

WARREN INDEPENDENT SCHOOL DISTRICT
Warren, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2016

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INTRODUCTORY SECTION

WARREN INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2016

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, 2016, at a meeting of the Board of Trustees of such school district on the 23rd day of January, 2017.



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, 2016, 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, 2016, 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 on pages 8-14 and budgetary comparison and pension information on pages 43-45 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 combining schedules 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and required TEA schedules 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 23, 2017, 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 on page 59-60 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 23, 2017

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, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

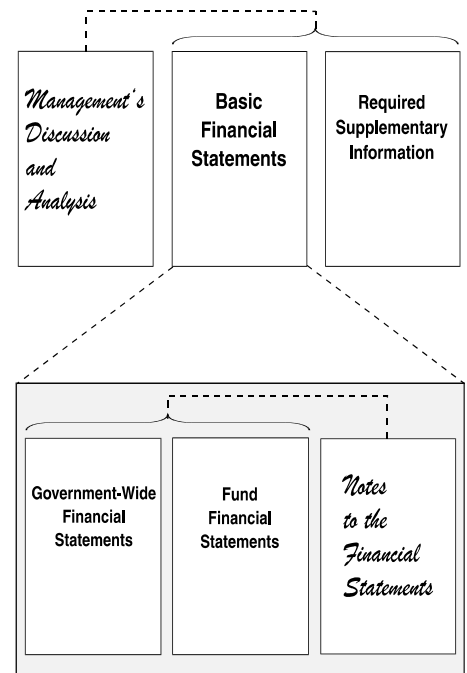
- The District's total combined net position was \$1,459,415 at August 31, 2016, a \$1,846,585 decrease from the previous year.
- The General Fund reported a fund balance this year of \$1,516,289, down \$460,040 from the previous year.
- The District recorded deferred outflows of \$1,522,980, deferred inflows of \$292,298, pension expense of \$188,709, and a net pension liability of \$1,806,953 in order to comply with the provisions of Governmental Accounting Standards Board ("GASB") Statement 68 - Accounting and Reporting for Pensions. Additional information regarding the adoption of GASB Statement 68 can be found in the notes to the financial statements as indicated in the table of contents of this report.
- The District recognized a prior period adjustment to net position of \$146,580 in order to account for excess accrual of workers compensation expenses.

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.

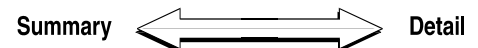


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

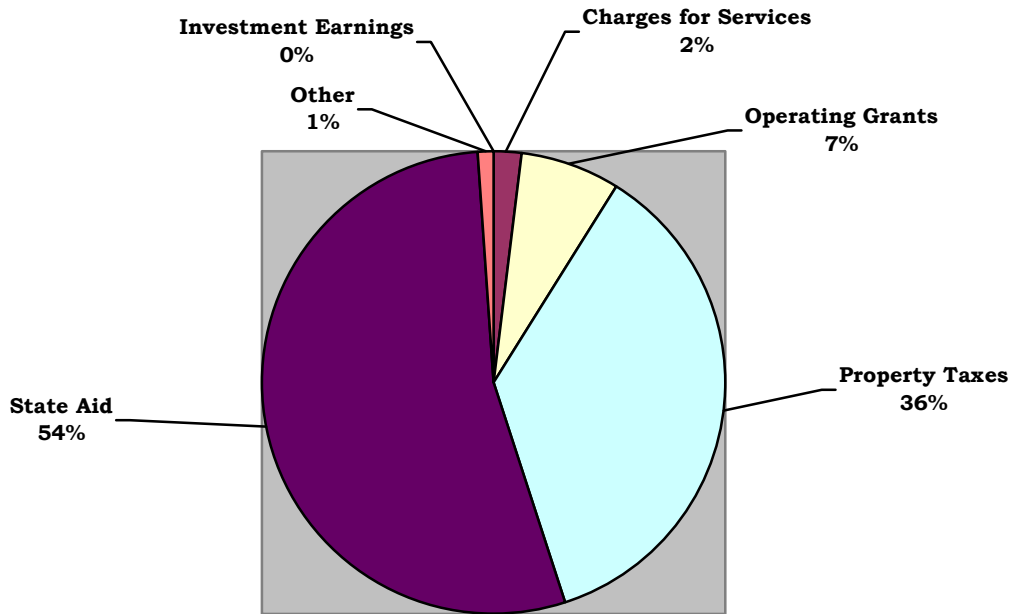
Net Position. The District's net position from governmental activities was \$1,459,415 at August 31, 2016. The \$1,170,503 of unrestricted net position represents resources available to fund the programs of the District next year.

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

	2016	2015	% CHANGE
Current and other assets	\$ 2 678	\$ 3 454	(22)%
Capital and non-current assets	24 493	25 524	(4)%
TOTAL ASSETS	<u>27 171</u>	<u>28 978</u>	(6)%
Deferred outflows	1 523	512	197%
Current liabilities	3 780	2 887	31%
Long-term liabilities	23 124	23 187	- %
TOTAL LIABILITIES	<u>26 904</u>	<u>26 074</u>	3%
Deferred inflows	331	256	29%
Net Position:			
Net investments in capital assets	(217)	787	(152)%
Restricted	506	566	(11)%
Unrestricted	1 170	1 807	(25)%
TOTAL NET POSITION	<u>\$ 1 459</u>	<u>\$ 3 160</u>	(54)%

Changes in Net Position. The District's total revenues were approximately \$12.2 million. 36% of the District's revenue comes from taxes (see Figure A-3), 7% comes from operating grants, 54% comes from state aid-formula grants, and 1% comes from other sources.

2016 Revenue Sources



- The total cost of all programs and services was \$14,077,242, an increase of \$335,939 from the previous year. Forty-five percent of these costs are for instruction and instructional resources. This increase was largely due to professional services required during 2016.
- The amount that our taxpayers paid through property taxes for these activities was \$4,363,553, a decrease of \$625,577 over the previous year due to decreased property values for 2016.
- The amount received in state aid-formula was \$6,624,714, an increase of \$69,825 from the previous year.
- Some of the cost was paid by those who directly benefited from the programs \$185,077 or by grants and contributions \$802,654.

