	\$ 43,611,286	\$ 32,292,072
Support services	19,220,057	15,761,701
Operation of noninstructional services, extracurricular activities and other	1,892,130	1,576,959
Interest and fiscal charges	<u>408,049</u>	<u>(456,276)</u>
Total expenses	<u>\$ 65,131,522</u>	<u>\$ 49,174,456</u>

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

Support services expenses are for services that provide administrative, technical and logistical support to facilitate and enhance instruction.

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2023 (Unaudited)

Operation of noninstructional services include activities pertaining to keeping the school grounds, buildings and equipment in an effective working condition. Extracurricular activities include expenses related to student activities provided by the School 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.

Interest and fiscal charges involve the transactions associated with the payment of interest and other charges related to debt of the School District.

The dependence upon property and earned income tax revenues is apparent. Over 65% of total revenues were derived through property and earned income taxes for the fiscal years 2023 and 2022. Approximately 81% and 86% of the District's instructional and support services were supported through property and earned income taxes for the 2023 and 2022 fiscal years, respectively. Other noninstructional activities are also supported primarily through taxes and other general revenues for fiscal years 2023 and 2022. The community, as a whole, is the primary support for the Warwick School District.

The School District's Funds

In 2022-23, the results of operations for the General Fund showed an excess of revenues over expenditures and other financing uses of \$141,003 with an ending fund balance of \$19,284,961. This fund balance included the following commitments approved by the Board of Directors: \$4,000,000 for PSERS/healthcare stabilization; \$2,250,000 for future operating deficits; \$4,500,000 for construction and improvements and \$2,500,000 for capital expenditures.

General Fund Budgeting Highlights

The School District's budget is prepared according to Pennsylvania law and is based on accounting for certain transactions on a basis of accounting consistent with the modified accrual basis of accounting except that a budgetary reserve is provided. The most significant budgeted fund is the General Fund.

The School District uses a modified site-based budgeting process. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

Budget-to-Actual Comparison – Revenues

In 2023, actual General Fund revenues exceeded budgeted revenues by \$4,023,622.

The largest favorable variances were due to higher than anticipated collections of interest earnings, EIT taxes, real estate transfer taxes, state basic and special education funding, safety and security grants and ESSER (federal program) funding.

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2023 (Unaudited)

Budget-to-Actual Comparison – Expenditures

The total General Fund expenditures came in over budget by \$2,582,619, and other financing uses were over budget by \$1,300,000. Notable variances resulted from the following:

- roof replacement at John Beck Elementary
- new tennis courts at Warwick High School
- HVAC unit replacement at Warwick Middle School
- chiller replacement at Lititz Elementary School
- higher than anticipated self-insured medical/dental benefit costs,
- transfer to Capital Reserve Fund.

General Fund Budget Revisions

During the fiscal year, the School Board, in accordance with Department of Education regulations, authorizes revisions to original budget amounts to accommodate differences from the original budget to the actual expenditures of the District. All adjustments are again confirmed at the time the annual audit is accepted, which is after the end of the fiscal year. Refer to the statement of revenues, expenditures and changes in fund balances – budget and actual – General Fund showing the District's original and final budgeted amounts compared with actual amounts.

Current Year – Prior Year Comparison – General Fund Revenues

Local revenue increased by \$2,249,816 compared to the prior fiscal year.

State revenues increased by \$913,053 compared to the prior fiscal year.

Federal subsidies decreased by \$1,292,032 compared to the prior fiscal year.

Current Year – Prior Year Comparison – General Fund Expenditures

Total 2022-23 General Fund expenditures and other financing uses increased over the prior year by \$1,878,142.

Total wage and salary expenditures increased \$699,168 as compared to the prior fiscal year. Retirement contributions accounted for increased expenditures of \$373,198 due to increased wages and a PSERS rate increase from 34.94% to 35.26%. Self-insured health insurance costs also rose \$667,792.

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 YEAR ENDED JUNE 30, 2023
 (Unaudited)

Proprietary Funds

Due to the federal government's declaration and reimbursement of free breakfasts for all students, the District's Food Service Fund had a strong financial year reflecting an increase in net position of \$331,873.

The WarwickWARE Fund's change in net position for the 2022-23 school year was a decrease of \$211,313 compared to a decrease of \$253,258 for the 2021-22 school year, mostly due to an increase in depreciation/amortization. This Fund provides alternative funding to the District through the marketing of its suite of educational software products to other districts.

Capital Assets

At the end of the fiscal years 2023 and 2022, the School District had \$88,843,032 and \$83,141,490, respectively, invested in land, buildings, furniture and equipment and vehicles.

Table 4 shows the fiscal year 2023 and 2022 balances:

	Table 4		
	Capital assets (net of depreciation) at June 30, 2023		
	Governmental activities	Business- type activities	Total
Land	\$ 2,672,598		\$ 2,672,598
Building and improvements	72,817,908		72,817,908
Land improvements	7,372,334		7,372,334
Furniture and equipment	3,287,175	\$ 112,711	3,399,886
Vehicles	38,312		38,312
Construction in progress	2,148,086		2,148,086
Intangible asset, intellectual property		393,908	393,908
	\$ 88,336,413	\$ 506,619	\$ 88,843,032

(See Note 6 for further detail)

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) YEAR ENDED JUNE 30, 2023 (Unaudited)

Table 4
Capital assets (net of depreciation) at June 30, 2022

	Governmental activities	Business- type activities	Total
Land	\$ 2,672,598		\$ 2,672,598
Building and improvements	67,643,673		67,643,673
Land improvements	3,079,354		3,079,354
Furniture and equipment	3,242,833	\$ 62,663	3,305,496
Vehicles	64,096		64,096
Construction in progress	5,884,713		5,884,713
Intangible asset, intellectual property		491,560	491,560
Totals	<u>\$ 82,587,267</u>	<u>\$ 554,223</u>	<u>\$ 83,141,490</u>

The increase in governmental activities capital assets resulted primarily from the construction of the field house.

Debt Administration

The School District had \$19,610,000 and \$28,800,000 of General Obligation Bonds payable as of June 30, 2023 and 2022, respectively. Bond principal payments paid in 2023 and 2022 were \$9,190,000 and \$8,920,000, respectively. As of June 30, 2023, the current portion due for fiscal year 2024 is \$9,455,000.

See Note 9 for further detail.

Current Financial Issues and Outlook

The School District operates four standing committees (Education, Student Activities, Finance & Legal and Building & Property) comprised of Board members, administration and community volunteers. These committees review and recommend numerous items to the Board for approval including, but not limited to, policy, program, curricula, financial and others.

Externally, the Commonwealth Court declared the Pennsylvania school funding system unconstitutional in 2023. The legislators and government officials continue to negotiate the plan for improvement of the financing of public schools in the Commonwealth of Pennsylvania.

The District has experienced significant local revenue growth in recent years, and the District's outlook presently includes continued residential and commercial expansion. Additionally, the District continues to look at alternative funding options.

WARWICK SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

YEAR ENDED JUNE 30, 2023

(Unaudited)

In conclusion, the Warwick School District has committed itself to financial excellence for many years. In addition, the School District's system of financial planning, budget development through the committee review structure and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet any challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Nathan Wertsch, Chief Financial Officer, at Warwick School District, 301 West Orange Street, Lititz, PA 17543 or via the web at www.warwicksd.org.

WARWICK SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Governmental activities	Business-type activities	Total
Current assets:			
Cash and investments	\$ 33,587,730	\$ 3,548,349	\$ 37,136,079
Taxes receivable	1,904,914		1,904,914
Due from other governments	3,586,852		3,586,852
Other receivables	655,913		655,913
Inventory		107,917	107,917
	39,735,409	3,656,266	43,391,675
Noncurrent assets:			
Land	2,672,598		2,672,598
Land improvements (net of accumulated depreciation)	7,372,334		7,372,334
Building and building improvements (net of accumulated depreciation)	72,817,908		72,817,908
Equipment, furniture and fixtures (net of accumulated depreciation)	3,287,175	112,711	3,399,886
Vehicles (net of accumulated depreciation)	38,312		38,312
Construction in progress	2,148,086		2,148,086
Intangible asset, intellectual property (net of accumulated amortization)		393,908	393,908
	88,336,413	506,619	88,843,032
Total noncurrent assets	88,336,413	506,619	88,843,032
Total assets	128,071,822	4,162,885	132,234,707
Deferred outflows of resources:			
Pension	15,128,814		15,128,814
Other postemployment benefits	4,575,226		4,575,226
Other postemployment benefits (HIPAP)	333,000		333,000
	20,037,040		20,037,040
Total deferred outflows of resources	20,037,040		20,037,040
Total assets and deferred outflows of resources	\$ 148,108,862	\$ 4,162,885	\$ 152,271,747

See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2023

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)

	Governmental activities	Business-type activities	Total
Current liabilities:			
Internal balances	\$ (2,761,779)	\$ 2,761,779	\$ -
Accounts payable	1,412,420		1,412,420
Accrued:			
Salaries and benefits	8,842,943		8,842,943
Payroll withholdings	637,632		637,632
Interest	133,109		133,109
Current portion of:			
Bonds payable	9,455,000		9,455,000
Compensated absences	355,430		355,430
Unearned revenue	172,696	27,945	200,641
Other current liabilities		48,200	48,200
	18,247,451	2,837,924	21,085,375
Total current liabilities			
Noncurrent liabilities:			
Bonds payable, net	10,796,406		10,796,406
Net pension liability	97,720,000		97,720,000
Compensated absences	289,844		289,844
Other postemployment benefits	4,615,723		4,615,723
Other postemployment benefits (HIPAP)	4,048,000		4,048,000
	117,469,973		117,469,973
Total noncurrent liabilities			
	135,717,424	2,837,924	138,555,348
Total liabilities			
Deferred inflows of resources:			
Pension	2,459,000		2,459,000
Other postemployment benefits	10,791,435		10,791,435
Other postemployment benefits (HIPAP)	507,000		507,000
Deferred amounts from refunding of debt	155,886		155,886
	13,913,321		13,913,321
Total deferred inflows of resources			
	135,717,424	2,837,924	138,555,348
Net position (deficit):			
Net investment in capital assets	67,929,121	506,619	68,435,740
Restricted	11,738,654		11,738,654
Unrestricted	(81,189,658)	818,342	(80,371,316)
	(1,521,883)	1,324,961	(196,922)
Total net position (deficit)			
	(1,521,883)	1,324,961	(196,922)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 148,108,862	\$ 4,162,885	\$ 152,271,747

See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net position		Total
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	
Governmental activities:						
Instruction	\$ 46,286,636	\$ 1,255	\$ 10,904,495	\$ (35,380,886)		\$ (35,380,886)
Support services	21,175,272	43,171	2,955,412	(18,176,689)		(18,176,689)
Student activities	1,879,925		287,699	(1,592,226)		(1,592,226)
Community services	50,189			(50,189)		(50,189)
Other	292,471			(292,471)		(292,471)
Debt service	66,153		795,481	729,328		729,328
Total governmental activities	69,750,646	44,426	14,943,087	(54,763,133)		(54,763,133)
Business-type activities:						
Food service	2,176,777	781,163	1,695,659		\$ 300,045	300,045
Intellectual property	361,997	111,005			(250,992)	(250,992)
Total business-type activities	2,538,774	892,168	1,695,659		49,053	49,053
Total primary government	\$ 72,289,420	\$ 936,594	\$ 16,638,746	(54,763,133)	49,053	(54,714,080)

(continued)

WARWICK SCHOOL DISTRICT

STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2023

Functions/programs	Expenses	Program revenues		Net (expense) revenue and changes in net position		Total
		Charges for services	Operating grants and contributions	Governmental activities	Business-type activities	
General revenues:						
Taxes:						
Property taxes, etc.				\$ 46,387,482		\$ 46,387,482
Other				8,512,417		8,512,417
Grants, subsidies and contributions not restricted				12,495,997		12,495,997
Investment earnings				1,782,774	\$ 71,507	1,854,281
Loss on disposition of capital assets				(310,944)		(310,944)
Miscellaneous income				21,733		21,733
Total general revenues				68,889,459	71,507	68,960,966
Changes in net position				14,126,326	120,560	14,246,886
Net position (deficit):						
July 1, 2022				(15,648,209)	1,204,401	(14,443,808)
June 30, 2023				\$ (1,521,883)	\$ 1,324,961	\$ (196,922)

See notes to financial statements.

