

WARREN INDEPENDENT SCHOOL DISTRICT
Warren, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2018

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INTRODUCTORY SECTION

WARREN INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2018

Warren Independent School District
Name of School District

Tyler
County

229-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 22nd day of January, 2019.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Warren Independent School District
Warren, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Independent School District ("the District"), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison of major funds, pension information, and OPEB 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Warren Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

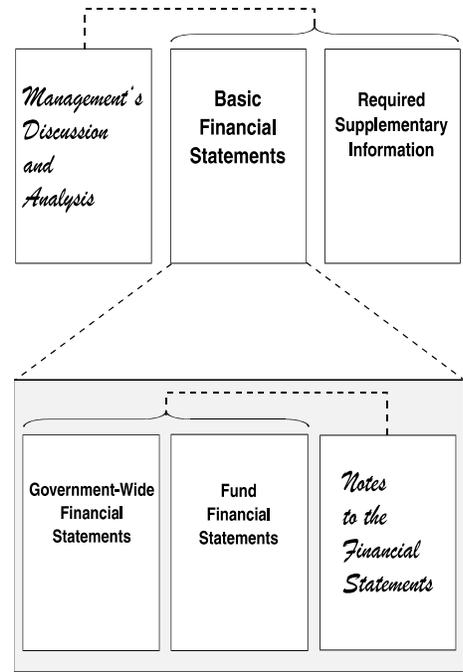
- The District's total combined net position was \$(5,425,534) at August 31, 2018, a \$6,016,871 decrease from the previous year. The decrease is due to the recognition of the retiree healthcare liability required by governmental accounting standards.
- The General Fund reported a fund balance this year of \$2,136,840, an increase of \$442,582 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-Wide Financial Statements* that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the government, reporting the District's operations in more detail than the Government-Wide Statements.
- *The Governmental Funds* statements tell how *general government* services were financed in the short term as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2
MAJOR FEATURES OF THE DISTRICT'S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities; the Agency's funds do not currently contain capital assets, although they can
Type of in flow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets, liabilities, deferred inflows, and deferred outflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the district's *net position* and how it has changed. Net position - the difference between the District's assets and deferred outflows and the District's liabilities and deferred inflows - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

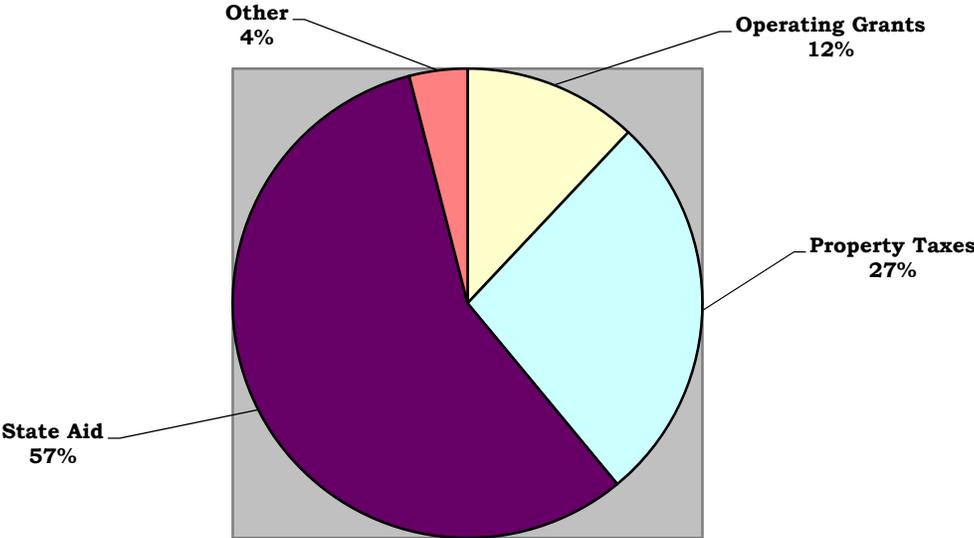
Net Position. The District's net position from governmental activities was \$(5,425,534) at August 31, 2018.

Table A-1
The District's Net Position
(in thousands of dollars)

	2018	2017	% CHANGE
Current and other assets	\$ 3 163	\$ 3 212	(2)%
Capital and non-current assets	22 491	23 490	(4)%
TOTAL ASSETS	<u>25 654</u>	<u>26 702</u>	(4)%
Deferred outflows	<u>1 284</u>	<u>1 273</u>	(1)%
Current liabilities	3 979	4 422	(10)%
Long-term liabilities	25 985	22 606	15%
TOTAL LIABILITIES	<u>29 964</u>	<u>27 028</u>	11%
Deferred inflows	<u>2 399</u>	<u>356</u>	574%
Net Position:			
Net investments in capital assets	(618)	(364)	70%
Restricted	192	121	59%
Unrestricted	(5 000)	834	(700)%
TOTAL NET POSITION	<u>\$ (5 425)</u>	<u>\$ 591</u>	(1 018)%

Changes in Net Position. The District's total revenues were approximately \$14 million. 27% of the District's revenue comes from taxes (see Figure A-3), 12% comes from operating grants, 57% comes from state aid-formula grants, and 4% comes from other sources.

2018 Revenue Sources



- The total cost of all programs and services was \$12,959,627, a decrease of \$741,162 from the previous year. Fifty percent of these costs are for instruction and instructional resources.
- The amount that our taxpayers paid through property taxes for these activities was \$3,971,088, an increase of \$102,650 from the previous year due to increased property values for 2018.
- The amount received in state aid-formula was \$7,891,837, an increase of \$774,190 from the previous year. The increase is due primarily to settle-up payments from the state related to prior periods.
- Some of the cost was paid by those who directly benefited from the programs \$231,615 or by grants and contributions \$1,349,845.

Table A-2
Changes in the District's Net Position
(in thousands of dollars)

	<u>2018</u>	<u>2017</u>	<u>% CHANGE</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 232	\$ 221	5%
Operating grants and contributions	1 350	783	72%
General Revenues:			
Property taxes	3 971	3 868	3%
State aid - General and debt	8 896	7 904	13%
Investment earnings	23	25	(8)%
Other	236	221	7%
TOTAL REVENUES	<u>14 708</u>	<u>13 022</u>	13%
Expenses:			
Instruction and instructional resources	5 904	6 865	(14)%
Curriculum, staff development, school and instructional leadership	820	866	(5)%
Guidance, social work, health, transportation	1 096	1 234	(11)%
Food service	750	776	(3)%
Extracurricular activities	986	863	14%
General administration	686	712	(4)%
Plant maintenance and operations	1 544	1 506	3%
Security and data processing services	213	228	(7)%
Interest and fees	738	712	4%
Construction expense	123	32	284%
Payments to fiscal agent/member districts - Shared service	99	96	3%
TOTAL EXPENSES	<u>12 959</u>	<u>13 890</u>	(7)%
INCREASE (DECREASE) IN NET POSITION	1 749	(868)	301%
Prior period adjustment	(7 765)	-	(100)%
Beginning net position	591	1 459	(59)%
ENDING NET POSITION	<u>\$ (5 425)</u>	<u>\$ 591</u>	(1 018)%

Net cost of selected district functions. Table A-3 presents the cost of each of the District's largest functions, as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues, as well as local tax dollars.