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

	2016	2015	% CHANGE
Revenues:			
Program Revenues:			
Charges for services	\$ 185	\$ 207	(11)%
Operating grants and contributions	803	802	- %
General Revenues:			
Property taxes	4 364	4 989	(13)%
State aid - Formula	6 625	6 555	1%
Investment earnings	24	3	700%
Other	231	158	46%
TOTAL REVENUES	12 232	12 714	(4)%
Expenses:			
Instruction and instructional resources	6 281	5 775	9%
Curriculum, staff development, school and instructional leadership	893	1 030	(13)%
Guidance, social work, health, transportation	1 185	1 177	1%
Food service	663	654	1%
Extracurricular activities	894	846	6%
General administration	836	603	39%
Plant maintenance and operations	1 482	1 498	(1)%
Security and data processing services	192	165	16%
Debt service	1 525	1 851	(18)%
Construction expense	35	63	(44)%
Payments to fiscal agent/member districts - Shared service	92	79	16%
TOTAL EXPENSES	14 078	13 741	2%
DECREASE IN NET POSITION	(1 846)	(1 027)	80%
Prior period adjustment	146	(781)	119%
Beginning net position	3 159	4 967	(36)%
ENDING NET POSITION	\$ 1 459	\$ 3 159	(54)%

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)

	TOTAL COST OF SERVICES		NET COST OF SERVICES	
	2016	2015	2016	2015
Instruction	\$ 6 173	\$ 5 662	\$ 5 771	\$ 5 280
Plant maintenance and operations	\$ 1 482	\$ 1 498	\$ 1 482	\$ 1 498
Construction expense	\$ 35	\$ 63	\$ 35	\$ 63
Debt service	\$ 1 525	\$ 1 851	\$ 1 525	\$ 1 851
School leadership	\$ 637	\$ 786	\$ 637	\$ 786

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types (Exhibit C-2) totaled \$12,227,901.

Expenditures from governmental fund types (Exhibit C-2) totaled \$13,059,808.

The fund balance for all governmental fund types was \$2,029,498, with a deficit of revenues under expenditures of \$831,907.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times (Exhibit C-3). As a result of these adjustments, actual expenditures were \$231,278 under the final budgeted amounts.

Revenues received were \$45,000 above the final budgeted amounts. Local and intermediate revenue was below budgeted amounts by \$45,047, state revenue was above budgeted amounts by \$88,786, and federal revenue was above budgeted amounts by \$1,261.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the District had invested \$24,492,802 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)

	2016	2015	% CHANGE
Land	\$ 534	\$ 534	-
Land improvements	666	666	-
Buildings and improvements	32 988	32 916	-
Furniture and equipment	4 091	3 949	4%
Construction in progress	-	178	(100)%
TOTALS AT HISTORICAL COST	38 279	38 243	-
Total accumulated depreciation	(13 786)	(12 719)	8%
NET CAPITAL ASSETS	\$ 24 493	\$ 25 524	(4)%

Long-term Debt

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

	2016	2015	% CHANGE
Capital leases payable	\$ 8	\$ 27	(100)%
Bonds payable	\$ 24 593	\$ 24 652	(14)%
Net pension liability	\$ 1 807	\$ 689	162%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised valuation of taxable property used for the 2017 budget preparation was \$290,028,466.
- General fund spending per student increased in the 2017 budget from \$8,342 to \$8,803.
- The District's 2017 refined average daily attendance is expected to be 1,160, up from the 2016 ADA of 1,150.

These indicators were taken into account when adopting the general fund budget for 2017. Amounts available for appropriation in the general fund budget are \$10,212,482, an increase from the 2016 year. Property tax revenue will decrease due to lower appraised property values, mainly mineral values. The tax rate for 2017 maintenance and operation will be \$1.17 per \$100 valuation, an increase from 2016. State funding is expected to increase due to increased tax rate used in the funding formula.

General fund expenditures are budgeted to increase over the previous year to \$10,212,842. This increase is due to the increased availability of funds related to the tax rate swap passed during the 2016-2017 school year.

The District has a projected deficit general fund budget of \$-0-.

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, 2016

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 1 530 374
1120	Current investments	207 615
1225	Property taxes receivable (net allowance of \$1,144,261)	223 327
1240	Due from other governments	622 292
1267	Due from fiduciary funds	3 000
1290	Other receivable	64 819
1310	Inventory	26 223
1410	Prepaid expenditures	457
	Capital Assets:	
1510	Land and improvements, net	1 051 399
1520	Buildings and improvements, net	21 915 973
1530	Furniture and equipment, net	1 525 430
1000	TOTAL ASSETS	<u>27 170 909</u>
	DEFERRED OUTFLOWS	
1700	Deferred outflows - Pension	<u>1 522 980</u>
	TOTAL DEFERRED OUTFLOWS	<u>1 522 980</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>28 693 889</u>
	LIABILITIES	
2110	Accounts payable	84 778
2140	Interest payable	108 522
2160	Accrued liabilities	253 890
2210	Other accrued liabilities	47 838
2501	Due within one year	646 867
2510	Bond premium	2 605 402
2512	Accumulated accretion on capital appreciation bonds	32 507
	Noncurrent Liabilities:	
2502	Due in more than one year	21 316 643
2540	Net pension liability	1 806 953
2000	TOTAL LIABILITIES	<u>26 903 400</u>
	DEFERRED INFLOWS	
2600	Deferred inflows - Pension	292 298
2300	Unearned revenue	38 776
	TOTAL DEFERRED INFLOWS	<u>331 074</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>27 234 474</u>
	NET POSITION	
3200	Net investment in capital assets	(217 139)
	Restricted for:	
3850	Debt service	312 979
3870	Federal and state programs	193 072
3900	Unrestricted	1 170 503
3000	TOTAL NET POSITION	<u>\$ 1 459 415</u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2016