WARWICK SCHOOL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

	Major funds		Nonmajor fund, Scholarship	Total governmental funds
	General	Capital reserve		
ASSETS				
Cash and investments	\$ 22,984,161	\$ 10,570,158	\$ 33,411	\$ 33,587,730
Interfund receivable	2,761,779	1,575,000		4,336,779
Taxes receivable, net	1,904,914			1,904,914
Due from other governments	3,586,852			3,586,852
Other receivables	655,913			655,913
Total assets	\$ 31,893,619	\$ 12,145,158	\$ 33,411	\$ 44,072,188
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 985,916	\$ 426,504		\$ 1,412,420
Interfund payable	1,575,000			1,575,000
Accrued:				
Salaries and benefits	8,842,943			8,842,943
Payroll withholdings	637,632			637,632
Unearned revenue	172,696			172,696
Total liabilities	12,214,187	426,504		12,640,691
Deferred inflows of resources, deferred real estate taxes	394,471			394,471
Fund balances:				
Nonspendable			\$ 20,000	20,000
Restricted		11,718,654		11,718,654
Committed for:				
PSERS rate/healthcare stabilization	4,000,000			4,000,000
Future operating deficits	2,250,000			2,250,000
Construction and improvements	4,500,000			4,500,000
Capital expenditures	2,500,000			2,500,000
Assigned for payment of scholarships			13,411	13,411
Unassigned	6,034,961			6,034,961
Total fund balances	19,284,961	11,718,654	33,411	31,037,026
Total liabilities, deferred inflows of resources and fund balances	\$ 31,893,619	\$ 12,145,158	\$ 33,411	\$ 44,072,188

See notes to financial statements.

WARWICK SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION (DEFICIT)
JUNE 30, 2023

Total fund balances, governmental funds	\$ 31,037,026
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 assets in governmental funds. The cost of the assets is \$183,071,541, and the accumulated depreciation is \$94,735,128.	88,336,413
Certain property taxes receivable will be collected in the subsequent year, but are not available soon enough to pay for the current period's expenditure and, therefore, are deferred in the funds.	394,471
Net pension, net other postemployment benefits and net other postemployment benefits (HIPAP) obligations are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(97,720,000)
Net other postemployment benefits liability	(4,615,723)
Net other postemployment benefits (HIPAP) liability	(4,048,000)
Deferred outflows and inflows of resources related to pensions, other postemployment benefits and other postemployment benefits (HIPAP) are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources:	
Pensions	15,128,814
Other postemployment benefits	4,575,226
Other postemployment benefits (HIPAP)	333,000
Deferred inflows of resources:	
Pensions	(2,459,000)
Other postemployment benefits	(10,791,435)
Other postemployment benefits (HIPAP)	(507,000)
Long-term liabilities, including bonds and leases payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year end consist of:	
Bonds payable	(19,610,000)
Unamortized:	
Bond discount	53,066
Bond premium	(694,472)
Deferred amounts from refunding of debt	(155,886)
Accrued interest on bonds payable	(133,109)
Compensated absences	(645,274)
Total net position (deficit), governmental activities	<u>\$ (1,521,883)</u>

See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Major funds			Nonmajor fund, Scholarship	Total governmental funds
	General	Capital reserve	Debt service		
Revenues:					
Sources:					
Local	\$ 57,822,448	\$ 256,201		\$ 4,168	\$ 58,082,817
State	24,661,386				24,661,386
Federal	1,400,702				1,400,702
Total revenues	83,884,536	256,201		4,168	84,144,905
Expenditures:					
Instruction	47,771,919				47,771,919
Support services	20,663,799				20,663,799
Student activities	1,579,823			5,050	1,584,873
Community services	50,189				50,189
Facility acquisition and improvements	2,071,366	7,804,274			9,875,640
Architectural and engineering services	23,551				23,551
Debt service:					
Principal			\$ 9,190,000		9,190,000
Interest	127,171		715,715		842,886
Total expenditures	72,287,818	7,804,274	9,905,715	5,050	90,002,857
Excess (deficiency) of revenues over (under) expenditures	11,596,718	(7,548,073)	(9,905,715)	(882)	(5,857,952)
Other financing sources (uses):					
Proceeds from sale of capital assets	25,000				25,000
Interfund transfer, General Fund to:					
Debt Service Fund	(9,905,715)		9,905,715		-
Capital Reserve Fund	(1,575,000)	1,575,000			-
Total other financing sources (uses)	(11,455,715)	1,575,000	9,905,715		25,000
Net change in fund balances	141,003	(5,973,073)	-	(882)	(5,832,952)
Fund balances:					
July 1, 2022	19,143,958	17,691,727		34,293	36,869,978
June 30, 2023	\$ 19,284,961	\$ 11,718,654	\$ -	\$ 33,411	\$ 31,037,026

See notes to financial statements.

WARWICK SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Total net change in fund balances, governmental funds **\$ (5,832,952)**

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 their estimated useful lives as depreciation expense:

Capital outlays	\$ 10,707,681	
Net book value of assets disposed of	(335,944)	
Depreciation expense	(4,622,591)	
	5,749,146	5,749,146

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues for the governmental funds. Unavailable tax revenue increased by this amount this year. 43,004

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (deficit) . 9,190,000

In the governmental funds, certain bond related accounts are reported as financing sources and uses. However, in the statement of activities, the cost of these items are allocated over the life of the bond as amortization expense:

Bond discount amortization	(14,472)	
Bond premium amortization	304,202	
Deferred amounts from refunding of debt	339,172	
	628,902	628,902

(continued)

WARWICK SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2023

Governmental funds report District pension, other postemployment benefits and other postemployment benefits (HIPAP) contributions as expenditures. However, in the statement of activities, the cost of these benefits earned is reported as expense:

Pensions:

District pension contributions	\$ 11,790,640	
Cost of benefits earned	(7,980,000)	
		\$ 3,810,640

Other postemployment benefits:

District other postemployment benefits contributions	264,558	
Cost of benefits earned	26,605	
		291,163

Other postemployment benefits (HIPAP):

District other postemployment benefits (HIPAP) contributions	259,000	
Cost of benefits earned	(117,000)	
		142,000

In the statement of activities, certain operating expenses (compensated absences, other postemployment benefits and accrued interest expenses) are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the differences between the amount incurred versus the amount used for the following items:

Compensated absences		(43,408)
Accrued interest expense		147,831

Change in net position (deficit) of governmental activities		\$ 14,126,326
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See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF NET POSITION (DEFICIT) – PROPRIETARY FUNDS
JUNE 30, 2023

	Major funds		Total
	Food Service	WarwickWARE	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,649,812	\$ 1,898,537	\$ 3,548,349
Inventory	107,917		107,917
Total current assets	1,757,729	1,898,537	3,656,266
Noncurrent assets:			
Equipment	673,625		673,625
Accumulated depreciation on equipment	(560,914)		(560,914)
Intellectual property		1,788,343	1,788,343
Accumulated amortization on intellectual property		(1,394,435)	(1,394,435)
Total noncurrent assets	112,711	393,908	506,619
Total assets	\$ 1,870,440	\$ 2,292,445	\$ 4,162,885
LIABILITIES AND NET POSITION (DEFICIT)			
Current liabilities:			
Interfund payable	\$ 46,982	\$ 2,714,797	\$ 2,761,779
Unearned revenue	27,945		27,945
Other current liabilities	48,200		48,200
Total current liabilities	123,127	2,714,797	2,837,924
Net position (deficit):			
Net investment in capital assets	112,711	393,908	506,619
Unrestricted	1,634,602	(816,260)	818,342
Total net position (deficit)	1,747,313	(422,352)	1,324,961
Total liabilities and net position (deficit)	\$ 1,870,440	\$ 2,292,445	\$ 4,162,885

See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2023

	Major funds		Total
	Food Service	WarwickWARE	
Operating revenues:			
Sales:			
Pupils	\$ 534,627		\$ 534,627
Adults	8,699		8,699
A la carte	210,211		210,211
Banquets and miscellaneous	27,626		27,626
Software		\$ 111,005	111,005
Total operating revenues	781,163	111,005	892,168
Operating expenses:			
Food	731,803		731,803
Milk	111,364		111,364
Donated commodities	177,004		177,004
Nonfood supplies	40,086		40,086
Payroll	572,532	31,495	604,027
Payroll benefits	224,588	10,443	235,031
Professional services	4,679		4,679
Retirement	199,435	5,553	204,988
Maintenance contracts	12,452		12,452
Disposal services	26,160		26,160
Equipment repairs and maintenance	11,487		11,487
Technical services		12,684	12,684
Telecommunications	1,032		1,032
Travel	743		743
Conferences	320	250	570
Depreciation/amortization	13,652	301,572	315,224
Uniforms	934		934
Utilities	13,295		13,295
Equipment rental	1,500		1,500
Replacement equipment	24,342		24,342
Property	9,369		9,369
Total operating expenses	2,176,777	361,997	2,538,774
Net loss from operations	(1,395,614)	(250,992)	(1,646,606)

(continued)

WARWICK SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Major funds		Total
	Food Service	WarwickWARE	
Nonoperating revenue:			
Reimbursements:			
State	\$ 299,712		\$ 299,712
Federal	1,208,344		1,208,344
Value of donated commodities	177,004		177,004
Donated funds	10,599		10,599
Interest	31,828	\$ 39,679	71,507
	<u>1,727,487</u>	<u>39,679</u>	<u>1,767,166</u>
Total nonoperating revenue	1,727,487	39,679	1,767,166
Change in net position	331,873	(211,313)	120,560
Total net position (deficit):			
July 1, 2022	1,415,440	(211,039)	1,204,401
	<u>1,415,440</u>	<u>(211,039)</u>	<u>1,204,401</u>
June 30, 2023	<u>\$ 1,747,313</u>	<u>\$ (422,352)</u>	<u>\$ 1,324,961</u>

