Budget & Finance Committee

Tuesday, November 17, 2026 5:15 PM
Warwick School District Board Room, 301 West Orange Street, Lititz, PA 17543

1. **WELCOME AND PUBLIC COMMENT**
2. **PRESENTATIONS**
3. **2027-2028 BUDGET OPT-OUT RESOLUTION RECOMMENDATION**
4. **OTHER RELEVANT ITEMS**
5. **BOARD RECOMMENDATIONS RECAP**
6. **ADJOURNMENT**

Draft to be used only for management discussion purposes; engagement is incomplete;
this draft is subject to final review and possible revision.

WARWICK SCHOOL DISTRICT

AUDIT PRESENTATION
FOR THE YEAR ENDED JUNE 30, 2026

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SERVICE TEAM

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SCOPE OF WORK AND AUDIT OPINIONS

Scope of work

As noted in our engagement letter dated April 12, 2024, the scope of work for the year ended June 30, 2026 was as follows:

- Audit of the financial statements of governmental activities, the business-type activities, each major fund and the remaining aggregate fund information, which collectively comprise the basic financial statements of Warwick School District (the District) in accordance with generally accepted auditing standards (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards.*

- Audit of the District's major federal programs in accordance with GAAS, *Government Auditing Standards* and Title 2 U.S. *Code of Federal Regulations Part 200*, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

- Preparation of draft financial statements, related notes and supplementary information, including required supplementary information, for management's review and approval.

- Preparation of the Data Collection Form to be filed with the Federal Audit Clearinghouse.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit also included steps to obtain an understanding of the District and its internal control environment, including the internal controls relevant to the preparation and fair presentation of the financial statements. As required by the Uniform Guidance, our audit also included tests of controls to evaluate the effectiveness of the design and operation of internal controls that, in our professional opinion, are relevant to preventing and detecting material noncompliance with the requirements applicable to the major federal programs.

Through performance of our designed audit procedures, we did not note any areas where internal controls over financial reporting or internal controls over compliance were insufficient.

Audit opinions

In our opinion, the financial statements of Warwick School District are fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

In our opinion, Warwick School District complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on the major program.

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FINANCIAL HIGHLIGHTS (CONTINUED)

Government-wide Financial Statements

Condensed statements of net position – two-year comparison:

	Governmental activities		Business-type activities	
	2026	2025	2026	2025
Current assets	$ 46,025,413	$ 42,373,172	$ 1,790,028	$ 4,127,002
Noncurrent assets	10,869,512	33,930,808	-	-
Capital assets	156,159,941	137,034,411	111,971	588,823
Total assets	213,054,866	213,338,391	1,901,999	4,715,825
Deferred outflows of resources	19,313,995	18,302,049	-	-
Total assets and deferred outflows of resources	**$ 232,368,861**	**$ 231,640,440**	**$ 1,901,999**	**$ 4,715,825**
Current liabilities	$ 22,116,140	$ 20,690,460	$ 116,316	$ 3,588,073
Long-term liabilities	159,233,147	173,431,660	-	-
Total liabilities	**181,349,287**	**194,122,120**	**116,316**	**3,588,073**
Deferred inflows of resources	12,971,680	12,699,208	-	-
Net position (deficit):				
Net investment in capital assets	90,751,342	85,916,393	111,971	588,823
Restricted	13,586,311	13,517,138	-	-
Unrestricted	(66,289,759)	(74,614,419)	1,673,712	538,929
Total net position (deficit)	**38,047,894**	**24,819,112**	**1,785,683**	**1,127,752**
Total liabilities, deferred inflows of resources and net position (deficit)	**$ 232,368,861**	**$ 231,640,440**	**$ 1,901,999**	**$ 4,715,825**

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- Current assets account for 20.41% and 19.67% of total assets and deferred outflows of resources for the years ended June 30, 2026 and 2025, respectively.
- Increase in deferred outflows of resources and deferred inflows of resources are the result of actuarial valuations for the PSERS pension and OPEB plans which fluctuate annually based on various factors and the District's proportionate share of PSERS liabilities.
- Increase in capital assets is the result of the high school renovation project.
- Current year operations resulted in an increase in the net position (deficit) of $13,228,782 for governmental activities and a increase in net position of $657,931 for business-type activities.