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	3		4	NET (EXPENSE)
			PROGRAM REVENUES			REVENUE AND
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
Governmental Activities:						
11	Instruction	\$ 6 173 387	\$ -	\$ 401 937	\$	(5 771 450)
12	Instruction resources and media services	107 628	-	-		(107 628)
13	Curriculum and staff development	203 430	-	18 267		(185 163)
21	Instructional leadership	53 100	-	4 706		(48 394)
23	School leadership	636 894	-	-		(636 894)
31	Guidance, counseling, and evaluation services	289 221	-	-		(289 221)
33	Health services	169 058	-	-		(169 058)
34	Student transportation	726 299	-	-		(726 299)
35	Food services	662 957	164 905	-		(498 052)
36	Co-curricular/extracurricular activities	894 246	20 172	377 744		(496 330)
41	General administration	835 981	-	-		(835 981)
51	Plant maintenance and operations	1 482 256	-	-		(1 482 256)
52	Security and monitoring	11 029	-	-		(11 029)
53	Data processing	180 670	-	-		(180 670)
71	Debt service	1 524 558	-	-		(1 524 558)
81	Facilities construction and acquisition	34 984	-	-		(34 984)
93	Payments related to shared services arrangements	91 544	-	-		(91 544)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>14 077 242</u>	<u>185 077</u>	<u>802 654</u>		<u>(13 089 511)</u>
TP	TOTAL PRIMARY GOVERNMENT	\$ <u>14 077 242</u>	\$ <u>185 077</u>	\$ <u>802 654</u>		<u>(13 089 511)</u>
General Revenues:						
MT	Property taxes, levied for general purposes					3 209 277
DT	Property taxes, levied for debt service					1 154 276
IE	Investment earnings					23 881
GC	Grants and contributions not restricted to specific programs					6 624 714
MI	Miscellaneous					230 778
TR	TOTAL GENERAL REVENUES					<u>11 242 926</u>
CN	CHANGE IN NET POSITION					(1 846 585)
PP	Prior period adjustment					146 580
NB	Net position - Beginning					<u>3 159 420</u>
NE	NET POSITION - ENDING				\$	<u>1 459 415</u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2016

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	\$ 1 036 334	\$ 312 425	\$ 181 615	\$ 1 530 374
1120	Current investments	200 914	-	6 701	207 615
1225	Taxes receivable, net	187 227	36 100	-	223 327
1240	Due from other governments	302 929	554	318 809	622 292
1260	Due from other funds	247 078	-	-	247 078
1290	Other receivables	64 819	-	-	64 819
1300	Inventories	17 419	-	8 804	26 223
1410	Prepaid expenditures	-	-	457	457
1000	TOTAL ASSETS	<u>2 056 720</u>	<u>349 079</u>	<u>516 386</u>	<u>2 922 185</u>
	DEFERRED OUTFLOWS				
1700	Deferred outflows	-	-	-	-
1000	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2 056 720</u>	<u>\$ 349 079</u>	<u>\$ 516 386</u>	<u>\$ 2 922 185</u>
	LIABILITIES AND FUND BALANCE				
	Liabilities:				
2110	Accounts payable	\$ 51 389	\$ -	\$ 33 389	\$ 84 778
2160	Accrued wages payable	224 120	-	29 770	253 890
2170	Due to other funds	-	-	244 078	244 078
2210	Other accrued expense	47 095	-	743	47 838
2000	TOTAL LIABILITIES	<u>322 604</u>	<u>-</u>	<u>307 980</u>	<u>630 584</u>
	DEFERRED INFLOWS				
2300	Unavailable revenue	217 827	36 100	8 176	262 103
	TOTAL DEFERRED INFLOWS	<u>217 827</u>	<u>36 100</u>	<u>8 176</u>	<u>262 103</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>540 431</u>	<u>36 100</u>	<u>316 156</u>	<u>892 687</u>
	Fund Balances:				
	Nonspendable:				
3410	Inventory	17 419	-	8 804	26 223
3430	Prepaid expenditures	-	-	457	457
	Restricted:				
3480	Restricted for retirement of long-term debt	-	312 979	-	312 979
3490	Other restrictions of fund balance	-	-	184 268	184 268
	Assigned:				
3550	Construction	-	-	6 701	6 701
3600	Unassigned	1 498 870	-	-	1 498 870
3000	TOTAL FUND BALANCE	<u>1 516 289</u>	<u>312 979</u>	<u>200 230</u>	<u>2 029 498</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS, AND FUND BALANCE	<u>\$ 2 056 720</u>	<u>\$ 349 079</u>	<u>\$ 516 386</u>	<u>\$ 2 922 185</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, 2016

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET \$ 2 029 498

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.	786 713
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.	1 066 568
3	The depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1 159 634)
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.	(687 459)
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 (from pension schedule)	(1 806 953)
6	Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. Deferred outflows of resources related to pension of \$511,814 = \$55,417 deferred outflows of resources pension expense (from pension schedule) + \$456,397 deferred outflow of 2016 employer contributions related to pensions	<u>1 230 682</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION		<u>\$ 1 459 415</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, 2016

EXHIBIT C-2

DATA CONTROL CODES		10	50	98
		GENERAL FUND	DEBT SERVICE FUND	OTHER GOVERN- MENTAL FUNDS
		FUND	FUND	TOTAL GOVERN- MENTAL FUNDS
Revenues:				
5700	Local and intermediate sources	\$ 3 243 289	\$ 1 176 129	\$ 379 854
5800	State program revenues	6 370 781	253 933	6 766 959
5900	Federal program revenues	1 261	-	660 409
5020	TOTAL REVENUES	<u>9 615 331</u>	<u>1 430 062</u>	<u>1 182 508</u>
Expenditures:				
Current:				
0011	Instruction	4 966 327	-	389 174
0012	Instructional resources and media services	84 547	-	20 174
0013	Curriculum and staff development	179 551	-	20 659
0021	Instructional leadership	47 629	-	4 706
0023	School leadership	627 169	-	-
0031	Guidance, counseling and evaluation services	282 224	-	-
0033	Health services	166 160	-	-
0034	Student transportation	633 030	-	-
0035	Food services	1 800	-	635 963
0036	Co-curricular/extracurricular activities	440 466	-	216 926
0041	General administration	838 044	-	2 164
0051	Plant maintenance and operations	1 416 787	-	-
0052	Security and monitoring services	7 834	-	-
0053	Data processing services	168 360	-	-
0071	Debt service	56 938	1 652 238	-
0081	Facilities acquisition and construction	-	-	109 394
0093	Payments to fiscal agents	91 544	-	-
6030	TOTAL EXPENDITURES	<u>10 008 410</u>	<u>1 652 238</u>	<u>1 399 160</u>
1100	EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	<u>(393 079)</u>	<u>(222 176)</u>	<u>(216 652)</u>
Other Financing Sources and (Uses):				
7911	Proceeds from bond issuance	-	8 585 000	-
7915	Transfers in	-	-	66 961
7916	Premium on bond issuance	-	1 395 148	-
7917	Prepaid interest on bond issue	-	204 867	-
8911	Transfers out	(66 961)	-	-
8949	Payments to escrow	-	(10 009 888)	-
	TOTAL OTHER FINANCING SOURCES	<u>(66 961)</u>	<u>175 127</u>	<u>66 961</u>
1200	NET CHANGE IN FUND BALANCES	(460 040)	(47 049)	(149 691)
	Prior period adjustment	118 433	-	28 147
0100	Fund balances - Beginning	<u>1 857 896</u>	<u>360 028</u>	<u>321 774</u>
3000	FUND BALANCES - ENDING	<u>\$ 1 516 289</u>	<u>\$ 312 979</u>	<u>\$ 200 230</u>
		<u>\$ 2 029 498</u>		<u>\$ 2 029 498</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, 2016