Table A-3
Net Cost of Selected District Functions
(in thousands of dollars)

	<u>TOTAL COST OF SERVICES</u>		<u>NET COST OF SERVICES</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 5 805	\$ 6 762	\$ 5 235	\$ 6 476
Plant maintenance and operations	\$ 1 544	\$ 1 506	\$ 1 352	\$ 1 499
Facilities construction and acquisitions	\$ 123	\$ 32	\$ 123	\$ 32
Interest and fees	\$ 738	\$ 712	\$ 738	\$ 712
School leadership	\$ 610	\$ 643	\$ 610	\$ 643

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types (Exhibit C-2) totaled \$14,703,561.

Expenditures from governmental fund types (Exhibit C-2) totaled \$14,279,487.

The fund balance for all governmental fund types was \$2,330,364, with an excess of revenues over expenditures of \$424,074.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times (Exhibit G-1). As a result of these adjustments, actual expenditures were \$539,067 under the final budgeted amounts.

Revenues received were \$186,225 over the final budgeted amounts. Local and intermediate revenue was over budgeted amounts by \$175,649 and state revenue was over budgeted amounts by \$203,788.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018, the District had invested \$22,490,568 in a broad range of capital assets, including land, equipment, and buildings. (See Table A-4)

Table A-4
District's Capital Assets
(in thousands of dollars)

	2018	2017	% CHANGE
Land	\$ 534	\$ 534	-
Land improvements	666	666	-
Buildings and improvements	33 008	33 007	-
Furniture and equipment	4 465	4 223	6%
TOTALS AT HISTORICAL COST	38 673	38 430	1%
Total accumulated depreciation	(16 182)	(14 940)	8%
NET CAPITAL ASSETS	\$ 22 491	\$ 23 490	(4)%

Long-term Debt

Table A-5
District's Long-term Debt (Including Maintenance Tax Notes)
(in thousands of dollars)

	2018	2017	% CHANGE
Note payable	\$ -	\$ 600	(100)%
Bonds payable	\$ 23 282	\$ 23 853	(2)%
Net pension liability	\$ 1 709	\$ 1 983	(14)%
Net OPEB liability	\$ 4 398	\$ 7 765	(43)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised valuation of taxable property used for the 2019 budget preparation was \$287,796,992.
- General fund spending per student increased in the 2019 budget from \$9,498 to \$10,166 based on projected ADA and budgeted general fund.
- The District's 2019 refined average daily attendance is expected to be 1,177, up from the projected 2018 ADA of 1,175.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are \$11,698,624, an increase from the 2019 year. Property tax revenue will slightly decrease due to lower appraised property values, mainly mineral values. The tax rate for 2019 maintenance and operation will be \$1.17 per \$100 valuation, the same as from 2018. State funding is expected to increase due to students and change in funding formula.

General fund expenditures are budgeted to increase over the previous year to \$11,695,896. This increase is due to the increased student ADA and Changes in Funding Formula.

The District has a projected increase to the general fund of \$2,728.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office.

BASIC FINANCIAL STATEMENTS

WARREN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2018

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 1 798 991
1120	Current investments	1 940
1225	Property taxes receivable (net allowance of \$1,236,712)	241 370
1240	Due from other governments	1 054 872
1267	Due from fiduciary funds	3 646
1290	Other receivable	34 858
1300	Inventory	27 469
1410	Prepaid expenditures	904
	Capital Assets:	
1510	Land and improvements, net	992 261
1520	Buildings and improvements, net	20 095 698
1530	Furniture and equipment, net	1 402 609
1000	TOTAL ASSETS	25 654 618
	DEFERRED OUTFLOWS	
1700	Deferred outflows - Pension	1 077 850
1700	Deferred outflows - OPEB	72 409
1700	Deferred loss on refunding	133 313
	TOTAL DEFERRED OUTFLOWS	1 283 572
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	26 938 190
	LIABILITIES	
2110	Accounts payable	86 615
2140	Interest payable	57 879
2160	Accrued liabilities	402 771
2200	Other accrued liabilities	67 690
2501	Due within one year	684 310
2516	Bond premium	2 594 261
2140	Accumulated accretion on capital appreciation bonds	85 023
	Noncurrent Liabilities:	
2502	Due in more than one year	19 878 342
2540	Net pension liability	1 709 307
2545	Net OPEB liability	4 398 216
2000	TOTAL LIABILITIES	29 964 414
	DEFERRED INFLOWS	
2600	Deferred inflows - Pension	524 288
2600	Deferred inflows - OPEB	1 839 782
2600	Unavailable revenue	35 240
	TOTAL DEFERRED INFLOWS	2 399 310
	TOTAL LIABILITIES AND DEFERRED INFLOWS	32 363 724
	NET POSITION	
3200	Net investment in capital assets	(618 055)
	Restricted for:	
3850	Debt service	75 168
3870	Federal and state programs	117 208
3900	Unrestricted	(4 999 855)
3000	TOTAL NET POSITION	\$ (5 425 534)

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2018

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
			3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	
Governmental Activities:					
11	Instruction	\$ 5 805 462	\$ -	\$ 570 417	\$ (5 235 045)
12	Instruction resources and media services	98 460	-	22 836	(75 624)
13	Curriculum and staff development	127 662	-	13 533	(114 129)
21	Instructional leadership	81 767	-	-	(81 767)
23	School leadership	610 310	-	-	(610 310)
31	Guidance, counseling, and evaluation services	248 015	-	-	(248 015)
33	Health services	137 034	-	-	(137 034)
34	Student transportation	711 105	-	-	(711 105)
35	Food services	750 065	210 440	545 160	5 535
36	Co-curricular/extracurricular activities	985 914	21 175	-	(964 739)
41	General administration	686 456	-	6 009	(680 447)
51	Plant maintenance and operations	1 544 312	-	191 890	(1 352 422)
52	Security and monitoring	36 093	-	-	(36 093)
53	Data processing	177 353	-	-	(177 353)
72	Interest and fees	737 888	-	-	(737 888)
81	Facilities construction and acquisition	122 950	-	-	(122 950)
93	Payments related to shared services arrangements	98 781	-	-	(98 781)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>12 959 627</u>	<u>231 615</u>	<u>1 349 845</u>	<u>(11 378 167)</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 12 959 627</u>	<u>\$ 231 615</u>	<u>\$ 1 349 845</u>	<u>(11 378 167)</u>
General Revenues:					
MT	Property taxes, levied for general purposes				3 212 908
DT	Property taxes, levied for debt service				758 180
IE	Investment earnings				23 326
GC	Grants and contributions not restricted to specific programs				8 896 092
MI	Miscellaneous				235 618
TR	TOTAL GENERAL REVENUES				<u>13 126 124</u>
CN	CHANGE IN NET POSITION				1 747 957
PP	Prior period adjustment				(7 764 828)
NB	Net position - Beginning				<u>591 337</u>
NE	NET POSITION - ENDING				<u>\$ (5 425 534)</u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2018