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FINANCIAL HIGHLIGHTS (CONTINUED)

Government-wide Financial Statements (continued)

Condensed statements of activities – two-year comparison:

	Governmental activities		Business-type activities	
	2026	2025	2026	2025
Revenues:				
Program revenues:				
Charges for services	$ 128,330	$ 77,309	$ 740,426	$ 894,126
Operating grants and contributions	16,705,614	16,137,741	1,574,921	1,508,546
General revenues:				
Property taxes and earned income taxes	58,391,328	56,814,108	-	-
Grants and entitlements	14,295,638	13,943,602	-	-
Other	2,700,627	3,011,970	154,631	154,918
Total revenues	**92,221,537**	**89,984,730**	**2,469,978**	**2,557,590**
Expenses:				
Instruction	49,636,513	51,017,544	-	-
Support services	23,514,427	23,276,103	-	-
Operation of noninstructional services, extracurricular activities	2,071,433	2,260,480	-	-
Community services	61,885	55,325	-	-
Interest and fiscal charges	2,908,146	2,031,625	-	-
Miscellaneous	113,797	17,266	-	-
Food service	-	-	2,498,601	2,397,001
Intellectual property	-	-	-	356,998
Total expenses	**78,306,201**	**78,658,343**	**2,498,601**	**2,753,999**
Change in net position (deficit) before unusual or infrequent items	**13,915,336**	**11,326,387**	**(28,623)**	**(196,409)**
Unusual or infrequent items				
Closing/absorption of Warwick Ware	(686,554)	-	686,554	-
Net unusual or infrequent items	**(686,554)**	**-**	**686,554**	**-**
Change in net position (deficit)	**$ 13,228,782**	**$ 11,326,387**	**$ 657,931**	**$ (196,409)**

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FINANCIAL HIGHLIGHTS (CONTINUED)

Government-wide Financial Statements (continued)

- Governmental activities revenues increased by $2,236,807 (2.49%), and expenses decreased by $352,142 (0.45%). The change in net position of $13,228,782 is an increase of $1,902,395 over the prior year increase in net position.
- Business-type activities revenues decreased by $87,612 (3.43%), and expenses decreased by $255,398 (9.27%). The change in net position of $657,931 is an increase of $854,340 from the prior year decrease in net position

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FINANCIAL HIGHLIGHTS (CONTINUED)

Fund Financial Statements

Governmental funds – two-year comparison – balance sheets:

	General Fund		Other governmental funds	
	2026	2025	2026	2025
Assets:				
Cash, cash equivalents and equity in pooled cash and investments:				
Unrestricted	$ 22,615,410	$ 22,441,711	$ 13,662,479	$ 12,800,387
Restricted	-	-	10,869,512	33,930,808
Due from other funds	2,582,507	3,512,544	-	750,000
Taxes receivable, net	2,438,103	2,219,237	-	-
Due from other governments	3,595,690	3,125,982	-	-
Other receivables	1,240,984	1,785,855	-	-
Total assets	**$ 32,472,694**	**$ 33,085,329**	**$ 24,531,991**	**$ 47,481,195**
Liabilities:				
Accounts payable	$ 760,519	$ 894,124	$ 3,238,358	$ 5,226,503
Due to other funds	109,760	750,000	-	-
Accrued:				
Salaries and benefits	11,042,159	10,225,813	-	-
Payroll withholdings	345,334	339,587	-	-
Unearned revenue	25,626	25,139	-	-
Other current liabilities	2,458	6,265	-	-
Total liabilities	**12,285,856**	**12,240,928**	**3,238,358**	**5,226,503**
Deferred inflows of resources, deferred real estate taxes	**544,266**	**487,122**	**-**	**-**
Fund balance:				
Nonspendable	-	-	20,000	20,000
Restricted	-	-	21,249,773	42,221,443
Committed	13,710,465	14,000,000	-	-
Assigned for payment of scholarships	-	-	23,860	13,249
Unassigned	5,932,107	6,357,279	-	-
Total fund balance	**19,642,572**	**20,357,279**	**21,293,633**	**42,254,692**
Total liabilities, deferred inflows of resources and fund balance	**$ 32,472,694**	**$ 33,085,329**	**$ 24,531,991**	**$ 47,481,195**

- Other governmental funds include capital projects, capital reserve, and scholarship funds.