EXHIBIT C-2R

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (656 780)

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. 10 186 568

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. (1 159 634)

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 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. (10 028 030)

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (188 709)

STATEMENT OF ACTIVITIES \$ (1 846 585)

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2016

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ <u>38 422</u>
1000	TOTAL ASSETS	\$ <u>38 422</u>
	LIABILITIES	
	Current Liabilities:	
2150	Other accrued expense	\$ 4 079
2171	Due to other funds	3 000
2190	Due to student groups	<u>31 343</u>
2000	TOTAL LIABILITIES	\$ <u><u>38 422</u></u>

The accompanying notes are an integral part of this statement.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2016

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, 2016

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 some times 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.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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, 2016

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 Human Services and are recorded at market values. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services 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, 2016

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. Prior Period Adjustment

The prior period adjustment for the year ended August 31, 2016 is related to the elimination of excess accrued expenditures for workers compensation costs in previous reporting periods.

H. Subsequent Events

Management has evaluated subsequent events through January 23, 2017, 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 C-3 and the Food Service budget report appears in Exhibit J-4, and the Debt Service budget report appears in Exhibit J-5.

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.
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
NONE	NONE	\$ -

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2016

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, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,568,796 and the bank balance was \$1,505,394.

Statement of Net Position (A-1)	\$ 1 530 374
Statement of Fiduciary Net Position (E-1)	38 422
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1 568 796</u>

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.

As of August 31, 2016, the District had the following investments:

NAME	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITY (DAYS)
Lone Star Investment Pool	\$ 317 008	\$ 317 008	23

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.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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

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, 2016, 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.

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.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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

D. Interfund Balances and Transfers

Interfund balances at August 31, 2016 consisted of the following amounts:

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>FIDUCIARY</u>
Due to general	\$ -	\$ (244 078)	\$ (3 000)
Due from special revenue	244 078	-	-
Due from fiduciary	3 000	-	-
	<u>\$ 247 078</u>	<u>\$ (244 078)</u>	<u>\$ (3 000)</u>

<u>TRANSFER FROM</u>	<u>TRANSFER TO</u>	<u>AMOUNT</u>
General Fund	Special	\$ 66 961

E. Disaggregation of Receivables and Payables

Receivables at August 31, 2016, were as follows:

	<u>PROPERTY TAXES</u>	<u>DUE FROM OTHER GOVERNMENTS</u>	<u>OTHER RECEIVABLES</u>	<u>TOTAL RECEIVABLES</u>
Governmental Activities:				
General Fund	\$ 187 227	\$ 302 929	\$ 64 819	\$ 554 975
Debt Service	36 100	554	-	36 654
Non-major Governmental Funds	-	318 809	-	318 809
TOTAL - GOVERNMENTAL ACTIVITIES	<u>\$ 223 327</u>	<u>\$ 622 292</u>	<u>\$ 64 819</u>	<u>\$ 910 438</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Payables at August 31, 2016, were as follows:

	<u>ACCOUNTS PAYABLE</u>	<u>ACCRUED WAGES</u>	<u>OTHER ACCRUED EXPENSES</u>	<u>TOTAL PAYABLES</u>
Governmental Activities:				
General Fund	\$ 51 389	\$ 224 120	\$ 47 095	\$ 322 604
Non-major Governmental Funds	33 389	29 770	743	63 902
TOTAL - GOVERNMENTAL ACTIVITIES	<u>\$ 84 778</u>	<u>\$ 253 890</u>	<u>\$ 47 838</u>	<u>\$ 386 506</u>

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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, 2016 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
Construction in progress	<u>177 752</u>	<u>12 723</u>	<u>-</u>	<u>(190 475)</u>	<u>-</u>
TOTAL NON-DEPRECIABLE ASSETS	<u>712 213</u>	<u>12 723</u>	<u>-</u>	<u>(190 475)</u>	<u>534 461</u>
Depreciable Assets:					
Land improvements	666 073	-	-	-	666 073
Buildings and improvements	32 914 878	71 687	-	-	32 986 565
Furniture and equipment	<u>3 949 138</u>	<u>44 500</u>	<u>92 794</u>	<u>190 475</u>	<u>4 091 319</u>
TOTAL DEPRECIABLE ASSETS	<u>37 530 089</u>	<u>116 187</u>	<u>92 794</u>	<u>190 475</u>	<u>37 743 957</u>
TOTALS AT HISTORIC COST	<u>38 242 302</u>	<u>128 910</u>	<u>92 794</u>	<u>-</u>	<u>38 278 418</u>
Less Accumulated Depreciation:					
Land improvements	119 566	29 569	-	-	149 135
Buildings and improvements	10 199 246	871 346	-	-	11 070 592
Furniture and equipment	<u>2 399 964</u>	<u>258 719</u>	<u>92 794</u>	<u>-</u>	<u>2 565 889</u>
TOTAL ACCUMULATED DEPRECIATION	<u>12 718 776</u>	<u>1 159 634</u>	<u>92 794</u>	<u>-</u>	<u>13 785 616</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 25 523 526</u>	<u>\$ (1 030 724)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24 492 802</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 695 130
Student (pupil) transportation	130 125
Food services	14 447
Co-curricular/extracurricular activities	232 482
General administration	7 564
Plant maintenance and operations	65 296
Security and monitoring services	3 195
Data processing services	<u>11 395</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 1 159 634</u>

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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, 2016, 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		\$ 6 295 000	\$ -	\$ 5 680 000	\$ 615 000	\$ 285 000
2009 series		4 690 000	-	3 790 000	900 000	110 000
2010 series		3 175 000	-	165 000	3 010 000	160 000
Qualified Zone Academy Bond:						
2012 series		653 797	-	48 360	605 437	48 675
2015 series refunding		7 935 000	-	30 000	7 905 000	35 000
2016 series refunding		-	8 585 000	-	8 585 000	-
Bonds - Premium		1 561 773	1 395 148	351 519	2 605 402	-
Capital Appreciation Bonds:	2.2 to 3.0%					
2015 series		334 881	-	-	334 881	-
Accreted interest		6 249	26 258	-	32 507	-
TOTAL GOVERNMENTAL ACTIVITIES		\$ 24 651 700	\$ 10 006 406	\$ 10 064 879	\$ 24 593 227	\$ 638 675

