

MARION INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2016



ABIP
CERTIFIED PUBLIC ACCOUNTANTS and ADVISORS

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INTRODUCTORY SECTION

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CERTIFICATE OF BOARD

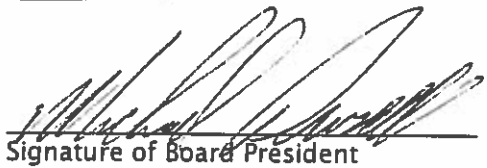
Marion Independent School District
Name of School District

Guadalupe
County

094-904
Co. Dist. Number

We, the undersigned, certify that the attached annual financial report of the above named school district were reviewed and approved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 14th day of December, 2016.


Signature of Board Secretary


Signature of Board President

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FINANCIAL SECTION

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Independent Auditor's Report on Financial Statements

Board of School Trustees
Marion Independent School District
Marion, Texas

Members of the Board of Trustees:

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 Marion 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 misstatements of the financial statements, whether due to fraud or error. In making those assessments, the auditor considers internal control relevant to the District'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 District'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.

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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, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the general fund, schedule of the District's share of the net pension liability, and schedule of the District's contributions to TMRS as listed in the table of contents, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 combining and other statements and schedules, other supplementary information and required Texas Education Agency schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

December 14, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of Marion Independent School District (the District) is intended to provide an overview of the District's financial position and results of operations for the fiscal year ended August 31, 2016. Since the focus of the MD&A is on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements, including the accompanying notes, to enhance the understanding of the school's financial performance.

FINANCIAL HIGHLIGHTS

The Board of Trustees adopted a balanced budget in fiscal year 2016. General Fund budgeted revenues exceeded actual revenues by \$33,679 due mainly to a decrease in state and local revenues. Expenditures were less than budgeted expenditures by \$235,574. General Fund expenditures exceeded revenues by \$1,766,057 due mainly to capital projects and a land purchase. The fund balance is \$2,699,822 at year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual financial report consists of a series of financial statements and accompanying notes, with the primary focus being on the District as a whole. The Statement of Net Position and the Statement of Activities are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The fund financial statements report the District's operations in more detail by providing information as to how services are financed in the short-term, as well as the remaining available resources for future spending. Additionally, the fund financial statements focus on major funds rather than fund types. The remaining statements; the Fiduciary Fund statements, provide financial information for those activities in which the District acts solely as a trustee or agent for the benefit of others. The accompanying notes provide essential information that is not disclosed on the face of the financial statements. Consequently, the notes form an integral part of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities – Most of the activities of the District are reported in these statements, including instruction, instruction support services, operations and maintenance, school administration, general administration, transportation, and food service. Additionally, all state and federal grants and capital and debt financing activities are reported here.

The Statement of Net Position and the Statement of Activities present a view of the District's financial operations as a whole, reflect all financial transactions, and provide information helpful in determining whether the District's financial position has improved or deteriorated as a result of the current year's activities. Both of these statements are prepared using the full accrual basis of accounting similar to that used by most private-sector companies. The Statement of Net Position includes all assets and liabilities, both short and long term. The Statement of Activities reports all of the current year's revenues and expenses regardless of when cash is received or paid.

The two government-wide statements report the District's net position, which represents the difference between assets and deferred outflows, and liabilities and deferred inflows. Over time, the increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. Additionally, the District's financial operating results are determined by the difference between the revenues and expenses. As opposed to private businesses, generating profits is not an objective of the District's operations, but instead its main objective is to provide exemplary education and services to the students of Marion Independent School District. Consequently, it is important to note that other non-financial factors, such as the quality of education and safety of students in the schools should be considered in assessing the District's overall performance.

Fund Financial Statements - Fund financial statements provide a detailed short-term view of the District's operations, focusing on its most significant or "major" funds. Certain funds are required by law while others are created by legal agreements, such as bond covenants. Other funds are established to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. The District has three fund types – governmental funds, proprietary funds, and a fiduciary fund.