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FINANCIAL HIGHLIGHTS (CONTINUED)

Fund Financial Statements (continued)

Governmental funds – two-year comparison – statements of revenues, expenditures and changes in fund balance:

	General Fund		Other governmental funds	
	2026	2025	2026	2025
Revenues:				
Local sources	$ 61,791,449	$ 60,315,808	$ 1,031,792	$ 1,301,051
State sources	28,093,519	27,520,103	-	-
Federal sources	1,183,211	972,670	-	-
Total revenues	**91,068,179**	**88,808,581**	**1,031,792**	**1,301,051**
Expenditures:				
Instruction	54,625,607	52,096,240	-	-
Support services	24,887,975	22,952,681	83,986	304,271
Student activities	1,584,929	1,718,042	-	4,325
Community services	61,885	55,325	-	-
Scholarships and awards	-	-	7,250	-
Facility acquisition and improvements	22,845	490,595	21,907,887	32,942,237
Architectural and engineering services	-	16,766	-	-
Debt service:				
Principal	6,015,000	7,980,000	-	-
Interest	3,494,194	2,186,300	-	-
Refund of prior year revenues	1,582	-	-	-
Total expenditures	**90,694,017**	**87,495,949**	**21,999,123**	**33,250,833**
Other financing sources (uses):				
Proceeds from sale of capital assets	88,597	6,000	-	-
Proceeds from issuance of long-term debt	-	-	-	27,582,191
Interfund transfers in (out)	(30,447)	(750,000)	6,272	750,000
Total other financing sources (uses)	**58,150**	**(744,000)**	**6,272**	**28,332,191**
Net change in fund balance before unusual or infrequent items	**432,312**	**568,632**	**(20,961,059)**	**(3,617,591)**
Unusual or infrequent items				
Closing/absorption of WarwickWare	(1,147,019)	-	-	-
Net unusual or infrequent items	**(1,147,019)**	**-**	**-**	**-**
Net change in fund balance	**(714,707)**	**568,632**	**(20,961,059)**	**(3,617,591)**
Fund balance:				
Beginning of year	20,357,279	19,788,647	42,254,692	45,872,283
End of year	**$ 19,642,572**	**$ 20,357,279**	**$ 21,293,633**	**$ 42,254,692**

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FINANCIAL HIGHLIGHTS (CONTINUED)

Fund Financial Statements

Proprietary funds – two-year comparison – statements of net position (deficit):

	Food Service		WarwickWARE	
	2026	2025	2026	2025
Assets:				
Current assets:				
Cash and cash equivalents	$ 1,715,787	$ 1,729,364	$ 2,441,455	$ 2,279,816
Interfund receivable	109,760	-	-	-
Inventory	105,533	117,822	-	-
Total current assets	**1,931,080**	**1,847,186**	**2,441,455**	**2,279,816**
Noncurrent assets:				
Equipment, furniture and fixtures	718,765	718,765	-	-
Accumulated depreciation on equipment, furniture and fixtures	(606,794)	(590,407)	-	-
Intellectual property	-	-	-	2,425,958
Accumulated amortization on intellectual property	-	-	-	(1,965,493)
Total noncurrent assets	**111,971**	**128,358**	**-**	**460,465**
Total assets	**$ 2,043,051**	**$ 1,975,544**	**$ 2,441,455**	**$ 2,740,281**
Liabilities:				
Accounts payable	$ 14,668	$ -	$ -	$ -
Due to other funds	141,052	9,140	2,441,455	3,503,404
Unearned revenue	31,601	36,047	-	-
Other current liabilities	70,047	39,482	-	-
Total liabilities, all current	**257,368**	**84,669**	**2,441,455**	**3,503,404**
Net position (deficit):				
Net investment in capital assets	111,971	128,358	-	460,465
Unrestricted	1,673,712	1,762,517	-	(1,223,588)
Total net position (deficit)	**1,785,683**	**1,890,875**	**-**	**(763,123)**
Total liabilities and net position (deficit)	**$ 2,043,051**	**$ 1,975,544**	**$ 2,441,455**	**$ 2,740,281**

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FINANCIAL HIGHLIGHTS (CONTINUED)

Fund Financial Statements (continued)

Proprietary funds – two-year comparison – statements of revenues, expenses and changes in net position (deficit):