2. Bonds:

Debt service requirements on long-term debt at August 31, 2016, are as follows:

YEAR ENDING AUGUST 31,	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2017	\$ 638 675	\$ 857 442	\$ 1 496 117
2018	693 991	816 964	1 510 955
2019	684 310	794 153	1 478 463
2020	699 630	772 168	1 471 798
2021	729 953	746 996	1 476 949
2022-2026	4 034 675	3 305 627	7 340 302
2027-2031	4 389 084	2 460 206	6 849 290
2032-2036	5 840 000	1 496 244	7 336 244
2037-2039	4 245 000	281 768	4 526 768
	\$ 21 955 318	\$ 11 531 568	\$ 33 486 886

3. Advanced Refunding

The District issued \$8,585,000 of unlimited tax refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payment on the refunded bonds. The net proceeds of \$10,185,015 (after issuance costs of \$175,127, plus premium of \$1,395,148) were used to advance refund a portion of the Unlimited Tax School Building Series 2008 bond with a total principal amount of \$5,430,000 and interest ranging from 4.0% to 4.375% and a portion of the Unlimited Tax School Building Series 2009 bond with a total principal of \$3,690,000 and interest ranging from 3.0% to 5.13%. As a result, the refunded portion of the bonds are considered to be defeased and the liability has been removed from the government-wide financial statements.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2016

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

This advance refunding was undertaken to reduce total debt service payments over the next twenty-three years by \$1,586,331 and resulted in an economic gain of \$1,267,708.

EXCERPT FROM GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES

Other Financing Sources (Uses):	
Proceeds of refunding bonds	\$ 8 585 000
Payment to refunded bond escrow agent	(10 009 888)
Premium on bond issuance	1 395 148
Prepaid interest on bond issue	204 867

4. Capital Leases

The Public Property Finance Act gives the District authority to enter into capital leases for the acquisition of personal property. The District has entered into lease agreements as lessee for financing the acquisition of several copiers in accordance with provisions of the Texas Education Code Section 45.109. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Commitments under capitalized lease agreements for equipment provide for minimum future rental payments as of August 31, 2016, as follows:

DATE OF ISSUE/ MATURITY	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	OUT- STANDING 09/01/2015	ISSUED	RETIRED	OUT- STANDING 08/31/2016	AMOUNTS DUE WITHIN ONE YEAR
11/2015-01/2017	5.00%	\$ 88 752	\$ 27 229	\$ -	\$ 19 037	\$ 8 192	\$ 8 192
		<u>\$ 88 752</u>	<u>\$ 27 229</u>	<u>\$ -</u>	<u>\$ 19 037</u>	<u>\$ 8 192</u>	<u>\$ 8 192</u>

Interest expense related to the lease in the amount of \$847 was incurred during the year ended August 31, 2016.

The District has \$88,752 of copiers in capital leases with accumulated amortization of \$78,387 at August 31, 2016.

YEAR ENDED AUGUST 31,	<u>PAYMENT</u>
2017	\$ 8 437
Total minimum lease payments	8 437
Less: Amounts representing interest	<u>(245)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 8 192</u>

Lease expenditures in 2016 were \$19,884.

The effective interest rate on capital leases is 5.0%

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

H. Pension Plan

Plan Description:

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is 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 <http://www.trs.state.ts.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 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 Cost of Living Adjustments, "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.

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2016

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

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 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2015 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

	CONTRIBUTION RATES	
	2015	2016
Member	6.70%	7.2%
Non-Employer Contributing Entity (State)	6.80%	6.8%
Employers	6.80%	6.8%
Employer Contributions	\$	151 362
Member Contributions	\$	131 681
NECE On-behalf Contributions	\$	399 282

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).

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, 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.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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

Actuarial Assumptions:

The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment rate of Return	8.00%
Salary Increases*	3.5% to 9.5%
Weighted-average at Valuation Date	5.55%
Payroll Growth Rate	2.50%

** Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2015, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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, 2015 are summarized below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>REAL RETURN GEOMETRIC BASIS</u>	<u>LONG-TERM EXPECTED PORTFOLIO REAL RATE OF RETURN*</u>
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	0.0%	0.0%	2.2%
Alpha	0.0%	0.0%	1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

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 2015 Net Pension Liability.

WARREN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

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 share of the net pension liability	\$ 2 831 155	\$ 1 806 953	\$ 953 857

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

At August 31, 2015, the District reported a liability of \$1,806,953 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 proportionate share of the net pension liability	\$ 1 806 953
State's proportionate share that is associated with the District	1 226 228
TOTAL	\$ 3 033 181

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the District's proportion of the collective net pension liability was 0.0026% which was an increase of 0.0025% from its proportion measured as of August 31, 2014. The change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the District's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2015. The amount of the expected resultant change in the District's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$188,709 and revenue of \$399,282 for support provided by the State.

At August 31, 2015, 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	\$ 8 858	\$ 69 443
Changes in actuarial assumptions	37 230	64 464
Difference between projected and actual investment earnings	445 012	157 871
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	578 935	520
Contributions paid to TRS subsequent to the measurement date	452 945	-
TOTAL	\$ 1 522 980	\$ 292 298

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2016

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
2016	\$ 143 256
2017	\$ 143 256
2018	\$ 143 256
2019	\$ 195 880
2020	\$ 84 075
Thereafter	\$ 68 013

I. Healthcare and Workers' Compensation Insurance

Healthcare Coverage

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2016-2014.

YEAR	CONTRIBUTION RATES AND AMOUNTS					
	MEMBER		STATE		SCHOOL DISTRICT	
	RATE	AMOUNT	RATE	AMOUNT	RATE	AMOUNT
2016	0.65%	\$ 43 296	1.00%	\$ 66 610	0.55%	\$ 36 635
2015	0.65%	\$ 43 626	1.00%	\$ 67 117	0.55%	\$ 36 914
2014	0.65%	\$ 45 648	1.00%	\$ 70 227	0.55%	\$ 38 625

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2016

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

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the 'completed' report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$20,237, \$27,370, and \$18,217, respectively.