See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2023

	Major funds		Total
	Food Service	WarwickWARE	
Cash flows from operating activities:			
Cash received from users	\$ 770,133	\$ 111,005	\$ 881,138
Cash payments to:			
Employees for services	(1,049,586)		(1,049,586)
Suppliers for goods and services	(971,377)		(971,377)
Other operating expenses	(106,313)		(106,313)
Net cash provided by (used in) operating activities	(1,357,143)	111,005	(1,246,138)
Cash flows from noncapital financing activities:			
Sources:			
State	299,712		299,712
Federal	1,208,344		1,208,344
Net cash provided by noncapital financing activities	1,508,056		1,508,056
Cash flows used in capital and related financing activities, facilities acquisition/construction/improvement, net	(63,700)		(63,700)
Cash flows from nonoperating activities:			
Interest and investment earnings	31,828	39,679	71,507
Donations	10,599		10,599
Net cash provided by nonoperating activities	42,427	39,679	82,106
Net increase in cash and cash equivalents	129,640	150,684	280,324
Cash and cash equivalents:			
July 1, 2022	1,520,172	1,747,853	3,268,025
June 30, 2023	\$ 1,649,812	\$ 1,898,537	\$ 3,548,349

(continued)

WARWICK SCHOOL DISTRICT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

	Major funds		Total
	Food Service	WarwickWARE	
Reconciliation of net loss from operations to net cash provided by (used in) operating activities:			
Operating loss	\$ (1,395,614)	\$ (250,992)	\$ (1,646,606)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation/amortization	13,652	301,572	315,224
Donated commodities	177,004		177,004
Changes in operating assets and liabilities:			
Inventory	12,487		12,487
Accounts payable and due to other funds	(73,777)	60,425	(13,352)
Unearned revenue	(79,866)		(79,866)
Other current liabilities	(11,029)		(11,029)
Net cash provided by (used in) operating activities	\$ (1,357,143)	\$ 111,005	\$ (1,246,138)
Noncash investing and financing activities, capital asset additions/amounts due to other funds		\$ 203,920	

See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF NET POSITION – FIDUCIARY FUNDS
JUNE 30, 2023

	<u>Student activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 149,138
Accounts receivable	<u>157</u>
Total assets	<u><u>\$ 149,295</u></u>
LIABILITIES AND NET POSITION	
Current liabilities, accounts payable	\$ 3,906
Net position, restricted for student groups	<u>145,389</u>
Total liabilities and net position	<u><u>\$ 149,295</u></u>

See notes to financial statements.

WARWICK SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2023

	<u>Student activities</u>
Additions, contributions	\$ 113,967
Deductions, student activities	<u>(103,953)</u>
Change in net position	10,014
Net position:	
July 1, 2022	<u>135,375</u>
June 30, 2023	<u><u>\$ 145,389</u></u>

See notes to financial statements.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies:

The Warwick School District (the District or School District) is a public school district composed of Lititz Borough and Warwick and Elizabeth Townships, Lancaster County, Pennsylvania. The District had a 2022-23 enrollment in grades kindergarten through 12 of approximately 3,800 students. The District operates a high school and middle school in Lititz and four elementary schools: Lititz, Kissel Hill, John Beck and John R. Bonfield. The District is a member of the Lancaster-Lebanon Intermediate Unit #13, which provides special administrative and educational support.

The District is a School District of the Third Class, organized and existing under the laws of the Commonwealth of Pennsylvania. The governing body of the District is a board of nine school directors who are each elected for a four-year term. The daily operation and management of the District is carried out by an administrative staff, headed by the superintendent of schools who is appointed by the board. The Board is required to submit an annual budget to the Pennsylvania Department of Education and is prohibited from spending or obligating funds in excess of the maximum amount approved. The Board also has the authority to borrow funds and issue bonded indebtedness. Real estate and other taxes are levied by the Board and collected by representatives of the District. The District also receives funds from the federal, state and local governments.

The financial statements of Warwick School District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting entity:

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB standards. Based upon the application of this criteria, the District has no component units.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Fund accounting:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent. There are three fund types presented in this report as follows:

Governmental funds - These are the funds that account for the District's expendable financial resources and related liabilities (except those accounted for in proprietary funds). The measurement focus is upon determination of changes in financial position

Major funds:

General Fund – The principal operating fund of the School District used to account for all financial resources except those required to be in another fund.

Capital Reserve Fund – Used to account for the accumulation resources for future capital expenditures.

Debt Service Fund – Used to account for the accumulation of resources for payment of principal and interest on general long-term debt and related costs.

Nonmajor fund:

Special Revenue Fund – Used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. This fund type includes the Shirley Bell Scholarship Fund, Michael Clouser Scholarship Fund, John R. Bonfield Scholarship Fund, Christopher Mitchell Scholarship Fund and Meghan Keeney Scholarship Fund. All of these scholarship funds are to be used for funding student scholarships. Two funds included with the scholarship funds, the Eric Zimmerman Memorial Fund and the Berlin Airlift Memorial Scholarship Fund, have resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the School District's programs. The principal amount for each of these funds is \$10,000. The income portion of the Eric Zimmerman Memorial Fund is to be used for drug and alcohol education. The income portion of the Berlin Airlift Memorial Scholarship Fund is to be used for student transportation costs to Germany.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Fund accounting:

Proprietary funds – These are the funds that account for the operations of the School District that are financed and operated in a manner similar to those found in the private sector. Both are considered major funds.

Food Service Fund – Used to account for all school cafeteria operations within the District.

WarwickWARE Fund – Used to account for intellectual property (software) developed and marketed by the District.

Fiduciary funds – These are the funds that account for assets held by the School District as a trustee or custodian for individuals, organizations and other government units and are, therefore, not available to support the District's own programs. The funds are not included in the government-wide financial statements. The funds included in this category are:

Custodial funds – These funds are used to account for resources held by the School District in a trustee capacity for high school activities and middle school activities.

Basis of presentation:

Government-wide financial statements:

The government-wide financial statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the non-fiduciary activities of the government and present information about the District as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to outside parties for goods and services.

The statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for both the business-type activities of the District and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Basis of presentation:

Fund financial statements:

Fund financial statements report detailed information about the governmental funds, proprietary funds and fiduciary funds of the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Fiduciary funds are reported by fund type. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding element total (assets, liabilities and so forth) for all funds of that category or type (that is, total governmental or total enterprise funds) and
- b. The same element that met the 10% criterion in a. is at least 5% of the corresponding element total for all governmental and enterprise funds combined.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the School District's proprietary funds are food service charges and the sale of software. Operating expenses for the School District's proprietary funds include food production costs, supplies, software licenses, administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Measurement focus and basis of accounting:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The proprietary fund financial statements and the fiduciary fund financial statements also utilize these methods. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets and deferred outflows less total liabilities and deferred inflows) is used as a practical measure of economic resources, and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations, and cost and accumulated depreciation are reported on the statement of net position (deficit). The proprietary fund financial statements record the equivalent cost of donated commodities as revenue and as a cost at the time such commodities are utilized.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Measurement focus and basis of accounting:

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state and other grants designated for payment of specific School District expenditures is recognized when the related expenditures are incurred. Unearned revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized. Deferred revenues also arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pensions, other postemployment benefits and claims and judgments, are recorded only when payment is due.

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

Cash and cash equivalents:

For the purposes of the statement of cash flows, the District considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Investments:

Investments are stated at fair value. Fair value of the investments is equal to cost/principal amounts because those are the values at which those investments could be readily redeemed.

Short-term interfund receivables/payables:

During the course of operations, various transactions occur between individual funds. Short-term interfund loans are classified as interfund receivables/payables.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Real estate taxes:

Property taxes are levied and billed as of July 1 on property values assessed as of the same date. The billings are considered due upon receipt by the taxpayer, with a 2% discount allowed for payments made in July and August. After October 31, a 10% penalty tax is added to the original levy for any unpaid balances. On the first Monday of the following January, remaining outstanding taxes are liened and turned over to the Lancaster County Tax Collection Bureau for collection. The Bureau has the authority to charge additional fines and assessments and to pursue appropriate legal remedies.

Inventory:

The Food Service Fund inventory consists of purchased food and paper materials priced at cost calculated on the first-in, first-out (FIFO) basis and donated food priced at its equivalent cost value.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Deferred outflows and inflows of resources:

The statement of net position (deficit) reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are a separate financial statement element and represent consumption of net position or fund balance that applies to future periods, and thus, will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources are a separate financial statement element and represent the acquisition of net position or fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until a future period. The School District has three items that qualify for reporting as a deferred outflow of resources and a deferred inflow of resources. One item relates to the net pension liability, and these deferrals are only reported in the government-wide statement of net position (deficit). Deferred outflows and deferred inflows of resources result from changes in the District's proportionate share of the total pension liability and the pension plan's fiduciary net position, for contributions made to the plan between the measurement date of the net pension liability and the end of the District's fiscal year, for differences between projected and actual experience, and for actual pension plan investment earnings in excess of or less than the expected amount included in determining pension expense. The deferred outflows related to the contribution are included in pension expense in the next year, whereas other deferrals are attributed to pension expense over a total of five years, including the current year. The second item relates to the net other postemployment benefits and net other postemployment benefits (HIPAP), and these deferrals are only reported in the government-wide statement of net position (deficit). Deferred outflows and deferred inflows of resources related to other postemployment benefits result from changes in the District's actuarially determined liability. Deferred outflows and deferred inflows of resources related to other postemployment benefits (HIPAP) result from changes in the District's proportionate share of the total other postemployment benefits (HIPAP) liability and the other postemployment benefit (HIPAP) plan's fiduciary net position, for contributions made to the plan between the measurement date of the net other postemployment benefits (HIPAP) liability and the end of the District's fiscal year, for differences between projected and actual experience, and for actual other postemployment benefits (HIPAP) plan investment earnings in excess of or less than the expected amount included in determining the expense. The deferred outflows related to the contribution are included in other postemployment benefits (HIPAP) expense in the next year, whereas other deferrals are attributed to other postemployment benefits (HIPAP) expense over a total of five to seven years, including the current year.

The fourth item, deferred charge on refunding, results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In the fund financial statements, governmental fund types recognize the deferred charge on refunding as an expense during the current year.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Capital assets and depreciation:

The accounting treatment of property, plant and equipment depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide financial statements:

The government-wide financial statements account for fixed assets as capital assets. Capital assets include property, plant, equipment and infrastructure assets and are defined by the School District as assets with an initial individual cost of more than \$4,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable. Donated assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential in an ordinary market transaction at the acquisition date. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2002.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvements	20 - 30 years
Land improvements	15 - 20 years
Equipment, furniture and fixtures	5 - 15 years
Vehicles	5 - 15 years
Intellectual property	3 years

Proprietary fund equipment purchases are capitalized in the proprietary fund at cost and depreciated on a straight-line basis over lives ranging from 5 to 15 years.