	Food Service		WarwickWARE	
	2026	2025	2026	2025
Operating revenues	**$ 740,426**	**$ 788,609**	**$ -**	**$ 105,517**
Operating expenses:				
Food, milk, donated commodities and nonfood supplies	1,166,528	1,136,021	-	-
Payroll, payroll benefits and retirement	1,287,822	1,161,478	-	56,659
Depreciation/amortization	15,114	14,073	-	284,691
Other operating expenses	29,137	85,429	-	15,648
Total operating expenses	**2,498,601**	**2,397,001**	**-**	**356,998**
Net loss from operations	**(1,758,175)**	**(1,608,392)**	**-**	**(251,481)**
Nonoperating revenues:				
Reimbursements:				
State	454,782	410,256	-	-
Federal	905,862	927,892	-	-
Value of donated commodities	198,094	162,539	-	-
Donated funds	-	7,859	-	-
Interest	53,887	69,689	76,569	85,229
Other nonoperating revenue	16,183	-	-	-
Total nonoperating revenues	**1,628,808**	**1,578,235**	**76,569**	**85,229**
Change in net position before transfers and unusual or infrequent items	**(129,367)**	**(30,157)**	**76,569**	**(166,252)**
Transfers in	24,175	-	-	-
Change in net position before unusual or infrequent items	**(105,192)**	**(30,157)**	**76,569**	**(166,252)**
Unusual or infrequent items				
Interfund payable forgiven by the General Fund on absportion	-	-	1,147,019	-
Net capital assets transferred out	-	-	(460,465)	-
Net unusual or infrequent items	**-**	**-**	**686,554**	**-**
Change in net position	**(105,192)**	**(30,157)**	**763,123**	**(166,252)**
Total net position (deficit):				
Beginning of year	1,890,875	1,921,032	(763,123)	(596,871)
End of year	**$ 1,785,683**	**$ 1,890,875**	**$ -**	**$ (763,123)**

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FINANCIAL HIGHLIGHTS (CONTINUED)

Budget vs Actual – General Fund

	Final budgeted amounts	Actual	Variance, favorable (unfavorable)
Revenues:			
Local sources	$ 59,806,763	$ 61,791,449	$ 1,984,686
State sources	27,472,386	28,093,519	621,133
Federal sources	772,820	1,183,211	410,391
Total revenues	**88,051,969**	**91,068,179**	**3,016,210**
Expenditures:			
Instruction	53,165,450	54,625,607	(1,460,157)
Support services	23,689,263	24,887,975	(1,198,712)
Student activities	1,598,669	1,584,929	13,740
Community services	61,548	61,885	(337)
Facility acquisition and improvements	22,845	22,845	-
Architectural and engineering services	-	-	-
Debt service	9,509,194	9,509,194	-
Refund of prior year revenues	5,000	1,582	3,418
Total expenditures	**88,051,969**	**90,694,017**	**(2,642,048)**
Excess of revenues over expenditures	**-**	**374,162**	**374,162**
Other financing sources (uses):			
Fund transfers, net	-	(30,447)	(30,447)
Proceeds from sale of capital assets	-	88,597	88,597
Total other funding sources (uses)	-	58,150	**58,150**
Net change in fund balance	$ -	**$ 432,312**	**$ 432,312**

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FINANCIAL HIGHLIGHTS (CONTINUED)

Financial Highlights

Governmental funds – balance sheet highlights:

- Total fund balance of $19,642,572 represents 60.49% of total liabilities, deferred inflows and fund balance.
- Fund balance is committed or assigned for the following purposes:
  - $13,710,465 committed for the following purposes:
    - Healthcare stabilization $4,000,000
    - Future operating deficits $2,250,000
    - Construction and improvements $6,000,000
    - Curriculum and technology $1,000,000
    - Warwick Ware $460,465
  - $23,860 assigned for the payment of scholarships.

Governmental funds – statement of revenues, expenditures and changes in fund balance highlights:

- General Fund revenues increased by $2,259,598 over the prior year and were $3,016,210 over budget.
- General Fund expenditures prior to other financing sources (uses) increased by $3,198,068 over prior year and were over budget by $2,642,048. The increase from the prior year is primarily due to the increases in salaries and healthcare costs.
- Revenues exceeded expenditures prior to other financing sources (uses) and unusual or infrequent items by $374,162.

Proprietary funds – statement of revenues, expenses and changes in net position (deficit) highlights:

- Food Service Fund operating revenues decreased by $48,183 and operating expenses increased by $101,600. The change in net position of $(105,192) is a decrease of $(99,210) over the prior year decrease
- in net position.
- WarwickWARE Fund operating revenues decreased by $105,517 and operating expenses decreased by $356,998. The change in net position of $763,123 is an increase of $242,821 over the prior year decrease in net position. The fund was closed and absorbed into the General Fund.