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, 2016
Unpaid claims at September 1, 2015	\$	48 215
Incurred claims (including IBNR)		3 295
Total payments		(13 390)
TOTAL UNPAID CLAIMS AT AUGUST 31, 2016	\$	38 120

J. 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	\$ 187 227	\$ -	\$ 36 100	\$ 223 327
Local advertising revenues	30 600	-	-	30 600
Food service revenues	-	8 176	-	8 176
	\$ 217 827	\$ 8 176	\$ 36 100	\$ 262 103

WARREN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2016

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

L. 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 <u>FORMULA</u>	IDEA B <u>PRESCHOOL</u>	SPECIAL ED <u>COOPERATIVE</u>	CARL D. PERKINS CAREER AND <u>TECHNICAL</u>
Revenues	\$ <u>171 668</u>	\$ <u>8 481</u>	\$ <u>46 872</u>	\$ <u>11 182</u>
Expenditures:				
Payroll costs	\$ 131 949	\$ 8 481	\$ 44 941	\$ -
Contracted services	30 057	-	-	122
Supplies and materials	5 382	-	-	10 879
Other costs	4 280	-	1 931	181
TOTAL EXPENDITURES	\$ <u>171 668</u>	\$ <u>8 481</u>	\$ <u>46 872</u>	\$ <u>11 182</u>
Percent attributable to District	24%	30%	15%	27%

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
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON - GENERAL FUND
For the Year Ended August 31, 2016

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	\$ 3 288 336	\$ 3 288 336	\$ 3 243 289	\$ (45 047)
5800	State program revenues	6 117 995	6 281 995	6 370 781	88 786
5900	Federal program revenues	-	-	1 261	1 261
5020	TOTAL REVENUES	<u>9 406 331</u>	<u>9 570 331</u>	<u>9 615 331</u>	<u>45 000</u>
Expenditures:					
Current:					
0011	Instruction	4 770 723	5 057 723	4 966 327	91 396
0012	Instructional resources and media services	118 020	88 020	84 547	3 473
0013	Curriculum and staff development	129 699	179 737	179 551	186
0021	Instructional leadership	47 396	47 896	47 629	267
0023	School leadership	604 076	628 043	627 169	874
0031	Guidance, counseling and evaluation services	279 252	283 475	282 224	1 251
0033	Health services	165 963	166 963	166 160	803
0034	Student transportation	614 882	649 882	633 030	16 852
0035	Food services	60 000	95 000	1 800	93 200
0036	Co-curricular/ extracurricular activities	436 763	448 763	440 466	8 297
0041	General administration	660 470	839 861	838 044	1 817
0051	Plant maintenance and operations	1 379 272	1 419 272	1 416 787	2 485
0052	Security and monitoring services	8 200	8 200	7 834	366
0053	Data processing services	124 353	169 353	168 360	993
0071	Debt service	50 000	57 500	56 938	562
0081	Facilities acquisition and construction	60 000	-	-	-
0093	Payments to fiscal agents	<u>85 000</u>	<u>100 000</u>	<u>91 544</u>	<u>8 456</u>
6030	TOTAL EXPENDITURES	<u>9 594 069</u>	<u>10 239 688</u>	<u>10 008 410</u>	<u>231 278</u>
1100	EXCESS (DEFICIT) REVENUE OVER (UNDER) EXPENDITURES	<u>(187 738)</u>	<u>(669 357)</u>	<u>(393 079)</u>	<u>276 278</u>
Other Financing Sources and (Uses):					
8911	Transfer out	-	-	(66 961)	(66 961)
7080	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>(66 961)</u>	<u>(66 961)</u>
1200	NET CHANGE IN FUND BALANCES	(187 738)	(669 357)	(460 040)	209 317
0100	Fund balances - Beginning	<u>1 857 896</u>	<u>1 857 896</u>	<u>1 857 896</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 1 670 158</u>	<u>\$ 1 188 539</u>	<u>\$ 1 397 856</u>	<u>\$ 209 317</u>

The accompanying notes are an integral part of this statement.

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-2

	2015	2014
District's proportion of the net pension liability (asset)	0.0051%	0.0026%
District's proportionate share of the net pension liability (asset)	\$ 1 806 953	\$ 688 700
State's proportionate share of the net pension liability (asset) associated with the District	1 226 228	532 821
TOTAL	\$ 3 033 181	\$ 1 221 521
District's covered-employee payroll	\$ 6 660 957	\$ 6 711 727
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.1%	10.3%
Plan fiduciary net position as a percentage of the total pension liability	78.4%	83.3%

* 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.

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

EXHIBIT G-3

	2015	2014
Contractually required contribution	\$ 151 362	\$ 65 366
Contributions in relation to the contractually required contribution	151 362	65 366
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -
District's covered-employee payroll	\$ 6 660 957	\$ 6 711 727
Contributions as a percentage of covered-employee payroll	2.3%	1.0%

* 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.

COMBINING STATEMENTS AND BUDGET COMPARISONS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, no 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, 2016

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	\$ 181 615	\$ -	\$ 181 615
1120	Current investments	-	6 701	6 701
1240	Due from other government	318 809	-	318 809
1300	Inventory	8 804	-	8 804
1410	Prepaid expenses	457	-	457
1000	TOTAL ASSETS	509 685	6 701	516 386
	DEFERRED OUTFLOWS			
1700	Deferred outflows	-	-	-
1000	TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 509 685	\$ 6 701	\$ 516 386
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 33 389	\$ -	\$ 33 389
2160	Accrued wages payable	29 770	-	29 770
2170	Due to other funds	244 078	-	244 078
2210	Other accrued expense	743	-	743
2000	TOTAL LIABILITIES	307 980	-	307 980
	DEFERRED INFLOWS			
2300	Unavailable revenue	8 176	-	8 176
	TOTAL LIABILITIES AND DEFERRED INFLOWS	316 156	-	316 156
	Fund Balances:			
	Nonspendable:			
3410	Inventory	8 804	-	8 804
3430	Prepaid items	457	-	457
	Restricted:			
3490	Other restricted of fund balance	184 268	-	184 268
	Assigned:			
3550	Construction	-	6 701	6 701
3000	TOTAL FUND BALANCES	193 529	6 701	200 230
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 509 685	\$ 6 701	\$ 516 386