Fund financial statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Long-term obligations:

In the government-wide financial statements, all long-term debt and other long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the applicable statement of net position (deficit). Bond premiums and discounts, as well as advanced refunding losses, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, long-term debt for governmental funds is not reported as a liability. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures or financing uses. Bond premiums, discounts and issuance costs are recognized as other financing sources and uses during the current period for the fund financial statements.

Pension plan:

For purposes of measuring the net pension liability, net other postemployment benefits (HIPAP), deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits (HIPAP), pension expense and other postemployment benefits (HIPAP) expense, information about the fiduciary net position of the Public School Employees' Retirement System (PSERS or the System) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. 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.

Substantially all full-time and part-time employees of the District participate in a cost-sharing multiple-employer defined benefit pension plan through PSERS. On the governmental fund financial statements, the District recognizes annual pension expenditures or expenses equal to its contractually required contributions. For the fiscal year ended June 30, 2023, the rate of employer contribution was 35.26%. The 35.26% rate is composed of a contribution rate of 34.31% for pension benefits, 0.75% for healthcare insurance premium assistance and 0.20% for defined contribution costs. The District is required to pay the entire employer contribution rate and is reimbursed by the Commonwealth in an amount equal to the Commonwealth's share as determined by the income aid ratio (as defined in Act 29 of 1994), which is at least one-half of the total employer rate. Such payments are recorded in the General Fund and proprietary funds as state source revenues. In the government-wide financial statements, payments are allocated based on function. The District made all required contributions for the year ended June 30, 2023 and has recognized them as expenditures or expenses.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Other postemployment benefits:

In the government-wide statements, the District recognizes the costs and liabilities associated with postemployment benefits other than pension compensation. The District provides access to retiree healthcare benefits to eligible retired employees and qualified spouses/beneficiaries. The District has estimated the cost of providing these benefits through an actuarial valuation.

Compensated absences:

Employees are allowed to accrue ten days of sick leave each year, without limit. The District's sick leave policy is such that sick days do not vest, and accordingly, employees can be paid sick leave only when sick. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses, and outside the control of the District and the employee, a liability for unused sick leave is not recorded in the financial statements.

Teachers do not receive paid vacations but are paid only for the number of days they are required to work.

Non-instructional employees are granted vacation leave in varying amounts. Vacation leave is earned ratably and required to be used in the following fiscal year. The District's policy is to pay unused vacation leave upon termination or retirement.

Additionally, all employees are permitted two personal days per fiscal year. A maximum of three personal days may be carried over to subsequent years. The compensated absences calculation includes the dollar amount assigned to days carried over.

Equity classifications:

Government-wide financial statements:

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

Net investment in capital assets - consists of capital assets, including cash and investments restricted for capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of these assets.

Restricted - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints are placed on the use of the assets either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Equity classifications:

Government-wide financial statements:

Unrestricted – the net amount of the assets, deferred outflows of 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.

Fund financial statements:

The District follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a district's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that must be maintained intact legally or contractually (corpus or principal).

Restricted fund balance – amounts limited by external parties or legislation (e.g., debt covenants and grants).

Committed fund balance – amounts limited by Board policy or Board action (e.g., future anticipated costs). Action must be taken by the Board to commit fund balance for the designated purpose prior to the end of the fiscal year. Fund balance commitments for the General Fund as of June 30, 2023 included \$2,250,000 for future operating deficits; \$4,000,000 for pension rate/healthcare stabilization; \$4,500,000 for construction and improvements and \$2,500,000 for capital expenditures funding.

Assigned fund balance – amounts that are intended for a particular purpose. Generally, balances in Special Revenue Funds or Capital Project Funds will be designated as assigned. The District's policy also permits the Superintendent and the Chief Financial Officer to assign amounts as they deem appropriate.

Unassigned fund balance – amounts available for consumption or not restricted in any manner.

Use of fund balance:

The District's policy states that the restricted fund balance is to be reduced to the extent that the underlying reason for the restriction has been eliminated.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

Use of fund balance:

If the District experiences an excess of expenditures over revenues for a given fiscal year, the fund balance is to be consumed in the following order:

- Restricted fund balance to the extent that expenditures related to the restriction contributed to the excess of expenditures over revenues.
- Committed fund balance to the extent that expenditures related to the commitment contributed to the excess of expenditures over revenues. If a plan for periodic use of committed fund balance is reviewed and approved by the Board, the committed fund balance will not be reduced by more than the amount designated in the plan.
- Assigned fund balance to the extent that expenditures related to the assignment contributed to the excess of expenditures and revenues.
- Unassigned fund balance for any remaining excess of expenditures over revenues.

Minimum fund balance:

The District's goal is to strive to maintain an unassigned General Fund balance of not less than 3% and not more than 8% of the budgeted expenditures for the fiscal year. If the unassigned portion of the fund balance falls below the threshold of 3% of budgeted expenditures, the Board will pursue options for increasing revenues and decreasing expenditures, or a combination of both until 3% is attained. If the unassigned portion of the fund balance exceeds 8% of budgeted expenditures, the Board may utilize a portion of the fund balance by appropriating excess funds for expenditures. The goal shall be to use any excess fund balance for nonrecurring expenditures and not for normal operating costs.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and deferrals and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Significant assumptions in these financial statements include the PSERS pension liability and other postemployment benefits liabilities. Actual results could differ from those estimates.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued):

New accounting pronouncements adopted:

The following summarizes GASB Statements implemented by the District during the year ended June 30, 2023, and the relating effects on the financial statements presentation and disclosure, as applicable:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice. The District adopted Statement No. 91 for its June 30, 2023 financial statements.

In January 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements (PPPs). The District adopted Statement No. 94 for its June 30, 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The District adopted Statement No. 96 for its June 30, 2023 financial statements.

In May 2020, the GASB issued Statement No. 99, *Omnibus 2022*. The Statement's objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The District adopted Statement No. 99 for its June 30, 2023 financial statements.

Pending GASB statements:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62*. This Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions and assessing accountability. The provisions of Statement No. 100 are effective for the District's June 30, 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The provisions of Statement No. 101 are effective for the District's June 30, 2025 financial statements.

The effect of implementation of these statements on future years has not yet been determined.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

2. Deposits and investments:

Under Section 440.1 of the Public School Code of 1949, as amended, the School District is permitted to invest its monies in the following:

1. Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
2. Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository.

Custodial credit risk, deposits and investments:

Custodial credit risk is the risk that in the event of a counterparty failure, the School District's deposits may not be returned to it. As of June 30, 2023, the District does not have a policy for custodial credit risk. The School District's book balance was \$37,285,217, and the bank balance of \$37,435,619, consisted of \$750,000 insured by FDIC and \$36,594,017 collateralized and held by the pledging bank's trust department in accordance with Act 72. The remaining balance consisted of \$81,691 on deposit with the Pennsylvania School District Liquid Asset Fund (PSDLAF) and \$9,911 on deposit with the Pennsylvania Local Government Investment Trust (PLGIT).

PSDLAF and PLGIT are not registered with the Securities and Exchange Commission; however, they follow investment procedures similar to the investment procedures followed by SEC registered money market funds. Securities purchased under agreements to resell and entered into with broker-dealers are secured by U.S. government agency obligations. As of June 30, 2023, the District's investments in PSDLAF and PLGIT were rated AAAM by Standards & Poor's.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments:

Financial statement amounts, cash and investments:

Governmental activities	\$ 33,587,730
Business-type activities	3,548,349
Fiduciary funds, custodial	<u>149,138</u>
Total	<u><u>\$ 37,285,217</u></u>

The total of externally pooled investments at June 30, 2023 are as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair value</u>
PA Local Government Investment Trust (PLGIT)	Less than one year	\$ 9,911
PA School District MAX (PSDLAF)	Less than one year	<u>81,691</u>
Total externally pooled investments		<u><u>\$ 91,602</u></u>

Interest rate risk:

The District does not have a formal investment policy that limits the investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates for its nonmoney market type of investments.

Credit risk:

The School District's investment policy requires that its investment companies be registered under the Investment Company Act of 1940 with shares registered under the Securities Act of 1933. In addition, the investment companies used by the School District must be rated in the highest category by a nationally recognized rating agency.

The District uses external investment pools to ensure safety and maximize efficiency, liquidity and yield for District funds. The external investment pools are valued at amortized cost, which approximates fair value. The amortized cost method involves valuing a security at its cost on the date of purchase and recording a constant amortization or accretion to maturity of any discount or premium. The fair value of securities, held by the external investment pool, are evaluated on at least a weekly basis using prices supplied from an independent pricing service. These values are compared to the amortized cost.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

2. Deposits and investments (continued):

Custodial credit risk, deposits and investments:

Credit risk:

The District has investments with PLGIT and PSDLAF (collectively, the Funds). Both PLGIT and PSDLAF were established as common law trusts, organized under laws of the Commonwealth of Pennsylvania. Shares of the Funds are offered to certain Pennsylvania school districts, intermediate units, area vocational-technical schools and municipalities. The purpose of the Funds is to enable such governmental units to pool their available funds for investments authorized by Section 440.1 of the Pennsylvania Public School Code of 1949 as amended. The Funds are governed by elected boards of trustees who are responsible for the overall management of the Funds. The trustees are elected from the several classes of local governments participating in the Funds. Each fund is audited annually by independent auditors. The Funds operate in a manner consistent with the Securities and Exchange Commission's Rule 2(a)7 of the Investment Company Act of 1940. The Funds use amortized cost to report net position to compute share prices. The Funds maintain net asset value of \$1 per share. Accordingly, the fair value of the position in the Funds is the same as the value of the Funds' shares.

The District is invested in PLGIT - Class shares, which require no minimum balance, no minimum initial investment and have a one-day minimum investment period. The District is also invested in PLGIT - Term, which is a fixed term investment portfolio with a maturity of up to one year. PLGIT - Term requires a minimum initial investment of \$100,000, a minimum investment period of 60 days, a \$100,000 minimum balance and a premature withdrawal penalty. At June 30, 2023, PLGIT carried an AAAM rating and had an average maturity of less than one year.

The District is invested in PSDLAF Max Series which uses a principal investment strategy of investing in short-term money market instruments and maintaining a constant net asset value (NAV) of \$1.00 per share. Investments (other than direct deposits of state aid payments) are to be deposited for a minimum of 14 days. At June 30, 2023, PSDLAF carried an AAAM rating.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

3. Taxes receivable and related accounts:

The balances at June 30, 2023 are as follows:

	<u>Net estimated to be collected</u>	<u>Tax revenue recognized</u>	<u>Deferred taxes</u>
Real estate taxes:			
Current	\$ 453,820	\$ 95,965	\$ 357,855
Interim	42,386	5,770	36,616
Transfer taxes	68,181	68,181	
Earned income taxes	<u>1,340,527</u>	<u>1,340,527</u>	
	<u>\$ 1,904,914</u>	<u>\$ 1,510,443</u>	<u>\$ 394,471</u>

The unearned revenue balances as of June 30, 2023 are as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>
Unearned revenue	\$ 172,696	
Unused donated commodities		<u>\$ 27,945</u>
Total unearned revenue	<u>\$ 172,696</u>	<u>\$ 27,945</u>

4. Interfund activity:

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as nonoperating revenues/expenses in proprietary funds.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

4. Interfund activity (continued):

Interfund receivable and payable balances as of June 30, 2023 are as follows:

	Interfund receivable	Interfund payable
General Fund	\$ 2,761,779	\$ 1,575,000
Capital Reserve Fund	1,575,000	
WarwickWARE Fund		2,714,797
Food Service Fund		46,982
 Total	 \$ 4,336,779	 \$ 4,336,779

These balances resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system and (3) payments between funds were made.