EXHIBIT C-1

DATA CONTROL CODES		10	50	OTHER GOVERN- MENTAL FUNDS	98
		GENERAL FUND	DEBT SERVICE FUND		TOTAL GOVERNMENTAL FUNDS
	ASSETS				
1110	Cash and cash equivalent	\$ 1 622 070	\$ 65 614	\$ 111 307	\$ 1 798 991
1120	Current investments	1 696	-	244	1 940
1225	Taxes receivable, net	205 021	36 349	-	241 370
1240	Due from other governments	565 139	9 554	480 179	1 054 872
1260	Due from other funds	422 527	-	-	422 527
1290	Other receivables	34 858	-	-	34 858
1300	Inventories	13 636	-	13 833	27 469
1410	Prepaid expenditures	-	-	904	904
1000	TOTAL ASSETS	<u>2 864 947</u>	<u>111 517</u>	<u>606 467</u>	<u>3 582 931</u>
	DEFERRED OUTFLOWS				
1700	Deferred outflows	-	-	-	-
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2 864 947</u>	<u>\$ 111 517</u>	<u>\$ 606 467</u>	<u>\$ 3 582 931</u>
	LIABILITIES AND FUND BALANCE				
	Liabilities:				
2110	Accounts payable	\$ 81 363	\$ -	\$ 5 252	\$ 86 615
2160	Accrued wages payable	353 565	-	49 206	402 771
2170	Due to other funds	-	-	418 881	418 881
2210	Other accrued expense	64 358	-	3 332	67 690
2000	TOTAL LIABILITIES	<u>499 286</u>	<u>-</u>	<u>476 671</u>	<u>975 957</u>
	DEFERRED INFLOWS				
2600	Deferred revenue	228 821	36 349	11 440	276 610
	TOTAL DEFERRED INFLOWS	<u>228 821</u>	<u>36 349</u>	<u>11 440</u>	<u>276 610</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>728 107</u>	<u>36 349</u>	<u>488 111</u>	<u>1 252 567</u>
	Fund Balances:				
	Nonspendable:				
3410	Inventory	13 636	-	13 833	27 469
3430	Prepaid expenditures	-	-	904	904
	Restricted:				
3480	Restricted for retirement of long-term debt	-	75 168	-	75 168
3490	Other restrictions of fund balance	-	-	103 375	103 375
	Assigned				
3550	Construction	-	-	244	244
3600	Unassigned	2 123 204	-	-	2 123 204
3000	TOTAL FUND BALANCE	<u>2 136 840</u>	<u>75 168</u>	<u>118 356</u>	<u>2 330 364</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 2 864 947</u>	<u>\$ 111 517</u>	<u>\$ 606 467</u>	<u>\$ 3 582 931</u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2018

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET \$ 2 330 364

Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because:

1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	(363 914)
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and principal payments is to increase net position.	1 077 209
3	The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1 241 153)
4	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	93 294
5	Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the fund.	
	Net pension liability	(1 709 307)
	Net OPEB liability	(4 398 216)
6	Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
	Deferred inflows of resources related to pensions	553 562
	Deferred inflows of resources related to OPEB	<u>(1 767 373)</u>
	NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ (5 425 534)</u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2018

EXHIBIT C-2

DATA CONTROL CODES	10 GENERAL FUND	50 DEBT SERVICE FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS	
Revenues:					
5700	Local and intermediate sources	\$ 3 291 418	\$ 761 047	\$ 405 159	\$ 4 457 624
5800	State program revenues	8 392 332	503 760	266 733	9 162 825
5900	Federal program revenues	109 771	-	973 341	1 083 112
5020	TOTAL REVENUES	<u>11 793 521</u>	<u>1 264 807</u>	<u>1 645 233</u>	<u>14 703 561</u>
Expenditures:					
Current:					
0011	Instruction	5 262 707	-	587 431	5 850 138
0012	Instructional resources and media services	88 675	-	22 836	111 511
0013	Curriculum and staff development	136 567	-	13 549	150 116
0021	Instructional leadership	103 252	-	-	103 252
0023	School leadership	751 918	-	-	751 918
0031	Guidance, counseling and evaluation services	281 740	-	-	281 740
0033	Health services	170 405	-	-	170 405
0034	Student transportation	871 633	-	-	871 633
0035	Food services	-	-	791 287	791 287
0036	Co-curricular/extracurricular activities	602 859	-	202 294	805 153
0041	General administration	747 345	-	6 009	753 354
0051	Plant maintenance and operations	1 540 049	-	83 907	1 623 956
0052	Security and monitoring services	40 306	-	-	40 306
0053	Data processing services	178 857	-	-	178 857
0071	Debt service	70 185	1 503 945	-	1 574 130
0081	Facilities acquisition and construction	122 950	-	-	122 950
0093	Payments to fiscal agents	98 781	-	-	98 781
6030	TOTAL EXPENDITURES	<u>11 068 229</u>	<u>1 503 945</u>	<u>1 707 313</u>	<u>14 279 487</u>
1100	EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	<u>725 292</u>	<u>(239 138)</u>	<u>(62 080)</u>	<u>424 074</u>
Other Financing Sources and (Uses):					
7911	Proceeds from bond issuance	-	2 830 000	-	2 830 000
7915	Transfers in	-	211 000	71 710	282 710
7916	Premium on bond issuance	-	243 510	-	243 510
8911	Transfers out	(282 710)	-	-	(282 710)
8949	Payments to escrow	-	(2 983 313)	-	(2 983 313)
	TOTAL OTHER FINANCING SOURCES	<u>(282 710)</u>	<u>301 197</u>	<u>71 710</u>	<u>90 197</u>
1200	NET CHANGE IN FUND BALANCES	442 582	62 059	9 630	514 271
0100	Fund balances - Beginning	<u>1 694 258</u>	<u>13 109</u>	<u>108 726</u>	<u>1 816 093</u>
3000	FUND BALANCES - ENDING	<u>\$ 2 136 840</u>	<u>\$ 75 168</u>	<u>\$ 118 356</u>	<u>\$ 2 330 364</u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 For the Year Ended August 31, 2018

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 514 271
Current year capital outlays, disposal of capital assets and long-term debt principal payments and debt issues are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt is to increase net position.	4 060 522
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1 241 153)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	(3 068 304)
Governmental funds report district pension and OPEB contributions as expenditures. expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	<u>1 482 621</u>
STATEMENT OF ACTIVITIES	<u><u>\$ 1 747 957</u></u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2018

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ <u>34 230</u>
1000	TOTAL ASSETS	\$ <u>34 230</u>
	LIABILITIES	
	Current Liabilities:	
2150	Other accrued expense	\$ 2 057
2171	Due to other funds	3 646
2190	Due to student groups	<u>28 527</u>
2000	TOTAL LIABILITIES	\$ <u>34 230</u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Warren Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Warren Independent School District nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct expenses are those that are clearly identifiable with a specific function or segment. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the governmental fund Balance sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the district to refund all or part of the unused amount.

The fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund Accounting

The District reports the following major governmental fund:

General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The debt service fund is used to account for the property taxes and bond expense related to the District's bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the District reports the following fund types:

Governmental Funds

Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Capital Project Fund - The capital project fund is used to account for the construction of assets for the District.

Fiduciary Funds

Agency Fund - The District accounts for resources held for others in a custodial capacity in an agency fund. This fiduciary fund is reported in the fiduciary fund financial statement; however, because the fund's assets are not available to support District programs, this fund is not included in the government-wide statements. The District's agency fund is a Student Activity Fund.

E. Fund Balance

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

- Nonspendable Fund Balance - Amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted Fund Balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Fund Balance - Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned Fund Balance - Amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned Fund Balance - Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Other Accounting Policies

The statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Inventories of food commodities are supplied by the Texas Department of Agriculture and are recorded at market values. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities fund type statement of net position.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	30
Building improvements	30
Equipment	5-18
Buses and vehicles	5-10

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

When the district incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency ("TEA") in the *Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

G. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. 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.

H. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

I. Subsequent Events

Management has evaluated subsequent events through January 22, 2019, the date the financial statements were available to be issued.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data

The Board adopts an "appropriated budget" for the General Fund, and the Food Service Fund, and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the Food Service budget report appears in Exhibit J-2, and the Debt Service budget report appears in Exhibit G-2.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violation of finance-related legal and contractual provisions, if any, are reported below:

EXPENDITURES EXCEED BUDGET		
FUND	FUNCTION	AMOUNT
Debt Service	71 - Debt Service	\$ 724

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the district must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,835,161 and the bank balance was \$1,931,823.

Statement of Net Position (A-1)	\$ 1 800 931
Statement of Fiduciary Net Position (E-1)	34 230
TOTAL CASH AND CASH EQUIVALENTS	\$ 1 835 161

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposits. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

As of August 31, 2018, the District had the following investments:

NAME	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITY (DAYS)
Lone Star Investment Pool	\$ 18 639	\$ 18 639	20

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

Lone Star Investment Pool was organized in 1991 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is administered by First Public, formerly known as Texas Association of School Boards Financial Services. Lone Star Investment Pool is governed by an 11-member board, all of whom are participants in the Pool. An independent, third-party investment consultant reports directly to the Board of Trustees. The independent consultant, RBC Dain Rauscher, Inc., Dallas, Texas, reviews the daily operations of the Pool, analyzes all investment transactions for compliance with the Investment Policy, monitors activities of the custodian bank, and compares the investment advisor's performance with benchmarks and a peer group of similarly managed funds. The Pool also employs an independent, third-party bank, The Bank of New York, headquartered in New York, New York, to perform custody and valuation services. The Lone Star Investment Pool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Ernst & Young, 700 Lavaca Street, Suite 1400, Austin, Texas 78701, performs the annual audit.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form; thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Lone Star Investment Pool only invests in investments authorized under the Public Funds Investment Act. As of August 31, 2018, Lone Star Investment Pool's investment credit quality rating was AAA (Standard & Poor's).

B. **Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

C. Delinquent Taxes Receivable

The allowance for uncollectible tax receivables within the General Fund is based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. Interfund Balances and Transfers

Interfund balances at August 31, 2018 consisted of the following amounts:

	GENERAL	SPECIAL REVENUE	FIDUCIARY
Due to general	\$ -	\$ (418 881)	\$ (3 646)
Due from special revenue	418 881	-	-
Due from fiduciary	3 646	-	-
	\$ 422 527	\$ (418 881)	\$ (3 646)

TRANSFER FROM	TRANSFER TO	AMOUNT
General Fund	Debt Service	\$ 211 000
General Fund	Special Revenue	71 710
TOTAL		\$ 282 710

E. Disaggregation of Receivables and Payables

Receivables at August 31, 2018, were as follows:

	PROPERTY TAXES	DUE FROM OTHER GOVERNMENTS	OTHER RECEIVABLES	TOTAL RECEIVABLES
Governmental Activities:				
General Fund	\$ 205 021	\$ 565 139	\$ 34 858	\$ 805 018
Debt Service	36 349	9 554	-	45 903
Non-major Governmental Funds	-	480 179	-	480 179
TOTAL - GOVERNMENTAL ACTIVITIES	\$ 241 370	\$ 1 054 872	\$ 34 858	\$ 1 331 100
Amounts not scheduled for collection during the subsequent year	\$ -	\$ -	\$ -	\$ -

Payables at August 31, 2018, were as follows:

	ACCOUNTS PAYABLE	ACCRUED WAGES	OTHER ACCRUED EXPENSES	TOTAL PAYABLES
Governmental Activities:				
General Fund	\$ 81 363	\$ 353 565	\$ 64 357	\$ 499 285
Non-major Governmental Funds	5 252	49 206	3 332	57 790
TOTAL - GOVERNMENTAL ACTIVITIES	\$ 86 615	\$ 402 771	\$ 67 689	\$ 557 075

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

F. Capital Asset Activity

Capital asset activity for the district for the year ended August 31, 2018 was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>TRANSFER/ ADJUSTMENTS</u>	<u>ENDING BALANCE</u>
Governmental Activities:					
Non-Depreciable Assets:					
Land	\$ 534 461	\$ -	\$ -	\$ -	\$ 534 461
TOTAL NON-DEPRECIABLE ASSETS	<u>534 461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534 461</u>
Depreciable Assets:					
Land improvements	666 073	-	-	-	666 073
Buildings and improvements	33 006 565	-	-	-	33 006 565
Furniture and equipment	4 222 990	242 150	-	-	4 465 140
TOTAL DEPRECIABLE ASSETS	<u>37 895 628</u>	<u>242 150</u>	<u>-</u>	<u>-</u>	<u>38 137 778</u>
TOTALS AT HISTORIC COST	<u>38 430 089</u>	<u>242 150</u>	<u>-</u>	<u>-</u>	<u>38 672 239</u>
Less Accumulated Depreciation:					
Land improvements	178 704	29 569	-	-	208 273
Buildings and improvements	11 943 156	967 711	-	-	12 910 867
Furniture and equipment	2 818 658	243 873	-	-	3 062 531
TOTAL ACCUMULATED DEPRECIATION	<u>14 940 518</u>	<u>1 241 153</u>	<u>-</u>	<u>-</u>	<u>16 181 671</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 23 489 571</u>	<u>\$ (999 003)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22 490 568</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 781 025
Student (pupil) transportation	120 444
Food services	12 963
Co-curricular/extracurricular activities	232 746
General administration	5 334
Plant maintenance and operations	73 928
Security and monitoring services	3 320
Data processing services	11 393
TOTAL DEPRECIATION EXPENSE	<u>\$ 1 241 153</u>