Governmental Funds - The accounting for most of the District's basic services is included in the governmental funds. The measurement focus and basis of accounting used for reporting is the modified accrual basis which measures inflows and outflows of current financial resources and the remaining balances at year end that are available for spending. Furthermore, under this basis of accounting, changes in net spendable assets are normally recognized only to the extent that they are expected to have a near term impact, while inflows are recognized only if they are available to liquidate liabilities of the current period. Similarly, future outflows are typically recognized only if they represent a depletion of current financial resources. The District's major governmental funds are the General Fund, Debt Service Fund, and the Capital Projects Fund. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 23 and 26.

Proprietary Funds – The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The Transportation Fund, an internal service fund, is the District's only proprietary fund. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position are reported on pages 27 and 28.

Fiduciary Funds – The District is the fiduciary for resources held for the benefit of others such as the student activities fund. Fiduciary activities are reported in the Statement of Fiduciary Net Position on page 30. The resources accounted for in this fund are excluded from the government-wide financial statements because these funds are not available to finance the District's operations. Consequently, the District is responsible for ensuring that these resources are used only for their intended purpose.

Notes to the Financial Statements – The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as individual fund statements and schedules beginning on page 54.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Government-Wide)

The following table summarizes the District's net position as of August 31, 2016 and 2015.

CONDENSED STATEMENT OF NET POSITION August 2016 and 2015

	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 15,428,260	\$ 5,310,231
Capital Assets, Net	<u>27,078,446</u>	<u>22,953,402</u>
Total Assets and Deferred Outflows	<u>42,506,706</u>	<u>28,263,633</u>
Current Liabilities	4,046,023	1,334,191
Long-Term Liabilities	<u>24,174,103</u>	<u>12,700,361</u>
Total Liabilities and Deferred Inflows	<u>28,220,126</u>	<u>14,034,552</u>
Net Position:		
Net Investment in Capital Assets	4,598,761	10,308,786
Restricted	183,113	171,432
Unrestricted	<u>9,504,706</u>	<u>3,748,863</u>
Total Net Position	<u>\$ 14,286,580</u>	<u>\$ 14,229,081</u>

The District's net position totaled \$14,286,580. Of this amount, \$4,598,761 represents the portion the District has invested in capital assets (land, building, furniture, fixtures, and equipment), net of accumulated depreciation less any outstanding debt used to construct or acquire those assets. Restricted net position in the amount of \$183,113 is reported separately to show legal constraints from debt covenants and enabling legislation.

Statement of Activities (Government-Wide)

The following table summarizes the change in the District's net position from its activities for the fiscal years ended August 31, 2016 and 2015.

	2016	2015
CHANGES IN NET POSITION		
For Fiscal Years Ended August 2016 and 2015		
	<u>2016</u>	<u>2015</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 461,331	\$ 387,771
Operating Grants and Contributions	<u>1,395,364</u>	<u>1,445,113</u>
Total Program Revenues	<u>1,856,695</u>	<u>1,832,884</u>
General Revenues:		
Maintenance and Operations Taxes	7,469,878	7,339,118
Debt Service Taxes	670,960	689,303
Investment Earnings	44,289	4,208
Grants and Contributions,		
Not Restricted to Specific Programs	4,265,960	3,836,716
Miscellaneous	<u>114,881</u>	<u>133,401</u>
Total General Revenues	<u>12,565,968</u>	<u>12,002,746</u>
Total Revenues	<u>14,422,663</u>	<u>13,835,630</u>
EXPENSES		
Instruction, Curriculum and Media Services	7,729,411	6,974,145
Instructional and School Leadership	1,085,011	978,881
Student Support Services	925,142	757,228
Child Nutrition	746,681	635,006
Cocurricular Activities	737,919	658,355
General Administration	536,014	490,734
Plant Maintenance, Security and		
Data Processing	1,936,485	1,900,627
Community Services	36,042	33,188
Interest	535,890	253,433
Other Intergovernmental Charges	<u>96,569</u>	<u>93,364</u>
Total Expenses	<u>14,365,164</u>	<u>12,774,961</u>
Increase (Decrease) in Net Position	57,499	1,060,669
Net Position at September 1,	14,229,081	14,193,910
Restatement of Net Position	<u>-</u>	<u>(1,025,498)</u>
Net Position at August 31,	<u>\$ 14,286,580</u>	<u>\$ 14,229,081</u>

Property taxes in the amount of \$8,140,838 and state revenue of \$4,265,960 accounted for 86% of the District's total revenue of \$14,422,663.