Interfund transfers during the fiscal year June 30, 2023 were for debt service and future capital expenditures as follows:

	Transfers to other funds	Transfers from other funds
General Fund	\$ 11,480,715	
Capital Reserve Fund		\$ 1,575,000
Debt service fund		9,905,715
 Total	 \$ 11,480,715	 \$ 11,480,715

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

5. Due from other governments:

Amounts due from other governments represent receivables for revenues earned by the School District. At June 30, 2023, the following amounts were due from other governmental units:

	<u>General Fund</u>
Federal programs	\$ 481,990
State subsidies:	
Social Security	469,162
Retirement	2,249,016
Other	<u>386,684</u>
Total	<u><u>\$ 3,586,852</u></u>

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

6. Capital assets:

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,672,598			\$ 2,672,598
Construction in progress	5,884,713	\$ 2,148,086	\$ 5,884,713	2,148,086
Total capital assets not being depreciated	8,557,311	2,148,086	5,884,713	4,820,684
Capital assets being depreciated:				
Buildings and improvements	144,387,385	8,415,749		152,803,134
Land improvements	8,417,960	4,722,892		13,140,852
Equipment, furniture and fixtures	12,171,472	1,305,667	1,650,621	11,826,518
Vehicles	480,353			480,353
Total capital assets being depreciated	165,457,170	14,444,308	1,650,621	178,250,857
Less accumulated depreciation for:				
Buildings and improvements	76,743,712	3,241,514		79,985,226
Land improvements	5,338,606	429,912		5,768,518
Equipment, furniture and fixtures	8,928,639	925,381	1,314,677	8,539,343
Vehicles	416,257	25,784		442,041
Total accumulated depreciation	91,427,214	4,622,591	1,314,677	94,735,128
Total capital assets being depreciated, net	74,029,956	9,821,717	335,944	83,515,729
Governmental activities, capital assets, net	<u>\$ 82,587,267</u>	<u>\$ 11,969,803</u>	<u>\$ 6,220,657</u>	<u>\$ 88,336,413</u>

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

6. Capital assets (continued):

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities, capital assets being depreciated:				
Equipment, furniture and fixtures	\$ 609,925	\$ 63,700		\$ 673,625
Intellectual property	1,584,423	203,920		1,788,343
	<u>2,194,348</u>	<u>267,620</u>		<u>2,461,968</u>
Total capital assets being depreciated				
	<u>2,194,348</u>	<u>267,620</u>		<u>2,461,968</u>
Less accumulated depreciation and amortization for:				
Equipment, furniture and fixtures	547,262	13,652		560,914
Intellectual property	1,092,863	301,572		1,394,435
	<u>1,640,125</u>	<u>315,224</u>		<u>1,955,349</u>
Total accumulated depreciation and amortization				
	<u>1,640,125</u>	<u>315,224</u>		<u>1,955,349</u>
Business-type activities, capital assets, net	\$ 554,223	\$ (47,604)		\$ 506,619
	<u><u>\$ 554,223</u></u>	<u><u>\$ (47,604)</u></u>		<u><u>\$ 506,619</u></u>

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

6. Capital assets (continued):

Depreciation expense was charged to functions/programs of the governmental and business-type activities as follows:

Government activities:

Instructional:

Regular	\$ 2,171,450
Special	209,047

Support services:

Pupil personnel	168,113
Instructional staff	749,553
Administration	262,740
Pupil health	42,269
Business	64,036
Operation and maintenance of plant services	539,113
Noninstructional services, student activities	416,270

Total depreciation expense, governmental activities \$ 4,622,591

Business-type activities:

Food Service	\$ 13,652
WarwickWARE	301,572

Total depreciation expense, business-type activities \$ 315,224

7. Accrued salaries and benefits:

Accrued salaries and benefits consisted of the following items at June 30, 2023:

Salaries	\$ 3,671,559
Social Security tax	259,718
Retirement	4,480,693
Medical	430,973
Total	<u><u>\$ 8,842,943</u></u>

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

8. Compensated absences:

Activity for compensated absences for the year ended June 30, 2023 is summarized below:

	<u>Beginning balance</u>	<u>Increase (decrease)</u>	<u>Ending balance</u>
Vacation	\$ 303,000	\$ 52,430	\$ 355,430
Personal	298,866	(9,022)	289,844
	<u>\$ 601,866</u>	<u>\$ 43,408</u>	<u>\$ 645,274</u>

The liability for compensated absences is recorded as current and long-term in the government-wide statements.

9. Bonds payable:

In January 2021, the District issued the General Obligation Bonds, Series of 2020, in the amount of \$15,885,000 to currently refund the remaining outstanding General Obligation Bonds, Series of 2014A; to currently refund a portion of the outstanding General Obligation Bonds, Series of 2015; to currently refund a portion of the outstanding General Obligation Bonds, Series of 2016 and to pay for the costs of issuing the bonds. Principal payments will be due in varying amounts through February 2025, and the interest rate is 0.85%. The net present value savings of the current refunding was \$277,080. The principal balance outstanding at June 30, 2023 was \$13,120,000.

In April 2019, the District issued the General Obligation Bonds, Series of 2019, in the amount of \$13,025,000 to currently refund the remaining outstanding General Obligation Bonds, Series of 2013; to currently refund the remaining outstanding General Obligation Bonds, Series of 2014 and pay for the costs of issuing the bonds. Principal payments will be due in varying amounts through March 2027, and interest rates range from 2.0% to 4.0%. The principal balance outstanding at June 30, 2023 was \$5,390,000.

In April 2017, the District issued the General Obligation Bonds, Series of 2017, in the amount of \$14,875,000 to currently refund the remaining outstanding General Obligation Bonds, Series of 2009 and pay for the costs of issuing the bonds. Principal payments will be due in varying amounts through February 2024, and interest rates range from 2.0% to 5.0%. The principal balance outstanding at June 30, 2023 was \$1,100,000.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

9. Bonds payable (continued):

All the bond documents contain a provision that in the event of default, outstanding amounts become immediately due if the District is unable to make payment.

Long-term debt balances and activity for the year ended June 30, 2023 were as follows:

	Bonds payable	Bond discount	Bond premium	Total bonds payable
Beginning of year	\$ 28,800,000	\$(67,538)	\$ 998,674	\$ 29,731,136
Principal retirement	(9,190,000)			(9,190,000)
Amortization		14,472	(304,202)	(289,730)
	<u>\$ 19,610,000</u>	<u>\$(53,066)</u>	<u>\$ 694,472</u>	<u>20,251,406</u>
Less current portion				<u>(9,455,000)</u>
				<u>\$ 10,796,406</u>

The annual requirements of the District's bonds payable are as follows.

Year ended June 30,	Series of 2020	Series of 2019	Series of 2017	Total principal	Total interest	Total long-term debt service
2024	\$ 6,185,000	\$ 2,170,000	\$ 1,100,000	\$ 9,455,000	\$ 348,220	\$ 9,803,220
2025	6,935,000	1,035,000		7,970,000	177,748	8,147,748
2026		1,070,000		1,070,000	87,400	1,157,400
2027		1,115,000		1,115,000	44,600	1,159,600
	<u>\$ 13,120,000</u>	<u>\$ 5,390,000</u>	<u>\$ 1,100,000</u>	<u>\$ 19,610,000</u>	<u>\$ 657,968</u>	<u>\$ 20,267,968</u>

The payments of long-term debt are funded by the General Fund. During the year ended June 30, 2023, debt service payments included \$9,190,000 for principal and \$715,715 for interest.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

10. Defined benefit pension plan:

Plan description:

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits provided:

Benefits are provided by PSERS by statute; therefore, financial statement amounts are affected by PSERS activity. The District's reported amounts will vary over time depending on the pension results of PSERS.

PSERS provides retirement, disability and death benefits. Members of Class T-C and Class T-D are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one year of credited service; (b) age 60 with 30 or more years of credited service or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F).

To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Retirement Code (the Code)) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a members' right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completing five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary, nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

10. Defined benefit pension plan (continued):

Benefits provided:

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member contributions:

Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the members' qualifying compensation.

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

Member contributions:

Members who joined the System after June 30, 2001 and before July 1, 2011, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after July 1, 2002.

Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

Employer contributions:

The School District's contractually required contribution rate for fiscal year ended June 30, 2023 was 34.31% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions for the pension plan from the District were \$11,790,640 for the year ended June 30, 2023.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

The District's 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 PSERS and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. 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.

At June 30, 2023, the District reported a liability of \$97,720,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward PSERS's total pension liability as of June 30, 2021 to June 30, 2022. There were no events during the period June 30, 2022 to June 30, 2023 that affect the measurement of the net pension liability results. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2022, the District's proportion was .2198%, which was an decrease of .0014% from its proportion as of June 30, 2021.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended June 30, 2023, the District recognized pension expense of \$7,980,000. At June 30, 2023, 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 experience		\$ 801,000
Changes of assumptions	\$ 2,918,000	
Net difference between projected and actual earnings on pension plan investments		1,658,000
Net changes in proportion	21,000	
Difference between District actual contributions and the calculated portion determined by PSERS	399,174	
District contributions subsequent to the measurement date	11,790,640	
	\$ 15,128,814	\$ 2,459,000

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended June 30, 2023, \$11,790,640 was 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. Other amounts reported as deferred outflows of resources and deferred inflows of resource related to pensions will be recognized in pension expense as follows:

<u>Plan year ended June 30,</u>	
2023	\$ 615,174
2024	602,000
2025	(2,639,000)
2026	<u>2,301,000</u>
	<u>\$ 879,174</u>

Actuarial assumptions:

The total pension liability as of June 30, 2022 was determined by rolling forward the System's total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry age normal - level % of pay
Investment return:	7.00%, includes inflation of 2.50%
Salary increases:	Effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth and merit or seniority increases of 2.00%.
Mortality rates:	Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projection using a modified version of the MP-2020 Mortality Improvement Scale.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

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.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

The PSERS board adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022 are as follows:

Asset class	Target allocation	Long-term expected real rate of return
Global public equity	28.0 %	5.3 %
Private equity	12.0	8.0
Fixed income	33.0	2.3
Commodities	9.0	2.3
Infrastructure/MLPs	9.0	5.4
Real estate	11.0	4.6
Absolute return	6.0	3.5
Cash	3.0	0.5
Leverage	(11.0)	0.5
	100.0 %	

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

10. Defined benefit pension plan (continued):

Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions:

Discount rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share:

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.00%) or one-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 126,394,000	\$ 97,720,000	\$ 73,544,000

Pension plan fiduciary net position:

Detailed information about PSERS fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits:

Postemployment benefits other than pension (OPEB):

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

Plan description:

The District permits employees who participate in the medical and/or dental benefit plan at the time of their retirement and who meet one of the following criteria to continue their group medical and/or dental coverage to age 65 by remitting the monthly premiums to the School District.