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended August 31, 2018, are as follows:

	INTEREST RATE	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:						
Unlimited Tax School						
Building Bonds:	3.0 to 5.1%					
2008 series		\$ 330 000	\$ -	\$ 330 000	\$ -	\$ -
2009 series		790 000	-	535 000	255 000	125 000
2010 series		2 850 000	-	2 595 000	255 000	130 000
Qualified Zone Academy						
Bond:						
2012 series		556 762	-	48 991	507 771	49 310
2015 series refunding		7 870 000	-	35 000	7 835 000	35 000
2016 series refunding		8 585 000	-	-	8 585 000	345 000
2017 series refunding		-	2 830 000	40 000	2 790 000	-
Bonds - Premium		2 478 077	243 510	127 326	2 594 261	-
Notes Payable:						
2017 Maintenance						
Tax Note	4.25%	600 000	-	600 000	-	-
Capital Appreciation Bonds:	2.2 to 3.0%					
2015 series		334 881	-	-	334 881	-
Accreted interest		58 765	26 258	-	85 023	-
TOTAL GOVERNMENTAL ACTIVITIES		\$ 24 453 485	\$ 3 099 768	\$ 4 271 317	\$ 23 241 936	\$ 684 310

2. Bonds and Notes:

Debt service requirements on long-term debt at August 31, 2018, are as follows:

YEAR ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2019	\$ 684 310	\$ 899 763	\$ 1 584 073
2020	699 630	877 778	1 577 408
2021	734 953	726 752	1 461 705
2022	755 277	700 779	1 456 056
2023	780 604	672 690	1 453 294
2024-2028	4 347 997	2 853 306	7 201 303
2029-2033	4 719 881	2 054 900	6 774 781
2034-2038	6 365 000	955 111	7 320 111
2039-2043	1 475 000	29 500	1 504 500
	\$ 20 562 652	\$ 9 770 579	\$ 30 333 231

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

H. Unearned Revenue

Unearned revenue at year-end as reported on Exhibit C-1 of the Funds Statement consisted of the following:

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL
Net tax revenue	\$ 205 021	\$ -	\$ 36 349	\$ 241 370
Local advertising revenues	23 800	-	-	23 800
Food services revenues	-	11 440	-	11 440
	\$ 228 821	\$ 11 440	\$ 36 349	\$ 276 610

I. Pension Plan

Plan Description:

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position:

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2018.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

Benefits Provided:

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

Contributions:

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	CONTRIBUTION RATES	
	2017	2018
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2018 Employer Contributions	\$ 190 556	
2018 Member Contributions	\$ 540 074	
2017 NECE On-behalf Contributions	\$ 398 124	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions:

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

Discount Rate:

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS*
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2)%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

For the fiscal year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

	1% DECREASE IN DISCOUNT RATE (7.0%)	DISCOUNT RATE (8.0%)	1% INCREASE IN DISCOUNT RATE (9.0%)
District proportionate share of the net pension liability	\$ 2 881 554	\$ 1 709 307	\$ 733 221

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

At August 31, 2017, the District reported a liability of \$1,709,307 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1 709 307
State's proportionate share that is associated with the District	<u>3 892 285</u>
TOTAL	<u>\$ 5 601 592</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the District's proportion of the collective net pension liability was 0.0053% which was an increase (decrease) of 0.0001% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2018, the District recognized pension expense of \$296,888 and revenue of \$296,888 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 25 008	\$ 92 181
Changes in actuarial assumptions	77 862	44 574
Difference between projected and actual investment earnings	262 872	387 442
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	521 552	91
Contributions paid to TRS subsequent to the measurement date	<u>190 556</u>	<u>-</u>
TOTAL	<u>\$ 1 077 850</u>	<u>\$ 524 288</u>

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2018	\$ 70 256
2019	\$ 179 366
2020	\$ 61 870
2021	\$ 26 432
2022	\$ 22 984
Thereafter	\$ 2 098

J. Defined Other Post-Employment Benefit Plans

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A & B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

TRS-Care Plan Premium Rates			
Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	Basic Plan	Optional Plan	Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
2018 Employer Contributions	\$ 71 721	
2018 Member Contributions	\$ 45 590	
2017 NECE On-behalf Contributions	\$ 64 341	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42% as of August 31, 2017
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2014.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.
Healthcare Trend Rates	Initial medical trend rates of 7.00% for non-Medicare retirees and 10.00% for Medicare retirees. Initial prescription drug trend rate of 12.00% for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2018 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2018 to 3.42% as of August 31, 2018.

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44 % in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. ***The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2018.***

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability	\$ 5 190 987	\$ 4 398 216	\$ 3 761 007

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2018, the District reported a liability of \$4,398,216 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability		\$ 4 398 216
State's proportionate share that is associated with District		5 381 677
TOTAL		\$ 9 779 893

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective Net OPEB Liability was 0.0101% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 1, 2017. This change lowered the total OPEB liability.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of \$1,800,852 and revenue of \$1,800,852 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 91 816
Changes in actuarial assumptions	-	1 747 966
Difference between projected and actual investment earnings	668	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	20	-
Contributions paid to TRS subsequent to the measurement date	71 721	-
TOTAL	\$ 72 409	\$ 1 839 782

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2019	\$ (242 670)
2020	\$ (242 670)
2021	\$ (242 670)
2022	\$ (242 670)
2023	\$ (242 837)
Thereafter	\$ (625 576)

K. Prior Period Adjustments

The District made a prior period adjustment to recognize the worker's compensation liability for the beginning balance of OPEB liability in accordance with GASB Statement 75. The prior period adjustment decreased the net position of the governmental activities by \$7,764,828.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - CONTINUED

L. Workers' Compensation Insurance

Workers' Compensation Coverage

The District participates in the East Texas Educational Insurance Association, a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. (the "Plan"). The District pays a contribution for the fund year to cover the servicing of programs administration, claims handling, loss control and stop loss coverage. Provided the District remains in the pool there are no additional fees for services. The District has retained the services of an independent plan supervisor experienced in claims processing. The agreement for formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$225,000 for each insured event, with no aggregate limit.

Changes in the balances of workers' compensation claim liabilities during the past year are as follows:

		YEAR ENDED AUGUST 31, 2018
Unpaid claims at September 1, 2015	\$	41 490
Incurred claims (including IBNR)		31 639
Total payments		(15 948)
TOTAL UNPAID CLAIMS AT AUGUST 31, 2018	\$	57 181

M. Joint Venture-Shared Service Arrangements

The District participates in two shared services arrangements for Special Education with four other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Woodville Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Warren Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. Presented below are the revenues and expenditures attributable to the District's participation.