The Statement of Activities reports gross expenses, offsetting program revenues and the resulting net expense (cost) by functions, for the current year. The net cost of each of the District's functions represents the amount of expenses that must be subsidized by general revenues, including tax dollars. As reflected in the Statement of Activities, total expenses for governmental activities were \$14,365,164. Of the total expenses, \$461,331 was financed by charges for services and \$1,395,364 was financed by operating and capital grants and contributions. The resulting net cost of \$12,508,469 was financed mainly by state revenue and property taxes.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet, and in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the District's major funds which are the General Fund, Debt Service Fund, and Capital Projects Fund. Financial information for the nonmajor governmental funds is aggregated and presented in a single column.

General Fund

The General Fund is the primary operating fund for the District.

General Fund Revenues – Overall revenues increased by \$349,070 due mainly to an increase in state and property tax revenues caused by increased student enrollment and increased property tax values.

REVENUES BY SOURCE For the Years ended August 31, 2016 and 2015

	2016	2015	Increase (Decrease)
Local and Tax Revenues	\$ 7,753,070	\$ 7,620,807	\$ 132,263
State Programs	4,408,258	4,119,296	288,962
Federal Programs	102,993	175,148	(72,155)
Total	\$ 12,264,321	\$ 11,915,251	\$ 349,070

General Fund Expenditures – Overall expenditures increased by \$2,164,970. The increase in general fund expenditures is directly attributed to increase in Instruction, Curriculum, and Media Services expense, as well as increases in Plant Maintenance, and Capital Outlay.

EXPENDITURES BY FUNCTION
For the Years Ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>	Increase (Decrease)
EXPENSES			
Instruction, Curriculum and Media Services	\$ 6,644,766	\$ 6,056,721	\$ 588,045
Instructional and School Leadership	940,075	838,672	101,403
Student Support Services	827,996	653,190	174,806
Cocurricular Activities	623,200	581,494	41,706
General Administration	496,706	465,057	31,649
Plant Maintenance, Security and Data Processing	2,806,450	1,824,218	982,232
Community Services	34,337	33,590	747
Debt Service	330,055	334,150	(4,095)
Capital Outlay	245,272	-	245,272
Other Intergovernmental Charges	<u>96,569</u>	<u>93,364</u>	<u>3,205</u>
Total Expenses	<u>\$ 13,045,426</u>	<u>\$ 10,880,456</u>	<u>\$ 2,164,970</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At August 31, 2016, the District had \$27,078,446 net of accumulated depreciation invested in a broad range of capital assets as shown in the table below.

CAPITAL ASSETS
At August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>	Increase (Decrease)
Land	\$ 586,160	\$ 406,922	\$ 179,238
Buildings and Improvements	21,747,262	21,396,100	351,162
Furniture and Equipment	1,178,979	1,150,380	28,599
Construction in Progress	<u>3,566,045</u>	<u>-</u>	<u>3,566,045</u>
Total	<u>\$ 27,078,446</u>	<u>\$ 22,953,402</u>	<u>\$ 558,999</u>

Debt Administration – The following table represents the changes in the District's outstanding long-term liabilities at fiscal year end.

CHANGES IN LONG-TERM DEBT
At August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>	Increase (Decrease)
General Obligation Bonds	\$ 21,935,000	\$ 11,680,000	\$ 10,255,000
Premium on Bond	544,685	341,230	203,455
Compensated Absences	<u>201,477</u>	<u>227,139</u>	<u>(25,662)</u>
Total	<u>\$ 22,681,162</u>	<u>\$ 12,248,369</u>	<u>\$ 10,432,793</u>

BUDGETARY HIGHLIGHTS

In 2016 the District adopted a balanced budget designed to meet the needs of existing student instructional and support programs. Three major budget amendments were made during the year. The Board of Trustees appropriated \$413,000 to purchase and improve land for future expansion, \$800,000 to fund a major roofing project, and \$986,880 to transfer funds into the Capital Projects Fund.

ECONOMIC FACTORS

In November 2015 Texas voters approved Proposition 1 increasing the public education homestead taxable value exemption from \$15,000 to \$25,000. The decrease in tax revenue was offset by an increase in state funding. The additional homestead exemption decreased taxable value by 2.5% while the District experienced a general increase of 3.8% in value. The net increase in taxable value was 1.3%.