- Full-time employee for ten or more years of service with the District and who is at least 55 years of age or older, or
- Employee has been granted a disability retirement benefit by the Public School Employees' Retirement System, or
- Employee has retired with at least 30 years of credited service, or
- Employee has retired under superannuation status (age 62, or age 60 with 30 years of service or 35 years of service regardless of age).

The retirees' cost of group insurance is calculated by the Plan administrator.

Administrators may continue their medical and/or dental coverage upon retirement until they are eligible for Medicare. The administrator's coverage is paid by the District, and the District contributes \$1,000 toward any dependent's medical coverage. The District also provides life insurance benefits for retired administrators until they reach 70 years of age.

Employees covered by benefit terms:

At July 1, 2021, the following employees were covered by benefit terms:

	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	28
Active employees	<u>430</u>
Total	<u><u>458</u></u>

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

Total OPEB liability and actuarial assumptions:

The District's total OPEB liability of \$4,615,723 was measured as of June 30, 2022 and was determined by rolling forward the July 1, 2021 actuarial valuation to June 30, 2022 using the following actuarial assumptions and other inputs, applies to all periods included in the measurement, unless otherwise specified:

Discount rate:	4.06% based on 20-Year High Grade Rate Index
Salary increases:	2.50% cost of living adjustment, 1.5% real wage growth and merit increased which varies by age from 2.75% to 0%
Healthcare cost trend rates:	6.5% in 2022, 6.0% in 2023 and 5.5% in 2024-2025. Rates gradually decrease from 5.4% in 2026 to 3.9% in 2075.
Retirees' share of benefit related costs:	Retiree contributions are assumed to increase at the same rate as the healthcare cost trend rate.
Mortality rates:	PubT-2010 headcount-weighted mortality table including rates for contingent survivors for teachers. PubG-2010 headcount-weighted mortality table including rates for contingent survivors for all other employees. Incorporated into the tables are rates projected generationally using Scale MP-2021 to reflect mortality improvement.

Mortality rates are presumed preretirement and postretirement using the rates assumed in the PSERS defined benefit pension plan actuarial valuation.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

Changes in the total OPEB liability:

Balance at July 1, 2021:	\$ 5,549,980
Changes for the year:	
Service cost	389,399
Interest	132,660
Changes in assumptions	(1,233,011)
Benefit payments	(223,305)
Net changes	(934,257)
Balance at June 30, 2022	\$ 4,615,723

Sensitivity of total OPEB liability to changes in the discount rate:

The following presents the net OPEB liability of the Plan, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 3.06%	Current discount rate 4.06%	1% Increase 5.06%
District's total OPEB liability	\$ 4,929,907	\$ 4,615,723	\$ 4,317,535

Sensitivity of total OPEB liability to changes in the healthcare cost trend rates:

The following presents the total OPEB liability of the Plan, as well as what the Plan's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rates	1% Increase
District's total OPEB liability	\$ 4,143,071	\$ 4,615,723	\$ 5,168,416

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended June 30, 2023, the District recognized OPEB expense of \$(26,605). As of June 30, 2023, 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
Difference between expected and actual experience	\$ 787,724	\$ 8,742,949
District benefit payments subsequent to the measurement date	264,558	
Changes in assumption	3,522,944	2,048,486
	\$ 4,575,226	\$ 10,791,435

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

Plan year ended June 30,	
2024	\$ (548,664)
2025	(548,664)
2026	(548,664)
2027	(548,664)
2028	(548,664)
thereafter	(3,737,447)
	\$ (6,480,767)

Health insurance premium assistance program (HIPAP):

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

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

Health insurance premium assistance program (HIPAP):

PSERS provides Premium Assistance, which, is a governmental cost-sharing, multiple-employer HIPAP plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002, under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Premium Assistance eligibility criteria:

Retirees of PSERS can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and
- Participate in the HOP or employer-sponsored health insurance program.

Benefits provided:

Participating eligible retirees are entitled to receive Premium Assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive Premium Assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' HOP. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

Employer contributions:

The District's contractually required contribution rate for the fiscal year ended June 30, 2023 was 0.75% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the District were \$259,000 for the year ended June 30, 2023.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

At June 30, 2023, the District reported a liability of \$4,048,000 for its proportionate share of the net HIPAP liability. The net HIPAP liability was measured as of June 30, 2022, and the total HIPAP liability used to calculate the net HIPAP liability was determined by rolling forward the PSERS total HIPAP liability as of June 30, 2021 to June 30, 2022. There were no events during the period of June 30, 2022 to June 30, 2023 that affect the measurement of the net HIPAP liability results. The District's proportion of the net HIPAP liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the District's proportion was .2199%, which was an decrease of .0011% from its proportion as of June 30, 2021.

For the year ended June 30, 2023, the District recognized HIPAP expense of \$117,000. At June 30, 2023, the District reported deferred outflows of resources related to HIPAP from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	\$ 15,000	
Change in assumptions		\$ 507,000
Difference between projected and actual investment earnings	11,000	
Changes in proportion	43,000	
Contributions subsequent to the measurement date	264,000	
	\$ 333,000	\$ 507,000

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

Deferred outflows of resources related to HIPAP of \$264,000 were reported as resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net HIPAP liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIPAP will be recognized in HIPAP expense as follows:

Plan year ended June 30,	
2023	\$ (103,000)
2024	(56,000)
2025	(59,000)
2026	(102,000)
2027	(118,000)
	<u>\$ (438,000)</u>

Actuarial assumptions:

The total HIPAP liability as of June 30, 2022, was determined by rolling forward the PSERS total HIPAP liability as of June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry age normal - level percentage of pay.
- Investment return - 4.09% - S&P 20-Year Municipal Bond Rate.
- Salary growth - Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- Premium Assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in Premium Assistance per year.
- Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.
- Participation rate
 - Eligible retirees will elect to participate pre age 65 at 50%.
 - Eligible retirees will elect to participate post age 65 at 70%.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

Actuarial assumptions:

The following assumptions were used to determine the contribution rate:

- Cost method: Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
- Asset valuation method: Market value.
- Participation rate: 63% of eligible retirees are assumed to elect Premium Assistance.
- Mortality rates: Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

Investments consist primarily of short-term assets designed to protect the principal of the Plan's assets. The expected rate of return on HIPAP Plan investments was determined using the HIPAP asset allocation policy and best estimates of geometric real rates of return for each asset class.

The HIPAP Plan's policy in regard to the allocation of invested Plan assets is established and may be amended by the board. Under the program, as defined in the retirement code employer contribution, rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>HIPAP - Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	<u>100.0 %</u>	0.5 %

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2022.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

Discount rate:

The discount rate used to measure the total HIPAP liability was 4.09%. Under the Plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the HIPAP Plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the Plan is considered a "pay-as-you-go" plan. A discount rate of 4.09%, which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total HIPAP liability.

Sensitivity of the District's proportionate share of the net HIPAP liability to changes in the healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2022, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 93,392 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 611 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the District's proportionate share of the net HIPAP liability for June 30, 2022, calculated using current healthcare cost trends, as well as what the net HIPAP liability would be if it healthcare cost trends were one-percentage point lower or one-percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
District's proportionate share of net HIPAP liability	\$ 4,047,000	\$ 4,048,000	\$ 4,048,000

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

11. Postemployment benefits (continued):

HIPAP liabilities, HIPAP expense and deferred outflows of resources and deferred inflows of resources related to HIPAP:

Sensitivity of the District's proportionate share of the net HIPAP liability to changes in the discount rate:

The following presents the District's proportionate share of the net HIPAP liability, calculated using the discount rate of 4.09%, as well as what the net HIPAP liability would be if it were calculated using a discount rate that is one-percentage point lower (3.09%) or one-percentage point higher (5.09%) than the current rate:

	1% Decrease 3.09%	Current discount rate 4.09%	1% Increase 5.09%
District's proportionate share of the net HIPAP liability	\$ 4,578,000	\$ 4,048,000	\$ 3,605,000

HIPAP Plan fiduciary net position:

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the System's website at www.psers.pa.gov.

12. Years of service recognition:

According to the District's negotiated agreements with its employees, the District will make 403(b) tax deferred contributions for any eligible employee in a maximum of four annual installments no later than September 30 of the fiscal year after the employee becomes eligible. To become eligible, an employee must have 15 years of consecutive full-time service at the District and 30 years of recognized service with the Public School Employees' Retirement System. The maximum total payment equals \$27,500 per person. Because an employee can retire at any time prior to receiving their final payment, amounts are accrued when the employees agree to continue employment at the District. For the year ended June 30, 2023, the District accrued \$131,000 in years of service recognition benefits.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

13. 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 1995, the District joined together with other school districts in the Commonwealth to form Lancaster-Lebanon Public School Insurance Pool (LLPSIP), a public entity risk pool currently operating as a risk-sharing and risk-purchasing pool for member school districts. The District pays an annual premium to LLPSIP for its workers' compensation and property/liability insurance coverage. The agreement of the LLPSIP provides that LLPSIP will be self-sustaining through member premiums and dividends and will reinsure through commercial companies for claims in excess of a certain dollar amount for each insured entity.

The District maintains a self-insured medical and dental benefit plan. The schedule of benefits provides for varying amounts of reasonable and customary healthcare benefits. The District is protected from unlimited liability by stop-loss insurance protection covering both individual and aggregate claims. For the year ended June 30, 2023, the maximum potential claim liability was \$200,000 per individual and \$8,980,363 in the aggregate. Actual claims and fees paid during the year ended June 30, 2023 were \$7,520,478. Reductions to this total included retiree contributions of \$248,628 and employee contributions of \$1,003,929. Claims for medical expenses incurred from July 1, 2022 to June 30, 2023, but were processed after June 30, 2023, totaled \$345,895 and have been reflected in accrued salary and benefits.

Changes in the District's medical and dental claims liability in fiscal years 2023 and 2022 were:

	<u>Beginning of fiscal year liability</u>	<u>Current year claims and changes in estimates</u>	<u>Claims payments</u>	<u>End of fiscal year liability</u>
2022-2023	\$ 209,490	\$ 5,170,875	\$ 5,034,470	\$ 345,895
2021-2022	269,145	4,656,927	4,716,582	209,490

The District continues to carry commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

14. Joint ventures:

Lancaster-Lebanon Intermediate Unit (LLIU):

The LLIU Board of Directors consists of 22 members from the LLIU's constituent school districts. The LLIU Board members are school district board members who are elected by the public and are appointed to the LLIU Board by the member school districts' Board of Directors. The LLIU Board has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. Warwick School District contracts with the LLIU for special education services for School District students. Warwick School District participates in joint purchasing arrangements with the LLIU and other districts in the areas of supplies and equipment, healthcare initiatives, workers' compensation, property casualty and consulting services. Complete financial information for LLIU can be obtained from the Administrative Office at 1020 New Holland Avenue, Lancaster, PA 17601.