		IDEA B FORMULA		IDEA B PRESCHOOL		SPECIAL ED COOPERATIVE		CARL D. PERKINS CAREER AND TECHNICAL
Revenues	\$	<u>196 213</u>	\$	<u>10 504</u>	\$	<u>39 424</u>	\$	<u>9 606</u>
Expenditures:								
Payroll costs	\$	157 701	\$	10 504	\$	37 909	\$	-
Contracted services		25 220		-		-		1 252
Supplies and materials		8 044		-		-		8 300
Other costs		5 248		-		1 515		54
TOTAL EXPENDITURES	\$	<u>196 213</u>	\$	<u>10 504</u>	\$	<u>39 425</u>	\$	<u>9 606</u>
Percent attributable to District		24%		31%		14%		17%

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

WARREN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended August 31, 2018

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		ORIGINAL	FINAL		
Revenues:					
5700	Local and intermediate sources	\$ 3 223 752	\$ 3 223 752	\$ 3 291 418	\$ 67 666
5800	State program revenues	7 936 544	8 188 544	8 392 332	203 788
5900	Federal program revenues	-	195 000	109 771	(85 229)
5020	TOTAL REVENUES	<u>11 160 296</u>	<u>11 607 296</u>	<u>11 793 521</u>	<u>186 225</u>
Expenditures:					
Current:					
0011	Instruction	5 204 594	5 354 594	5 262 707	91 887
0012	Instructional resources and media services	94 684	94 684	88 675	6 009
0013	Curriculum and staff development	148 380	148 380	136 567	11 813
0021	Instructional leadership	83 212	108 212	103 252	4 960
0023	School leadership	769 389	769 389	751 918	17 471
0031	Guidance, counseling and evaluation services	290 736	290 736	281 740	8 996
0033	Health services	172 968	172 968	170 405	2 563
0034	Student transportation	837 202	872 202	871 633	569
0035	Food services	60 000	60 000	-	60 000
0036	Co-curricular/ extracurricular activities	607 134	607 134	602 859	4 275
0041	General administration	747 890	747 890	747 345	545
0051	Plant maintenance and operations	1 510 108	1 550 108	1 540 049	10 059
0052	Security and monitoring services	9 000	44 000	40 306	3 694
0053	Data processing services	179 999	224 999	178 857	46 142
0071	Debt service	255 000	292 000	70 185	221 815
0081	Facilities acquisition and construction	80 000	160 000	122 950	37 050
0093	Payments to fiscal agents	110 000	110 000	98 781	11 219
6030	TOTAL EXPENDITURES	<u>11 160 296</u>	<u>11 607 296</u>	<u>11 068 229</u>	<u>539 067</u>
1100	EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>725 292</u>	<u>725 292</u>
Other Financing Sources and (Uses):					
8911	Transfer out	-	-	(282 710)	(282 710)
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>(282 710)</u>	<u>(282 710)</u>
1200	NET CHANGE IN FUND BALANCES	-	-	442 582	452 582
0100	Fund balances - Beginning	1 694 258	1 694 258	1 694 258	-
3000	FUND BALANCES - ENDING	<u>\$ 1 694 258</u>	<u>\$ 1 694 258</u>	<u>\$ 2 136 840</u>	<u>\$ 442 582</u>

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON - DEBT SERVICE FUND
For the Year Ended August 31, 2018

EXHIBIT G-2

DATA CONTROL CODES	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)	
	ORIGINAL	FINAL			
Revenues:					
5700	Local and intermediate sources	\$ 792 063	\$ 867 063	\$ 761 047	\$ (106 016)
5800	State program revenues	410 257	440 257	503 760	63 503
5020	TOTAL REVENUES	<u>1 202 320</u>	<u>1 307 320</u>	<u>1 264 807</u>	<u>(42 513)</u>
Expenditures:					
Current:					
0071	Debt service	<u>1 398 221</u>	<u>1 503 221</u>	<u>1 503 945</u>	<u>(724)</u>
6030	TOTAL EXPENDITURES	<u>1 398 221</u>	<u>1 503 221</u>	<u>1 503 945</u>	<u>(724)</u>
EXCESS REVENUE OVER EXPENDITURES					
		<u>(195 901)</u>	<u>(195 901)</u>	<u>(239 138)</u>	<u>(43 237)</u>
Other Financing Sources and (Uses):					
7911	Proceeds from bond issuance	-	-	2 830 000	2 830 000
7915	Transfer in	195 901	195 901	211 000	15 099
7916	Premium on bond issuance	-	-	243 510	243 510
8949	Payments to escrow	-	-	<u>(2 983 313)</u>	<u>(2 983 313)</u>
	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>195 901</u>	<u>195 901</u>	<u>301 197</u>	<u>105 296</u>
1200	NET CHANGE IN FUND BALANCES	-	-	62 059	62 059
0100	Fund balances - Beginning	<u>13 109</u>	<u>13 109</u>	<u>13 109</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 13 109</u>	<u>\$ 13 109</u>	<u>\$ 75 168</u>	<u>\$ 62 059</u>

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0053%	0.0052%	0.0051%	0.0026%
District's proportionate share of the net pension liability (asset)	\$ 1 709 307	\$ 1 983 340	\$ 1 806 953	\$ 688 700
State's proportionate share of the net pension liability (asset) associated with the District	<u>3 892 285</u>	<u>4 615 213</u>	<u>4 765 176</u>	<u>4 123 400</u>
TOTAL	<u>\$ 5 601 592</u>	<u>\$ 6 598 553</u>	<u>\$ 6 572 129</u>	<u>\$ 4 812 100</u>
District's covered-employee payroll	\$ 6 841 332	\$ 6 660 957	\$ 6 711 727	\$ 6 543 765
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.99%	29.78%	26.92%	10.52%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.40%	83.30%

* This schedule illustrates the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-4

	2018	2017	2016	2015
Contractually required contribution	\$ 190 556	\$ 166 645	\$ 159 365	\$ 154 015
Contributions in relation to the contractually required contribution	(190 556)	(166 645)	(159 365)	(154 015)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 7 013 941	\$ 6 841 332	\$ 6 660 957	\$ 6 711 727
Contributions as a percentage of covered-employee payroll	2.72%	2.44%	2.39%	2.29%

* This schedule illustrates the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY
 AND DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-5

District's Proportionate Share of Liability	2017
District's proportion of the OPEBL	0.00101%
District's proportionate share of the OPEBL	\$ 4 398 216
State share of the OPEBL associated with the District	5 381 677
TOTAL	\$ 9 779 893
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 6 841 332
Proportionate share/covered payroll	64.29%
Plan fiduciary net position/total OPEB liability	0.91%
<hr/>	
District Contributions	2018
Contractually required contribution	\$ 71 721
Contributions to required contribution	(71 721)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Current fiscal year TRS gross	\$ 7 013 941
Contributions to covered payroll	1.02%

Information provided by the Teacher Retirement System of Texas.

* This schedule is illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2018

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District presented the General Fund and Debt Service budgetary comparison schedules as required supplementary information. The Child Nutrition Fund budgetary comparison schedule is presented as a required TEA schedules. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

Defined Benefit Pension Plan

Changes of benefit term.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions.