For fiscal year 2016, the student enrollment increase 1.8%.

CONTACTING MANAGEMENT

The District's financial statements are designed to present citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Additional information can be requested at:

Marion Independent School District
District's Administrative Office
Post Office Box 189
Marion, Texas 78124

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BASIC FINANCIAL STATEMENTS

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	<u>ASSETS</u>	
1110	Cash and Cash Equivalents	\$ 12,602,435
1225	Property Taxes Receivable (Net)	135,769
1240	Due from Other Governments	1,338,986
1290	Other Receivables (Net)	191
1300	Inventories	11,718
1410	Prepaid Items	25,792
	Capital Assets:	
1510	Land	\$ 586,160
1520	Buildings and Improvements (Net)	21,747,262
1530	Furniture and Equipment (Net)	1,178,979
1580	Construction in Progress	<u>3,566,045</u>
	Total Capital Assets (Net)	<u>27,078,446</u>
1000	TOTAL ASSETS	<u>41,193,337</u>
	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
1701	Deferred Outflow Related to TRS	<u>1,313,369</u>
1700	TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,313,369</u>
	<u>LIABILITIES</u>	
2110	Accounts Payable	2,584,924
2140	Interest Payable	23,970
2150	Payroll Deductions and Withholdings Payable	6,711
2160	Accrued Wages Payable	412,975
2165	Accrued Liabilities	<u>62,443</u>
	<u>Noncurrent Liabilities</u>	
2501	Due Within One Year	955,000
2502	Due in More than One Year	21,726,162
	Net Pension Liability (District's Share)	<u>2,278,434</u>
	Total Noncurrent Liabilities	<u>24,959,596</u>
2000	TOTAL LIABILITIES	<u>28,050,619</u>
	<u>DEFERRED INFLOWS OF RESOURCES</u>	
	Deferred Inflows Related to TRS	<u>169,507</u>
	TOTAL DEFERRED INFLOWS OF RESOURCES	<u>169,507</u>
	<u>NET POSITION</u>	
3200	Net Investment in Capital Assets	4,598,761
3850	Restricted for Debt Service	155,708
3870	Restricted for Campus Activities	27,405
3900	Unrestricted	<u>9,504,706</u>
3000	TOTAL NET POSITION	<u>\$ 14,286,580</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	6 GOVERNMENTAL ACTIVITIES
Governmental Activities:				
Instruction	\$ 7,370,232	\$ 83,213	\$ 724,970	\$ (6,562,049)
Instructional Resources and Media Services	280,463	17,843	11,182	(251,438)
Curriculum and Staff Development	78,716	482	10,940	(67,294)
Instructional Leadership	270,980	-	53,400	(217,580)
School Leadership	814,031	-	37,717	(776,314)
Guidance, Counseling, and Evaluation Services	88,805	-	3,881	(84,924)
Social Work Services	158,832	1,447	3,855	(153,530)
Health Services	131,611	-	7,512	(124,099)
Student Transportation	545,894	-	20,419	(525,475)
Food Service	746,681	235,795	448,235	(62,651)
Cocurricular/Extracurricular Activities	737,919	101,814	11,341	(624,764)
General Administration	536,014	-	13,318	(522,696)
Facilities Maintenance and Operations	1,635,771	20,737	38,955	(1,576,079)
Security and Monitoring Services	78,373	-	-	(78,373)
Data Processing Services	222,341	-	7,724	(214,617)
Community Services	36,042	-	1,915	(34,127)
Debt Service - Interest on Long-Term Debt	359,524	-	-	(359,524)
Debt Service - Bond Issuance Costs and Fees	176,366	-	-	(176,366)
Other Intergovernmental Charges	96,569	-	-	(96,569)
TOTAL PRIMARY GOVERNMENT	<u>\$ 14,365,164</u>	<u>\$ 461,331</u>	<u>\$ 1,395,364</u>	<u>(12,508,469)</u>
General Revenues:				
Property Taxes, Levied for General Purposes				7,469,878
Property Taxes, Levied for Debt Service				670,960
Investment Earnings				44,289
Grants and Contributions not Restricted				4,265,960
Miscellaneous Local and Intermediate Revenue				102,981
Gain on Disposal of Asset				<u>11,900</u>
Total General Revenues				<u>12,565,968</u>
Change in Net Position				57,499
NET POSITION - BEGINNING				<u>14,229,081</u>
NET POSITION - ENDING				<u>\$ 14,286,580</u>