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FINANCIAL HIGHLIGHTS (CONTINUED)

Select Notes to the Financial Statement

Capital assets:

Governmental activities:

- Construction in progress purchases totaled $20,787,543 during the June 30, 2026 fiscal year and there were no transfers out of construction in progress that were placed in service during the current fiscal year. Significant purchases were made for the High School project.

- The District purchased $2,574,708 of capital assets during the June 30, 2026 fiscal year in addition to the construction in progress purchases noted above, which were offset by $4,746,504 in depreciation expense. The intellectual property from WarwickWare was transferred to governmental activities due to the closing of the fund and absorption of the activity into the General Fund. Additions to the intellectual property during the June 30, 2026 fiscal year totaled $355,012 which was offset by $305,694 of amortization expense.

- The District disposed of $154,910 of equipment, furniture and fixtures and vehicles during the June 30, 2026 fiscal year. The District received $88,597 in proceeds from the sale of capital assets and recognized a total net gain of $88,597 on the disposal of capital assets.

Business-type activities:

- The District purchased $0 of equipment during the June 30, 2026 fiscal year, which were offset by $16,387 depreciation expense. The intellectual property previously reported in the WarwickWare Fund was transferred to governmental activities due to the closing of the fund and absorption of the activity into the General Fund.

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FINANCIAL HIGHLIGHTS (CONTINUED)

Pension and other postemployment benefit plans:

Net pension and OPEB liabilities, deferred inflows and outflows related to pension and OPEB liabilities and pension and OPEB expense are a significant part of the District's government-wide financial statements.

The footnotes provide a considerable amount of information related to the pension and OPEB plans, including current year expense, assumptions used to determine the liabilities and the District's proportionate share, detailed information on deferred inflows and outflows of resources, investment allocations, etc.

The following table summarizes the District's proportionate share (.2165%) of PSERS pension and (.2166%) of PSERS OPEB liabilities, as well as the District's own OPEB plan liabilities and related deferred outflows, inflows and expense:

	Deferred outflows	Net liability	Deferred inflows	Expense
Pension	$ 15,632,798	$ (84,038,000)	$ (2,964,000)	$ 4,429,000
Other postemployment benefits	3,211,796	(3,293,304)	(9,223,680)	(330,546)
Other postemployment benefits (HIPAP)	451,000	(3,562,000)	(784,000)	87,000

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FINANCIAL HIGHLIGHTS (CONTINUED)

Select Notes to the Financial Statement (continued)

Long-term debt:

The District has outstanding debt totaling $67,130,000 as of June 30, 2026. Future debt obligations are as follows:

Year ending June 30,	Series of 2025	Series of 2024	Series of 2023	Series of 2019	Total principal	Total interest	Total
2027	$ 980,000	$ 5,000	$ 2,975,000	$ 1,115,000	$ 5,075,000	$ 3,345,050	$ 8,420,050
2028	550,000	10,000	4,170,000	-	4,730,000	3,102,550	7,832,550
2029	595,000	4,375,000	-	-	4,970,000	2,866,250	7,836,250
2030	620,000	4,595,000	-	-	5,215,000	2,617,750	7,832,750
2031	660,000	4,820,000	-	-	5,480,000	2,357,000	7,837,000
2032-2036	9,960,000	21,820,000	-	-	31,780,000	7,392,000	39,172,000
2037-2038	9,880,000	-	-	-	9,880,000	621,000	10,501,000
	$ 23,245,000	$ 35,625,000	$ 7,145,000	$ 1,115,000	$ 67,130,000	$ 22,301,600	$ 89,431,600

Joint ventures:

The District participates in various joint ventures. As part of one joint venture with the Lancaster County Career and Technology Center Authority, the District is responsible for rental payments under an operating lease. Minimum future rental payments by the District are approximately $93,000 per year through the 2036-2037 fiscal year.

Other Supplementary Information

Schedule of expenditures of federal awards – summary:

Total federal expenditures	$ 2,464,784
Major program audited:	
Child nutrition cluster:	
ALN 10.555 - National School Lunch Program	882,745
ALN 10.553 - School Breakfast Program	221,211
Total expended by major program	$ 1,103,956
Percentage of audit coverage	44.79%

In total, federal expenditures increased by $81,608 (3%) over the prior year due to two new federal grants in the CY.

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