There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefits Plan

See Note 3J for a description in the changes in the OPEB plan.

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, not a part of the basic financial statements, but are presented for purposes of additional analysis.

WARREN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 August 31, 2018

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERN- MENTAL FUNDS (SEE EXHIBIT C-1)
	ASSETS			
1110	Cash and cash equivalent	\$ 111 307	\$ -	\$ 111 307
1120	Current investments	-	244	244
1240	Due from other government	480 179	-	480 179
1300	Inventory	13 833	-	13 833
1410	Other assets	904	-	904
1000	TOTAL ASSETS	606 223	244	606 467
	DEFERRED OUTFLOWS			
1700	Deferred outflows	-	-	-
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 606 223	\$ 244	\$ 606 467
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 5 252	\$ -	\$ 5 252
2160	Accrued wages payable	49 206	-	49 206
2170	Due to other funds	418 881	-	418 881
2200	Other accrued expense	3 332	-	3 332
2000	TOTAL LIABILITIES	476 671	-	476 671
	DEFERRED INFLOWS			
2600	Deferred revenue	11 440	-	11 440
	TOTAL LIABILITIES AND DEFERRED INFLOWS	488 111	-	488 111
	Fund Balances:			
	Nonspendable:			
3410	Inventory	13 833	-	13 833
3430	Prepaid items	904	-	904
	Restricted:			
3490	Other restricted of fund balance	103 375	-	103 375
	Assigned:			
3550	Construction	-	244	244
3000	TOTAL FUND BALANCES	118 112	244	118 356
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 606 223	\$ 244	\$ 606 467

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2018

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERN- MENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 404 915	\$ 244	\$ 405 159
5800	State program revenues	266 733	-	266 733
5900	Federal program revenues	973 341	-	973 341
5020	TOTAL REVENUES	<u>1 644 989</u>	<u>244</u>	<u>1 645 233</u>
	Expenditures:			
	Current:			
0011	Instruction	587 431	-	587 431
0012	Instructional resources and media services	22 836	-	22 836
0013	Curriculum and instructional staff development	13 549	-	13 549
0035	Food services	791 287	-	791 287
0036	Cocurricular/extracurricular activities	202 294	-	202 294
0041	General administration	6 009	-	6 009
0051	Plant maintenance and operations	83 907	-	83 907
6030	TOTAL EXPENDITURES	<u>1 707 313</u>	<u>-</u>	<u>1 707 313</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>(62 324)</u>	<u>244</u>	<u>(62 080)</u>
	Other Financing Sources and (Uses):			
7915	Transfer in	71 710	-	71 710
	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>71 710</u>	<u>-</u>	<u>71 710</u>
1200	NET CHANGE IN FUND BALANCES	9 386	244	9 630
0100	Fund balances - Beginning	<u>108 726</u>	<u>-</u>	<u>108 726</u>
3000	FUND BALANCES - ENDING	<u>\$ 118 112</u>	<u>\$ 244</u>	<u>\$ 118 356</u>

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2018

DATA CONTROL CODES		211	240	255	270
<u>CODES</u>		<u>ESEA TITLE I</u>	<u>CHILD NUTRITION</u>	<u>TITLE II, PART A TRAINING</u>	<u>TITLE VI RURAL EDUCATION</u>
	ASSETS				
1110	Cash and cash equivalents	\$ -	\$ 17 596	\$ -	\$ -
1240	Due from other government	204 174	29 951	27 470	23 331
1300	Inventory	-	13 833	-	-
1410	Prepaid expenses	-	-	904	-
1000	TOTAL ASSETS	<u>\$ 204 174</u>	<u>\$ 61 380</u>	<u>\$ 28 374</u>	<u>\$ 23 331</u>
	LIABILITIES				
	Liabilities:				
2110	Accounts payable	\$ -	\$ 5 098	\$ -	\$ 154
2160	Accrued wages payable	29 171	20 035	-	-
2170	Due to other funds	172 077	-	27 470	23 177
2210	Other accrued expense	2 926	406	-	-
2000	TOTAL LIABILITIES	<u>204 174</u>	<u>25 539</u>	<u>27 470</u>	<u>23 331</u>
	Deferred Inflows:				
2300	Unearned revenue	<u>-</u>	<u>11 440</u>	<u>-</u>	<u>-</u>
	FUND BALANCES				
	Nonspendable:				
3410	Inventory	-	13 833	-	-
3430	Prepaid expenditures	-	-	904	-
	Restricted Fund Balances:				
3490	Other restricted of fund balance	-	10 568	-	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>24 401</u>	<u>904</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 204 174</u>	<u>\$ 61 380</u>	<u>\$ 28 374</u>	<u>\$ 23 331</u>

See independent auditors' report.

289	410	429	461	SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
IMPACT AID	INSTRUCTIONAL MATERIALS ALLOTMENT	PRE- KINDERGARTEN GRANT	CAMPUS ACTIVITY FUNDS	
\$ -	\$ -	\$ -	\$ 92 807	\$ 111 307
195 253	-	-	-	480 179
-	-	-	-	13 833
-	-	-	-	904
<u>\$ 195 253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92 807</u>	<u>\$ 606 223</u>
\$ -	\$ -	\$ -	\$ -	\$ 5 252
-	-	-	-	49 206
195 253	-	-	-	418 881
-	-	-	-	3 332
<u>195 253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>476 671</u>
-	-	-	-	11 440
-	-	-	-	13 833
-	-	-	-	904
-	-	-	92 807	103 375
-	-	-	92 807	118 112
<u>\$ 195 253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92 807</u>	<u>\$ 606 223</u>

WARREN INDEPENDENT SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2018

DATA CONTROL CODES		211	240	255	270
		ESEA TITLE I	CHILD NUTRITION	TITLE II, PART A TRAINING	TITLE VI RURAL EDUCATION
Revenues:					
5700	Local and intermediate sources	\$ -	\$ 210 528	\$ -	\$ -
5800	State program revenues	-	22 047	-	-
5900	Federal program revenues	204 174	523 113	27 470	23 331
5020	TOTAL REVENUES	<u>204 174</u>	<u>755 688</u>	<u>27 470</u>	<u>23 331</u>
Expenditures:					
Current:					
0011	Instruction	175 711	-	32 947	11 778
0012	Instructional resources and media services	22 836	-	-	-
0013	Curriculum and instructional staff development	-	-	-	11 569
0035	Food services	-	791 287	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	6 009	-	-	-
0051	Plant maintenance and operations	-	-	-	-
6030	TOTAL EXPENDITURES	<u>204 556</u>	<u>791 287</u>	<u>32 947</u>	<u>23 347</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>(382)</u>	<u>(35 599)</u>	<u>(5 477)</u>	<u>(16)</u>
Other Financing Sources:					
7915	Transfer in	-	60 000	5 710	-
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>60 000</u>	<u>5 710</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(382)	24 401	233	(16)
0100	Fund balance - Beginning	382	-	671	16
3000	FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ 24 401</u>	<u>\$ 904</u>	<u>\$ -</u>

See independent auditors' report.