MARION INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2016

DATA CONTROL CODES		10	50	60
		GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS
	<u>ASSETS</u>			
1110	Cash and Cash Equivalents	\$ 2,493,280	\$ 156,743	\$ 9,911,036
1225	Taxes Receivable (Net)	123,897	11,872	-
1240	Receivables from Other Governments	837,825	-	-
1260	Due from Other Funds	925,233	-	986,880
1290	Other Receivables	191	-	-
1300	Inventories	-	-	-
1410	Prepaid Items	<u>25,792</u>	<u>-</u>	<u>-</u>
1000	TOTAL ASSETS	<u>\$ 4,406,218</u>	<u>\$ 168,615</u>	<u>\$ 10,897,916</u>
	<u>LIABILITIES</u>			
2110	Accounts Payable	\$ 178,998	\$ -	\$ 2,373,759
2150	Payroll Deductions and Withholdings	6,711	-	-
2160	Accrued Wages Payable	352,669	-	-
2170	Due to Other Funds	986,880	1,035	2,888
2200	Accrued Expenditures	<u>57,241</u>	<u>-</u>	<u>-</u>
2000	Total Liabilities	<u>1,582,499</u>	<u>1,035</u>	<u>2,376,647</u>
	<u>DEFERRED INFLOWS OF RESOURCES</u>			
2600	Deferred Inflows - Property Taxes	<u>123,897</u>	<u>11,872</u>	<u>-</u>
	Total Liabilities and Deferred Inflows of Resources	<u>1,706,396</u>	<u>12,907</u>	<u>2,376,647</u>
	<u>FUND BALANCES</u>			
3430	Non-Spendable - Prepaid Items	25,792	-	-
3470	Restricted - Capital Acquisitions and Contractual Obligations	166,137	-	8,521,269
3480	Restricted - Debt Service	-	155,708	-
3490	Restricted - Other	-	-	-
3600	Unassigned Fund Balance	<u>2,507,893</u>	<u>-</u>	<u>-</u>
3000	Total Fund Balances	<u>2,699,822</u>	<u>155,708</u>	<u>8,521,269</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 4,406,218</u>	<u>\$ 168,615</u>	<u>\$ 10,897,916</u>

OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 41,376	\$ 12,602,435
-	135,769
501,161	1,338,986
-	1,912,113
-	191
11,718	11,718
-	25,792
<u>\$ 554,255</u>	<u>\$ 16,027,004</u>
\$ 27,444	\$ 2,580,201
-	6,711
38,287	390,956
458,037	1,448,840
<u>3,083</u>	<u>60,324</u>
<u>526,851</u>	<u>4,487,032</u>
-	135,769
<u>526,851</u>	<u>4,622,801</u>
-	25,792
-	-
-	8,687,406
-	155,708
27,404	27,404
-	<u>2,507,893</u>
<u>27,404</u>	<u>11,404,203</u>
<u>\$ 554,255</u>	<u>\$ 16,027,004</u>

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MARION INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT C-2

Total Fund Balances - Governmental Funds Balance Sheet \$ 11,404,203

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets expensed in the governmental activities are not reported in the funds. 26,339,383

Property tax receivable unavailable to pay for current period expenditures is deferred in the funds. 135,769

The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Assets. 246,929

Payables for bond principal and bond premiums which are not due in the current period are not reported in the funds. (22,479,685)

Payables for bond interest which are not due in the current period are not reported in the funds. (23,970)

Payables for net pension liability which are not due in the current period are not reported in the funds. (1,134,572)

Payables for compensated absences which are not due in the current period are not reported in the funds. (201,477)

NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION \$ 14,286,580

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

DATA CONTROL CODES		GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS
	REVENUES			
5700	Local and Intermediate Sources	\$ 7,753,070	\$ 683,670	\$ 26,400
5800	State Program Revenues	4,408,258	18,480	-
5900	Federal Program Revenues	<u>102,993</u>	<u>-</u>	<u>-</u>
5020	Total Revenues	<u>12,264,321</u>	<u>702,150</u>	<u>26,400</u>
	EXPENDITURES			
	<u>Current:</u>			
0011	Instruction	6,323,855	-	-
0012	Instructional Resources and Media Services	256,898	-	-
0013	Curriculum and Instructional Staff Development	64,013	-	-
0021	Instructional Leadership	201,682	-	-
0023	School Leadership	738,393	-	-
0031	Guidance, Counseling, and Evaluation Services	80,747	-	-
0032	Social Work Services	148,022	-	-
0033	Health Services	119,306	-	-
0034	Student (Pupil) Transportation	479,921	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	623,200	-	-
0041	General Administration	496,706	-	-
0051	Facilities Maintenance and Operations	2,526,341	-	-
0052	Security and Monitoring Services	74,377	-	-
0053	Data Processing Services	205,732	-	-
0061	Community Services	34,337	-	-
	<u>Debt Service:</u>			
0071	Principal on Long-Term Debt	300,000	430,000	-
0072	Interest on Long-Term Debt	27,271	347,297	-
0073	Bond Issuance Costs and Fees	2,784	-	173,582
	<u>Capital Outlay:</u>			
0081	Facilities Acquisition and Construction	245,272	-	3,500,010
	<u>Intergovernmental:</u>			
0099	Other Intergovernmental Charges	<u>96,569</u>	<u>-</u>	<u>-</u>
6030	Total Expenditures	<u>13,045,426</u>	<u>777,297</u>	<u>3,673,592</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(781,105)</u>	<u>(75,147)</u>	<u>(3,647,192)</u>
	OTHER FINANCING SOURCES AND (USES)			
7911	Capital Related Debt Issued (Regular Bonds)	-	-	10,985,000
7912	Sale of Real or Personal Property	11,900	-	-
7915	Transfers In	-	38,711	986,880
7916	Premium or Discount on Issuance of Bonds	-	-	235,292
8911	Transfers Out (Use)	<u>(996,852)</u>	<u>-</u>	<u>(38,711)</u>
7080	Total Other Financing Sources and (Uses)	<u>(984,952)</u>	<u>38,711</u>	<u>12,168,461</u>
1200	Net Change in Fund Balances	(1,766,057)	(36,436)	8,521,269
0100	Fund Balance - September 1 (Beginning)	<u>4,465,879</u>	<u>192,144</u>	<u>-</u>
3000	FUND BALANCE - AUGUST 31 (ENDING)	<u>\$ 2,699,822</u>	<u>\$ 155,708</u>	<u>\$ 8,521,269</u>

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 299,648	\$ 8,762,788
22,596	4,449,334
<u>887,629</u>	<u>990,622</u>
<u>1,209,873</u>	<u>14,202,744</u>
411,437	6,735,292
-	256,898
10,940	74,953
47,790	249,472
-	738,393
-	80,747
-	148,022
-	119,306
-	479,921
692,009	692,009
61,723	684,923
-	496,706
-	2,526,341
-	74,377
-	205,732
-	34,337
-	730,000
-	374,568
-	176,366
-	3,745,282
<u>-</u>	<u>96,569</u>
<u>1,223,899</u>	<u>18,720,214</u>
<u>(14,026)</u>	<u>(4,517,470)</u>
-	10,985,000
-	11,900
9,972	1,035,563
-	235,292
<u>-</u>	<u>(1,035,563)</u>
<u>9,972</u>	<u>11,232,192</u>
(4,054)	6,714,722
<u>31,458</u>	<u>4,689,481</u>
<u>\$ 27,404</u>	<u>\$ 11,404,203</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

MARION INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
AUGUST 31, 2016

EXHIBIT C-4

Net Change in Fund Balances - Total Governmental Funds	\$ 6,714,722
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are not reported as expenses in the Statement of Activities.	4,786,404
The depreciation of capital assets used in governmental activities is not reported in the funds.	(702,593)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(13,349)
Issuance of bonds and related bond premium.	(11,220,292)
Repayment of bond principal is an expenditure in the funds but is not an expense in the Statement of Activities.	730,000
The net revenue (expense) of internal service funds is reported with governmental activities.	(61,830)
Changes in net pension liability are reported as amounts expensed in the statement of activities but not in the funds.	(216,269)
Compensated absences are reported as amounts expensed in the statement of activities but not in the funds.	25,662
Bond premiums and accrued interest are reported in the Statement of Activities but not in the funds.	<u>15,044</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	 <u>\$ 57,499</u>