Lancaster County Tax Collection Bureau (Bureau):

The School District participates with 16 other school districts for the collection of earned income taxes. Each public school district appoints one member to serve on the joint operating committee. The Bureau's operating expenditures are deducted from the distributions, which are made quarterly. Financial information for the Bureau can be obtained from the Administrative Office at 1845 William Penn Way, Lancaster, PA 17601.

Lancaster County Career and Technology Center (LCCTC):

The School District is one of 16-member school districts of the Lancaster County Career and Technology Center (LCCTC). LCCTC provides vocational-technical training and education to participating students of the member school districts. LCCTC is controlled and governed by the Career and Technology Board of Lancaster County, which is composed of school board members of all the member school districts. Each participating school district has one seat on the board. No member school district exercises specific control over the fiscal policies or operations of LCCTC. The LCCTC is not reported as part of the School District's reporting entity. The School District's share of annual operating costs for LCCTC fluctuates based upon the percentage of enrollment of each member school district. These member districts provided total funding of approximately \$14.5 million to LCCTC for capital and operating expenses for the year ended June 30, 2023. The School District provided approximately \$1,121,000 as its share of the vocational-technical budget, or 7.0% of total member district contributions. Complete financial statements for LCCTC can be obtained from the Administrative Office at 1730 Hans Herr Drive, P.O. Box 527, Willow Street, PA 17584.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

14. Joint ventures (continued):

Lancaster County Career and Technology Center Authority:

The District entered into a lease agreement with the Lancaster County Career and Technology Center Authority (the Authority) along with 15 other school districts. The Lancaster County Career and Technology Center Authority is an authority created under the Pennsylvania Municipality Authorities Act and is empowered to acquire, hold, construct, improve, maintain, operate and lease public school buildings and other school projects for public school purposes. By resolution, the member districts have requested the Authority to proceed with improvement of the school facilities of the Lancaster County Career Technology Center (LCCTC) to be funded by lease revenue bonds not to exceed the maximum aggregate principal amount of \$43,000,000. The bonds will be designated as Lancaster County Career and Technology Center Authority Guaranteed Lease Revenue Bonds. Each district will pay its proportionate share of the lease rentals in order to fund the debt.

On July 9, 2014, the Authority completed issuance of Guaranteed Lease Revenue Bonds, Series of 2014, in the amount of \$3,900,000. Payments were required over the period February 2015 until February 2037, with interest payable semi-annually. The average bond yield was 3.88%. On June 30, 2020, the bonds were refunded with Guaranteed Lease Revenue Bonds, Series of 2020.

On February 1, 2017, the Authority completed issuance of Guaranteed Lease Revenue Notes, Series of 2017, for the purpose of advance refunding the Guaranteed Lease Revenue Bonds, Series of 2013, and to pay the costs of issuing the notes in the amount of \$9,380,000. Payments were required until February 2037. The notes bear interest with rates ranging from 2.75% to 3.35%. On June 30, 2020, the notes were refunded with Guaranteed Lease Revenue Bonds, Series of 2020.

On November 11, 2017, the Authority completed issuance of Guaranteed Lease Revenue Notes, Series of 2017-11, for the purpose of advance refunding the Guaranteed Lease Revenue Bonds, Series of 2012, and to pay the costs of issuing the notes in the amount of \$7,930,000. Payments are required until February 2037. The notes bore interest with rates ranging from 2.20% to 5.00%. The balance of the District's share of this obligation at June 30, 2023 was \$498,940.

On June 30, 2020, the Authority completed issuance of Guaranteed Lease Revenue Bonds, Series of 2020, for the purpose of advance refunding the Guaranteed Lease Revenue Bonds, Series of 2014, advance refunding the Guaranteed Lease Revenue Notes, Series of 2017, and to pay the costs of issuing the bonds in the amount of \$11,145,000. Payments are required until February 2037. The bonds bear interest with rates ranging from 1.00% to 4.00%. The balance of the District's share of this obligation at June 30, 2023 was \$789,694.

WARWICK SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

14. Joint ventures (continued):

Lancaster County Career and Technology Center Authority:

Minimum future rental payments under the operating lease for the District are as follows:

Fiscal year ending June 30,	Total
2024	\$ 92,910
2025	93,152
2026	93,639
2027	93,002
2028	92,445
2029-2033	458,330
2034-2037	365,156
Total minimum future rental payments	<u><u>\$ 1,288,634</u></u>

During the 2022-2023 school year, the District paid \$93,300 to the Authority for its bond issue lease agreement obligation.

15. Contingent liabilities:

The School District participates in federally assisted grant programs. These grant programs are subject to program compliance audits by the grantors or their representatives. The School District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

16. Subsequent events:

The District has evaluated subsequent events through October 30, 2023, the date which the financial statements were available to be issued.

WARWICK SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 (Required supplementary information)
 (unaudited)
 FOR THE VALUATION YEARS ENDED JUNE 30
 (See independent auditor's report)

	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.2198 %	0.2212 %	0.2191 %	0.2191 %	0.2107 %	0.2155 %	0.2198 %	0.2174 %
District's proportionate share of the net pension liability	\$ 97,720,000	\$ 90,817,000	\$ 107,883,000	\$ 102,501,000	\$ 101,146,000	\$ 106,432,000	\$ 108,926,000	\$ 94,167,000
District's covered-employee payroll	\$ 32,334,769	\$ 31,332,238	\$ 30,755,110	\$ 30,210,849	\$ 28,371,933	\$ 28,694,678	\$ 28,465,520	\$ 27,970,596
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	302.21 %	289.85 %	350.78 %	339.29 %	356.50 %	370.91 %	382.66 %	336.66 %
Plan fiduciary net position as a percentage of the total pension liability	61.34 %	63.67 %	54.32 %	55.66 %	54.00 %	51.84 %	50.14 %	54.36 %

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

WARWICK SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
 (Required supplementary information)
 (unaudited)
 FOR THE VALUATION YEARS ENDED JUNE 30
 (See independent auditor's report)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 10,956,027	\$ 10,509,797	\$ 10,237,745	\$ 9,812,000	\$ 8,941,000	\$ 8,243,000	\$ 6,993,000	\$ 5,614,000
Contributions in relation to the contractually required contribution	<u>11,019,698</u>	<u>10,545,476</u>	<u>10,324,000</u>	<u>9,815,000</u>	<u>8,928,000</u>	<u>8,487,000</u>	<u>7,084,000</u>	<u>5,677,000</u>
Contribution deficiency (excess)	<u>\$ (63,671)</u>	<u>\$ (35,679)</u>	<u>\$ (86,255)</u>	<u>\$ (3,000)</u>	<u>\$ 13,000</u>	<u>\$ (244,000)</u>	<u>\$ (91,000)</u>	<u>\$ (63,000)</u>
District's covered payroll	\$ 32,334,769	\$ 31,332,238	\$ 30,755,110	\$ 30,210,849	\$ 28,371,933	\$ 28,625,291	\$ 28,259,397	\$ 28,233,484
Contributions as a percentage of covered employee payroll	34.08%	33.66%	33.57%	32.49%	31.47%	29.65%	25.07%	20.11%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

WARWICK SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS
(Required supplementary information)
(unaudited)
FOR THE VALUATION YEARS ENDED JUNE 30
(See independent auditor's report)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total other postemployment benefit (OPEB) liability:						
Service cost	\$ 389,399	\$ 756,891	\$ 757,464	\$ 553,844	\$ 567,964	\$ 495,847
Interest	132,660	559,472	543,007	318,761	308,616	365,296
Change in benefit terms				48,289		
Differences between expected and actual experience		(9,924,687)		1,078,668		(623,848)
Changes in assumptions	(1,233,011)	(1,075,834)		3,501,978		1,745,236
Benefit payments	(223,305)	(744,672)	(914,809)	(513,665)	(549,054)	(682,656)
Net changes in total OPEB liability	(934,257)	(10,428,830)	385,662	4,987,875	327,526	1,299,875
Total OPEB liability, beginning	5,549,980	15,978,810	15,593,148	10,605,273	10,277,747	8,977,872
Total OPEB liability, ending	<u>\$ 4,615,723</u>	<u>\$ 5,549,980</u>	<u>\$ 15,978,810</u>	<u>\$ 15,593,148</u>	<u>\$ 10,605,273</u>	<u>\$ 10,277,747</u>
Covered-employee payroll	\$ 29,816,637	\$ 29,816,637	\$ 27,001,158	\$ 26,342,593	\$ 26,076,466	\$ 25,440,455
Total OPEB liability as a percentage of covered-employee payroll	15.48%	18.61%	59.18%	59.19%	40.67%	40.40%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

WARWICK SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB (HIPAP) LIABILITY
(Required supplementary information)
(unaudited)
FOR THE VALUATION YEARS ENDED JUNE 30
(See independent auditor's report)

	2022	2021	2020	2019	2018	2017
District's proportion of the net OPEB (HIPAP) liability	0.2199%	0.2210%	0.2191%	0.2191%	0.2107%	0.2155%
District's proportionate share of the net OPEB (HIPAP) liability	\$ 4,048,000	\$ 5,238,000	\$ 4,734,000	\$ 4,660,000	\$ 4,393,000	\$ 4,391,000
District's covered-employee payroll	\$ 32,334,769	\$ 31,332,238	\$ 30,755,110	\$ 30,210,849	\$ 28,371,933	\$ 28,694,678
District's proportionate share of the net OPEB (HIPAP) liability as a percentage of its covered-employee payroll	12.52%	16.72%	15.39%	15.42%	15.48%	15.30%
Plan fiduciary net position as a percentage of the total OPEB (HIPAP) liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

WARWICK SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB (HIPAP) CONTRIBUTIONS
 (Required supplementary information)
 (unaudited)
 FOR THE VALUATION YEARS ENDED JUNE 30
 (See independent auditor's report)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 257,000	\$ 257,000	\$ 258,000	\$ 251,000	\$ 235,000	\$ 238,000
Contributions in relation to the contractually required contribution	<u>260,000</u>	<u>258,000</u>	<u>259,000</u>	<u>251,000</u>	<u>238,000</u>	<u>238,000</u>
Contribution deficiency (excess)	<u>\$ (3,000)</u>	<u>\$ (1,000)</u>	<u>\$ (1,000)</u>	<u>\$ -</u>	<u>\$ (3,000)</u>	<u>\$ -</u>
District's covered payroll	\$ 32,334,769	\$ 31,332,238	\$ 30,755,110	\$ 30,210,849	\$ 28,371,933	\$ 28,694,678
Contributions as a percentage of covered-employee payroll	0.80%	0.82%	0.84%	0.83%	0.84%	0.83%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the District is presenting information for those years for which information is available.