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, 2016

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	\$ 379 550	\$ 304	\$ 379 854
5800	State program revenues	142 245	-	142 245
5900	Federal program revenues	<u>660 409</u>	<u>-</u>	<u>660 409</u>
5020	TOTAL REVENUES	<u>1 182 204</u>	<u>304</u>	<u>1 182 508</u>
	Expenditures:			
	Current:			
0011	Instruction	389 174	-	389 174
0012	Instructional resources and media services	20 174	-	20 174
0013	Curriculum and instructional staff development	20 659	-	20 659
0021	Instructional leadership	4 706	-	4 706
0035	Food services	635 963	-	635 963
0036	Cocurricular/extracurricular activities	216 926	-	216 926
0041	General administration	2 164	-	2 164
0081	Capital outlay	<u>-</u>	<u>109 394</u>	<u>109 394</u>
6030	TOTAL EXPENDITURES	<u>1 289 766</u>	<u>109 394</u>	<u>1 399 160</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>(107 562)</u>	<u>(109 090)</u>	<u>(216 652)</u>
	Other Financing Sources and (Uses):			
7915	Transfer in	<u>66 961</u>	<u>-</u>	<u>66 961</u>
	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>66 961</u>	<u>-</u>	<u>66 961</u>
1200	NET CHANGE IN FUND BALANCES	(40 601)	(109 090)	(149 691)
	Prior period adjustment	28 147	-	28 147
0100	Fund balances - Beginning	<u>205 983</u>	<u>115 791</u>	<u>321 774</u>
3000	FUND BALANCES - ENDING	<u>\$ 193 529</u>	<u>\$ 6 701</u>	<u>\$ 200 230</u>

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2016

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	\$ -	\$ 23 769	\$ 9 896	\$ 13 418
1242	Due from other government	224 059	14 541	53 661	23 398
1300	Inventory	-	8 804	-	-
1410	Prepaid expenses	-	-	457	-
1000	TOTAL ASSETS	<u>224 059</u>	<u>47 114</u>	<u>64 014</u>	<u>36 816</u>
	DEFERRED OUTFLOWS				
1700	Deferred outflows	-	-	-	-
	TOTAL DEFERRED OUTFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 224 059</u>	<u>\$ 47 114</u>	<u>\$ 64 014</u>	<u>\$ 36 816</u>
	LIABILITIES				
	Liabilities:				
2110	Accounts payable	\$ -	\$ 25 084	\$ -	\$ 8 305
2160	Accrued wages payable	15 676	13 611	483	-
2170	Due to other funds	202 657	-	8 672	24 876
2210	Other accrued expense	423	243	77	-
2000	TOTAL LIABILITIES	<u>218 756</u>	<u>38 938</u>	<u>9 232</u>	<u>33 181</u>
	DEFERRED INFLOWS				
2300	Unavailable revenue	-	8 176	-	-
	TOTAL DEFERRED INFLOWS	<u>-</u>	<u>8 176</u>	<u>-</u>	<u>-</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>218 756</u>	<u>47 114</u>	<u>9 232</u>	<u>33 181</u>
	FUND BALANCES				
	Nonspendable:				
3410	Inventory	-	8 804	-	-
3430	Prepaid expenditures	-	-	457	-
	Restricted Fund Balances:				
3490	Other restricted of fund balance	5 303	(8 804)	54 325	3 635
3000	TOTAL FUND BALANCES	<u>5 303</u>	<u>-</u>	<u>54 782</u>	<u>3 635</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 224 059</u>	<u>\$ 47 114</u>	<u>\$ 64 014</u>	<u>\$ 36 816</u>

See independent auditors' report.

410	429	461	SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
INSTRUCTIONAL MATERIALS ALLOTMENT	RURAL TECHNOLOGY GRANT	CAMPUS ACTIVITY FUNDS	
\$ 26 587	\$ 350	\$ 107 595	\$ 181 615
-	3 150	-	318 809
-	-	-	8 804
-	-	-	457
<u>26 587</u>	<u>3 500</u>	<u>107 595</u>	<u>509 685</u>
-	-	-	-
-	-	-	-
<u>\$ 26 587</u>	<u>\$ 3 500</u>	<u>\$ 107 595</u>	<u>\$ 509 685</u>
-	-	-	33 389
-	-	-	29 770
-	-	7 873	244 078
-	-	-	743
<u>-</u>	<u>-</u>	<u>7 873</u>	<u>307 980</u>
-	-	-	8 176
<u>-</u>	<u>-</u>	<u>-</u>	<u>8 176</u>
-	-	7 873	316 156
-	-	-	8 804
-	-	-	457
<u>26 587</u>	<u>3 500</u>	<u>99 722</u>	<u>184 268</u>
<u>26 587</u>	<u>3 500</u>	<u>99 722</u>	<u>193 529</u>
<u>\$ 26 587</u>	<u>\$ 3 500</u>	<u>\$ 107 595</u>	<u>\$ 509 685</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, 2016

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	\$ -	\$ 164 785	\$ -	\$ -
5800	State program revenues	-	18 453	-	-
5900	Federal program revenues	<u>224 059</u>	<u>359 291</u>	<u>53 661</u>	<u>23 398</u>
5020	TOTAL REVENUES	<u>224 059</u>	<u>542 529</u>	<u>53 661</u>	<u>23 398</u>
Expenditures:					
Current:					
0011	Instruction	205 945	-	50 243	8 151
0012	Instructional resources and media services	20 174	-	-	-
0013	Curriculum and instructional staff development	-	-	3 020	17 639
0021	Instructional leadership	4 706	-	-	-
0035	Food services	-	635 963	-	-
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	<u>2 164</u>	<u>-</u>	<u>-</u>	<u>-</u>
6030	TOTAL EXPENDITURES	<u>232 989</u>	<u>635 963</u>	<u>53 263</u>	<u>25 790</u>
1100	EXCESS REVENUE OVER EXPENDITURES	<u>(8 930)</u>	<u>(93 434)</u>	<u>398</u>	<u>(2 392)</u>
Other Financing Sources:					
7900	Other financing sources	<u>-</u>	<u>66 961</u>	<u>-</u>	<u>-</u>
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>66 961</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(8 930)	(26 473)	398	(2 392)
Prior period adjustment					
0100	Fund balance - Beginning	2 572	25 473	102	-
		<u>11 661</u>	<u>1 000</u>	<u>54 282</u>	<u>6 027</u>
3000	FUND BALANCE - ENDING	<u>\$ 5 303</u>	<u>\$ -</u>	<u>\$ 54 782</u>	<u>\$ 3 635</u>

See independent auditors' report.