289	410	429	461	SPECIAL REVENUE FUNDS (SEE EXHIBIT H-2)
IMPACT AID	INSTRUCTIONAL MATERIALS ALLOTMENT	PRE- KINDERGARTEN GRANT	CAMPUS ACTIVITY FUNDS	
\$ -	\$ -	\$ -	\$ 194 387	\$ 404 915
-	211 500	33 186	-	266 733
<u>195 253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973 341</u>
<u>195 253</u>	<u>211 500</u>	<u>33 186</u>	<u>194 387</u>	<u>1 644 989</u>
111 346	221 892	33 757	-	587 431
-	-	-	-	22 836
-	-	1 980	-	13 549
-	-	-	-	791 287
-	-	-	202 294	202 294
-	-	-	-	6 009
<u>83 907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83 907</u>
<u>195 253</u>	<u>221 892</u>	<u>35 737</u>	<u>202 294</u>	<u>1 707 313</u>
-	(10 392)	(2 551)	(7 907)	(62 324)
-	6 000	-	-	71 710
-	6 000	-	-	71 710
-	(4 392)	(2 551)	(7 907)	9 386
-	4 392	2 551	100 714	108 726
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92 807</u>	<u>\$ 118 112</u>

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

WARREN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 Fiscal Year Ended August 31, 2018

LAST 10 YEARS ENDED AUGUST 31,	(1) (2) TAX RATES		(3) ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
	MAINTENANCE	DEBT SERVICE	
2009 and prior years	Various	Various	Various
2010	1.040000	0.350000	\$ 222 287 605
2011	1.040000	0.300000	\$ 278 277 873
2012	1.040000	0.330000	\$ 284 507 001
2013	1.040000	0.360000	\$ 344 086 075
2014	1.040000	0.360000	\$ 341 811 136
2015	1.040000	0.360000	\$ 358 215 479
2016	1.040000	0.380000	\$ 320 747 249
2017	1.170000	0.280000	\$ 289 781 933
2018 (School year under audit)	1.170000	0.280000	\$ 286 844 917
1000 TOTALS			

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2017	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2018
\$ 554 911	\$ -	\$ 41 361	\$ -	\$ (16340)	\$ 497 209
59 586	-	1 258	423	(2 294)	55 613
66 878	-	1 911	551	(4 492)	59 924
69 027	-	1 812	515	(1 500)	65 140
82 731	-	4 669	1 617	(1 267)	75 178
98 011	-	8 392	2 905	(1 267)	85 447
118 762	-	13 151	4 553	(1 510)	99 549
140 734	-	19 802	7 235	(2 275)	11 422
262 804	-	66 146	15 830	(12 516)	168 312
<u>-</u>	<u>3 837 274</u>	<u>2 909 274</u>	<u>696 236</u>	<u>28 525</u>	<u>260 289</u>
<u>\$ 1 453 444</u>	<u>\$ 3 837 274</u>	<u>\$ 3 067 776</u>	<u>\$ 729 925</u>	<u>\$ (14 935)</u>	<u>\$ 1 478 082</u>

WARREN INDEPENDENT SCHOOL DISTRICT
CHILD NUTRITION FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2018

EXHIBIT J-2

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		ORIGINAL	FINAL		
	Revenues:				
5700	Local and intermediate sources	\$ 260 100	\$ 260 100	\$ 210 528	\$ (49 572)
5800	State program revenues	18 500	18 500	22 047	3 547
5900	Federal program revenues	418 200	543 200	523 113	(20 087)
5020	TOTAL REVENUES	<u>696 800</u>	<u>821 800</u>	<u>755 688</u>	<u>(66 112)</u>
	Expenditures:				
0035	Food services	696 800	821 800	791 287	30 513
6030	TOTAL EXPENDITURES	<u>696 800</u>	<u>821 800</u>	<u>791 287</u>	<u>30 513</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(35 599)</u>	<u>(35 599)</u>
	Other Financing Sources:				
7915	Transfers in	-	-	60 000	60 000
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>60 000</u>	<u>60 000</u>
1200	NET CHANGE IN FUND BALANCES	-	-	24 401	24 401
0100	Fund balances - Beginning	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24 401</u>	<u>\$ 24 401</u>

See independent auditors' report.

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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

Board of Trustees
Warren Independent School District
Warren, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Warren Independent School District as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warren Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Warren Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Warren Independent 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren Independent 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lufkin, Texas
January 22, 2019


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
Warren Independent School District
Warren, Texas

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Warren Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Warren Independent School District's major federal programs for the year ended August 31, 2018. Warren Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Warren Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence and Warren Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Warren Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Warren Independent School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2018.

Report on Internal Control Over Compliance

Management of Warren Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Warren Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Warren Independent School District's internal control over compliance.

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

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

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

Lufkin, Texas
January 22, 2019


CERTIFIED PUBLIC ACCOUNTANTS

WARREN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2018

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

WARREN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2018

NONE

WARREN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2018

There were no audit findings; therefore, no corrective action plan was required.

WARREN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

Exhibit K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(3) PASS THROUGH GRANTOR	(4) FEDERAL EXPENDITURES
Child Nutrition Cluster			
U.S. Department of Agriculture:			
Passed Through State Department of Agriculture:			
School Breakfast Program	10.553	201818N109946	\$ 161 418
National School Lunch Program	10.555	201818N109946	<u>327 536</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>488 954</u>
TOTAL CHILD NUTRITION CLUSTER			<u>488 954</u>
Other Programs			
U.S. Department of the Interior:			
Payments in Lieu of Taxes	15.226	N/A	<u>1 788</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>1 788</u>
U.S. Department of Education:			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A170043	204 174
Rural Education	84.358	S358B170043	23 331
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A170041	27 470
Student Support and Academic Enrichment Program	84.424	S424A170045	9 999
Hurricane Education Recovery	84.938	S938C180013	<u>185 254</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>450 228</u>
U.S. Department of Agriculture:			
Commodity Supplemental Food Program	10.565	N/A	<u>34 159</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>34 159</u>
U.S. Department of Homeland Security:			
FEMA Disaster Grant	97.036	N/A	<u>107 983</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>107 983</u>
TOTAL OTHER PROGRAMS			<u>594 198</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1 083 112</u>

*Clustered programs as required by Compliance Supplement.

The accompanying notes are an integral part of this schedule.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2018

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund which is a governmental fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the governmental fund types, and agency funds. The basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in *Section H, Period of Availability of Federal Funds, Part 3 Uniform Guidance Compliance Statement - Provisional 6/97*.
4. Warren Independent School District has elected to not use an indirect cost rate for any Federal program as allowed under Uniform Guidance.

WARREN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2018

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 85 023
SF11	Net Pension Assets (1920) at fiscal year end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year end.	\$ 1 709 307
SF13	Pension expense (6147) at fiscal year end.	\$ -