WARWICK SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – GENERAL FUND
 (Required supplementary information)
 (unaudited)
 YEAR ENDED JUNE 30, 2023
 (See independent auditor’s report)

	Original budget	Final budget	Actual	Variance, favorable (unfavorable)
Revenues:				
Sources:				
Local	\$ 54,960,756	\$ 54,960,756	\$ 57,822,448	\$ 2,861,692
State	23,975,197	23,975,197	24,661,386	686,189
Federal	924,961	924,961	1,400,702	475,741
Total revenues	79,860,914	79,860,914	83,884,536	4,023,622
Expenditures:				
Instruction	47,816,949	47,816,949	47,771,919	45,030
Support services	19,941,280	19,941,280	20,663,799	(722,519)
Student activities	1,640,619	1,640,619	1,579,823	60,796
Community services	86,000	86,000	50,189	35,811
Facility acquisition and improvements	40,000	40,000	2,071,366	(2,031,366)
Architectural and engineering services	50,000	50,000	23,551	26,449
Debt service	125,351	125,351	127,171	(1,820)
Refund of prior year revenues	5,000	5,000		5,000
Total expenditures	69,705,199	69,705,199	72,287,818	(2,582,619)
Excess of revenues over expenditures	10,155,715	10,155,715	11,596,718	1,441,003
Other financing sources (uses):				
Fund transfers, net	(9,905,715)	(9,905,715)	(11,480,715)	(1,575,000)
Proceeds from sale of capital assets			25,000	25,000
Budgetary reserve	(250,000)	(250,000)		250,000
Total other financing uses	(10,155,715)	(10,155,715)	(11,455,715)	(1,300,000)
Net change in fund balance	\$ -	\$ -	141,003	\$ 141,003
Fund balance:				
July 1, 2022			19,143,958	
June 30, 2023			\$ 19,284,961	

WARWICK SCHOOL DISTRICT

NOTES TO THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

(Required supplementary information)
(unaudited)

YEAR ENDED JUNE 30, 2023

(See independent auditor's report)

Budgets and budgetary accounting:

An operating budget is adopted prior to the beginning of each fiscal year for the General Fund on a basis consistent with the modified accrual basis of accounting except that a budgetary reserve is provided. The General Fund is the only fund for which a budget is required.

The Pennsylvania School Code dictates specific procedures for the adoption of the District's budget and reporting of its financial statements, specifically:

The School District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The School District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within 15 days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the School District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement and such hearings are required to be scheduled at least ten days prior to when the School Board adoption is taken.

Legal budgetary control is maintained at the sub-function/major object level. The School Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary related information in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments. The School Board made several supplemental budgetary appropriations throughout the year which resulted in no increase in the General Fund budget. The entire supplemental budgetary appropriation was a result of program budgets prescribed by federal and state agencies.

Included in the General Fund budget are program budgets as prescribed by the federal and state agencies funding program. These budgets are approved on a program-by-program basis by the federal and state funding agencies.

The District's expenditures were over budget due to capital projects (John Beck roof, Middle School HVAC, Litz Elementary Chiller, High School tennis courts) that were Board approved as General Fund expenditures due to revenues trending significantly above budget early in the year.

WARWICK SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 1, 2022	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2023	Amounts paid to subrecipients
U.S. Department of Education											
Passed through the Pennsylvania Department of Education:											
Title I Improving Basic Programs 2021-2022	I	84.010	013-200461	08/04/21-09/30/22	\$ 543,415	\$ 74,534	\$ 34,354	\$ 40,180	\$ 40,180		\$ -
Title I Improving Basic Programs 2022-2023	I	84.010	013-230461	07/05/22-09/30/23	517,689	411,974		434,892	434,892	\$ 22,918	
Title II Improving Teacher Quality 2021-2022	I	84.367	022-200461	08/04/21-09/30/22	110,285	7,838	7,838				
Title II Improving Teacher Quality 2022-2023	I	84.367	020-230461	07/05/22-09/30/23	93,531	92,312		80,151	80,151	(12,161)	
Title IV Student Support and Academics Enrichment 2021-2022	I	84.424	144-220461	08/04/21-09/30/22	35,839	7,696	7,696				
Title IV Student Support and Academics Enrichment 2022-2023	I	84.424	144-230461	07/05/22-09/30/23	42,558	32,433		26,621	26,621	(5,812)	
COVID-19 - CARES Act - ESSER II	I	84.425D	200-210461	03/13/20-09/30/23	1,759,834	163,706	163,706				
COVID-19 - CARES Act - ARP-ESSER	I	84.425U	223-210461	03/13/20-09/30/24	3,559,635	129,441	(258,883)	249,091	249,091	(139,233)	
COVID-19 - CARES Act - ARP-ESSER 7%	I	84.425U	225-210461	03/13/20-09/30/24	276,663	176,058	(15,091)	201,335	201,335	10,186	
COVID-19 - CARES Act - Homelss Children and Youth	I	84.425U	181-212466	03/13/20-09/30/24	24,146	22,289	(1,857)	24,146	24,146		
Total passed through the Pennsylvania Department of Education						1,118,281	(62,237)	1,056,416	1,056,416	(124,102)	
Passed through Lancaster-Lebanon IU13:											
Special Education Cluster:											
IDEA, Part B 2022-2023	I	84.027	062-23-0013	07/01/22-09/30/23	402,092			402,092	402,092	402,092	
IDEA, On-Behalf Services	I	84.027	062-23-0013	07/01/22-09/30/23	250,682	250,682		250,682	250,682		
IDEA, ARP Exepenses	I	84.027X	062-22-0013	07/01/21-09/30/23	110,245	110,245		45,334	45,334		
Individuals with Disabilities Comp III - ARP Funds	I	84.027X	062-22-0013	07/01/21-09/30/23	31,668			31,668	31,668	31,668	
Early Intervention IDEA	I	84.173	131-21-0013	07/01/21-06/30/22	4,531	4,531	4,531				
Early Intervention IDEA	I	84.173	131-22-0013	07/01/22-06/30/23	2,782			2,782	2,782	2,782	
Total Special Education Cluster, passed through Lancaster-Lebanon IU13						300,547	4,531	732,558	732,558	436,542	
Total of U.S. Department of Education						1,418,828	(57,706)	1,788,974	1,788,974	312,440	

(continued)

WARWICK SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Federal grantor/ pass-through grantor/program title	Source code	Federal assistance listing number	Pass-through grantor's number	Grant period beginning/ ending date	Program or award amount	Total received for the year	Accrued (unearned) revenue at July 1, 2022	Revenue recognized	Expenditures	Accrued (unearned) revenue at June 30, 2023	Amounts paid to subrecipients
U.S. Department of Health and Human Services											
Passed through the Commonwealth of Pennsylvania:											
ACCESS Medical Assistance 2021-2022	I	93.778	N/A	07/01/21-06/30/22	\$ 13,589	\$ 7,624	\$ 7,624				
ACCESS Medical Assistance 2022-2023	I	93.778	N/A	07/01/22-06/30/23	10,808	5,375		\$ 10,808	\$ 10,808	\$ 5,433	\$ -
Total of U.S. Department of Health and Human Services						12,999	7,624	10,808	10,808	5,433	
U.S. Department of Agriculture											
Passed through the Pennsylvania Department of Education:											
Child Nutrition Cluster:											
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	26,914	26,914				
School Breakfast Program	I	10.553	N/A	07/01/21-06/30/22	N/A	7,391	7,391				
National School Lunch Program	I	10.555	N/A	07/01/22-06/30/23	N/A	818,758		823,660	823,660	4,902	
School Breakfast Program	I	10.553	N/A	07/01/22-06/30/23	N/A	208,236		210,245	210,245	2,009	
National School Lunch Program - Supply Chain Assistance	I	10.555	N/A	07/01/22-06/30/23	N/A		(72,722)	72,722	72,722		
National School Lunch Program - Supply Chain Assistance	I	10.555	N/A	07/01/22-06/30/23	N/A	103,172		101,089	101,089	(2,083)	
Total passed through the Pennsylvania Department of Education						1,164,471	(38,417)	1,207,716	1,207,716	4,828	
Passed through the Pennsylvania Department of Agriculture:											
National School Lunch Program	I	10.555	N/A	07/01/21-06/30/22	N/A	167,777	(35,088)	177,004	177,004	(25,861)	
Total of Child Nutrition Cluster						1,332,248	(73,505)	1,384,720	1,384,720	(21,033)	
Passed through the Pennsylvania Department of Education:											
National School Lunch Program - Local Admin Funds	I	10.649	N/A	07/01/22-06/30/23	N/A	628		628	628		
Total U.S. Department of Agriculture						1,332,876	(73,505)	1,385,348	1,385,348	(21,033)	
Total federal assistance						\$ 2,764,703	\$ (123,587)	\$ 3,185,130	\$ 3,185,130	\$ 296,840	\$ -

(continued)

WARWICK SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Source code:

I = Indirect funding

10.553 National School Breakfast Program	\$ 210,245	
10.555 National School Lunch Program	<u>1,174,475</u>	
	<u>\$ 1,384,720</u>	
Total expenditures per above	\$ 3,185,130 = 43.47%	Meets the 20% requirement for low-risk auditee

Note A - Significant accounting policies:

The schedule of expenditures of federal awards presents the activity of all federal award programs for the District for the year ended June 30, 2023. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and, does not present the financial position or changes in net position of the District.

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note B - Food distribution:

- (a) Total amount of commodities recorded from the Department of Agriculture
- (b) Beginning inventory at July 1, 2022
- (c) Total amount of commodities used
- (d) Ending inventory at June 30, 2023

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

Independent Auditor's Report

Board of School Directors
Warwick School District
Lititz, Pennsylvania

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, the business-type activities, each major fund and the aggregate remaining fund information of Warwick School District as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warwick School District'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 Warwick School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Warwick School 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 School District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency, is a deficiency or 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. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 School 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 School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown Schultz Steidan & Fritz

Lancaster, Pennsylvania
October 30, 2023

Report on Compliance for the
Major Program and Report on Internal Control
Over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

Board of School Directors
Warwick School District
Lititz, Pennsylvania

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Warwick School District's (the School District) 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 Warwick School District's major federal program for the year ended June 30, 2023. Warwick School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Warwick School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) 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 School 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 the major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

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 Warwick School 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 Warwick School 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 GAAS, *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 Warwick School District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Warwick School 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 Warwick School 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 Warwick School 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.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a

combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Brown Schultz Steidan & Fritz

Lancaster, Pennsylvania
October 30, 2023

WARWICK SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

I. SUMMARY OF AUDITOR'S RESULTS:

Financial statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

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

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

Identification of major programs:

Assistance Listing numbers

Name of federal program or cluster

10.555
10.553

Child Nutrition Cluster:
National School Lunch Program
School Breakfast Program

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

Auditee qualified as low-risk auditee? X yes _____ no

(continued)

WARWICK SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023

II. FINANCIAL STATEMENT FINDINGS:

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

None

WARWICK SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

There were no prior year audit findings.