410	429	461	SPECIAL REVENUE FUNDS (SEE EXHIBIT H-2)
INSTRUCTIONAL MATERIALS ALLOTMENT	RURAL TECHNOLOGY GRANT	CAMPUS ACTIVITY FUNDS	
\$ -	\$ -	\$ 214 765	\$ 379 550
120 292	3 500	-	142 245
-	-	-	660 409
<u>120 292</u>	<u>3 500</u>	<u>214 765</u>	<u>1 182 204</u>
124 835	-	-	389 174
-	-	-	20 174
-	-	-	20 659
-	-	-	4 706
-	-	-	635 963
-	-	216 926	216 926
-	-	-	2 164
<u>124 835</u>	<u>-</u>	<u>216 926</u>	<u>1 289 766</u>
<u>(4 543)</u>	<u>3 500</u>	<u>(2 161)</u>	<u>(107 562)</u>
-	-	-	66 961
-	-	-	66 961
(4 543)	3 500	(2 161)	(40 601)
-	-	-	28 147
<u>31 130</u>	<u>-</u>	<u>101 883</u>	<u>205 983</u>
<u>\$ 26 587</u>	<u>\$ 3 500</u>	<u>\$ 99 722</u>	<u>\$ 193 529</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, 2016

LAST 10 YEARS ENDED AUGUST 31,	(1) TAX RATES (2)		(3) ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
	MAINTENANCE	DEBT SERVICE	
2007 and prior years	Various	Various	Various
2008	1.040000	0.000000	\$ 216 461 778
2009	1.040000	0.350000	\$ 277 604 616
2010	1.040000	0.300000	\$ 222 287 605
2011	1.040000	0.330000	\$ 278 277 873
2012	1.040000	0.360000	\$ 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 (School year under audit)	1.040000	0.380000	\$ 320 747 249
1000 TOTALS			

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2015	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2016
\$ 482 738	\$ -	\$ 12 625	\$ -	\$ (11 325)	\$ 458 788
46 074	-	958	-	(1 033)	44 083
73 325	-	3 367	1 133	(4 324)	64 501
69 599	-	3 989	1 151	(743)	63 716
80 517	-	5 963	1 892	(544)	72 118
89 838	-	8 728	3 021	(516)	77 573
111 541	-	11 073	3 833	(1 291)	95 344
150 845	-	22 794	7 890	(2 003)	118 158
246 233	-	69 303	23 990	(4 029)	148 911
<u>-</u>	<u>4 338 207</u>	<u>2 968 478</u>	<u>1 084 636</u>	<u>(60 697)</u>	<u>224 396</u>
<u>\$ 1 350 710</u>	<u>\$ 4 338 207</u>	<u>\$ 3 107 278</u>	<u>\$ 1 127 546</u>	<u>\$ (86 505)</u>	<u>\$ 1 367 588</u>

WARREN INDEPENDENT SCHOOL DISTRICT
CHILD NUTRITION FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2016

EXHIBIT J-4

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		ORIGINAL	FINAL		
	Revenues:				
5700	Local and intermediate sources	\$ 246 300	\$ 246 100	\$ 164 785	\$ (81 515)
5800	State program revenues	16 500	16 500	18 453	1 953
5900	Federal program revenues	380 000	380 000	359 291	(20 709)
5020	TOTAL REVENUES	<u>642 800</u>	<u>642 600</u>	<u>542 529</u>	<u>(100 271)</u>
	Expenditures:				
0035	Food services	642 800	642 600	635 963	6 637
6030	TOTAL EXPENDITURES	<u>642 800</u>	<u>642 600</u>	<u>635 963</u>	<u>6 637</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>(93 434)</u>	<u>(93 434)</u>
	Other Financing Sources:				
7915	Transfers in	-	-	66 961	66 961
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>66 961</u>	<u>66 961</u>
1200	NET CHANGE IN FUND BALANCES	-	-	(26 473)	(26 473)
	Prior period adjustment	-	-	25 473	25 473
0100	Fund balances - Beginning	<u>1 000</u>	<u>1 000</u>	<u>1 000</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 1 000</u>	<u>\$ 1 000</u>	<u>\$ -</u>	<u>\$ (1 000)</u>

See independent auditors' report.

WARREN INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2016

EXHIBIT J-5

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		ORIGINAL	FINAL		
	Revenues:				
5700	Local and intermediate sources	\$ 1 237 781	\$ 1 237 781	\$ 1 176 129	\$ (61 652)
5800	State program revenues	216 943	216 943	253 933	36 990
5020	TOTAL REVENUES	<u>1 454 724</u>	<u>1 454 724</u>	<u>1 430 062</u>	<u>(24 662)</u>
	Expenditures:				
	Current:				
0071	Debt service	<u>1 568 281</u>	<u>1 743 281</u>	<u>1 652 238</u>	<u>91 043</u>
6030	TOTAL EXPENDITURES	<u>1 568 281</u>	<u>1 743 281</u>	<u>1 652 238</u>	<u>91 043</u>
	EXCESS REVENUE OVER EXPENDITURES	<u>(113 557)</u>	<u>(288 557)</u>	<u>(222 176)</u>	<u>66 381</u>
	Other Financing Sources and (Uses):				
7911	Proceeds from bond issuance	-	-	8 585 000	8 585 000
7916	Premium on bond issuance	-	-	1 395 148	1 395 148
7917	Prepaid interest on bond issue	-	-	204 867	204 867
8949	Payments to escrow	-	-	(10 009 888)	(10 009 888)
	TOTAL OTHER FINANCING SOURCES AND (USES)	<u>-</u>	<u>-</u>	<u>175 127</u>	<u>175 127</u>
1200	NET CHANGE IN FUND BALANCES	(113 557)	(288 557)	(47 049)	66 508
0100	Fund balances - Beginning	<u>360 028</u>	<u>360 028</u>	<u>360 028</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 246 471</u>	<u>\$ 71 471</u>	<u>\$ 312 979</u>	<u>\$ 241 508</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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 23, 2017.

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.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 23, 2017

WARREN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2016

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

B. Financial Statement Findings

NONE

WARREN INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2016

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Expenditures in excess of budgeted amounts	Resolved	Not applicable

WARREN INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2016

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

WARREN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED
 SCHOOL FIRST INDICATORS
 As of August 31, 2016

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.	\$ 32 507
SF11	Net Pension Assets (1920) at fiscal year end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year end.	\$ 1 806 953
SF13	Pension expense (6147) at fiscal year end.	\$ 188 709