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
AUGUST 31, 2016

EXHIBIT D-1

<u>DATA CONTROL CODES</u>		<u>NONMAJOR INTERNAL SERVICE FUND TRANSPORTATION FUND</u>
	<u>ASSETS</u>	
	<u>Noncurrent Assets</u>	
	Capital Assets:	
1520	Buildings and Improvements	\$ 331,375
1530	Vehicles, Furniture, and Equipment	1,869,178
1570	Accumulated Depreciation	<u>(1,461,490)</u>
1000	Total Assets	<u>739,063</u>
	 <u>LIABILITIES</u>	
	<u>Current Liabilities</u>	
2110	Accounts Payable	4,723
2160	Accrued Wages Payable	22,019
2170	Due to Other Funds	463,273
2200	Accrued Expenses	<u>2,119</u>
2000	Total Liabilities	<u>492,134</u>
	 <u>NET POSITION</u>	
3900	Unrestricted	<u>246,929</u>
3000	Total Net Position	<u>\$ 246,929</u>

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT D-2

<u>DATA CONTROL CODES</u>		<u>NONMAJOR INTERNAL SERVICE FUND</u>	<u>TRANSPORTATION FUND</u>
	<u>OPERATING REVENUES</u>		
5700	Local and Intermediate Sources	\$ 616,483	
5800	State Program Revenues	<u>20,870</u>	
5020	Total Operating Revenues	<u>637,353</u>	
	<u>OPERATING EXPENSES</u>		
6100	Payroll Costs	425,778	
6200	Professional and Contracted Services	39,256	
6300	Supplies and Materials	112,662	
6400	Other Operating Costs	<u>121,487</u>	
6030	Total Operating Expenses	<u>699,183</u>	
1300	Change in Net Position	<u>(61,830)</u>	
0100	Total Net Position - Beginning	<u>308,759</u>	
3300	Total Net Position - Ending	<u>\$ 246,929</u>	

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT D-3

		NONMAJOR <u>INTERNAL SERVICE FUND</u>
		<u>TRANSPORTATION FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Grants	\$	20,870
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds		616,483
Cash Payments to Employees for Services		(410,832)
Cash Payments for Other Suppliers for Goods and Services		<u>(76,031)</u>
Net Cash Provided (Used) by Operating Activities		<u>150,490</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition or Construction of Capital Assets		<u>(150,490)</u>
 Net Cash Provided (Used) for Capital and Related Financing Activities		 <u>(150,490)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents		 -
Cash and Cash Equivalents at Beginning of Year		<u>-</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>-</u></u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$	(61,830)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation		109,257
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable		2,613
Increase (Decrease) in Accrued Wages Payable		14,946
Increase (Decrease) in Interfund Payables		83,508
Increase (Decrease) in Accrued Expenses		<u>1,996</u>
Total Adjustments		<u>212,320</u>
Net Cash Provided (Used) by Operating Activities	\$	<u>150,490</u>

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

EXHIBIT E-1

<u>DATA CONTROL CODES</u>		<u>AGENCY FUND</u>
		<u>STUDENT ACTIVITY</u>
	<u>ASSETS</u>	
1110	Cash and Cash Equivalents	\$ 73,787
1290	Other Receivables	<u>-</u>
1000	Total Assets	<u>\$ 73,787</u>
	<u>LIABILITIES</u>	
	Current Liabilities	
2110	Accounts Payable	\$ 8,188
2190	Due to Student Groups	<u>65,599</u>
2000	Total Liabilities	<u>\$ 73,787</u>
	<u>NET POSITION</u>	
3000	Total Net Position	<u>\$ -</u>

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Marion Independent School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Board of School Trustees, (the Board), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board of Trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting (Continued)

Debt Service Fund – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Capital Projects Fund – The District accounts for the proceeds from long-term debt and expenditures related to authorized construction and other capital asset acquisitions in a capital projects fund.

Additionally, the District reports the following fund types:

Non-Major 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.

Proprietary Funds:

Internal Service Funds – This fund is used to account for revenues and expenses related to services provided to parties inside the District. The fund facilitates distribution of support costs to the users of support services on a cost reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the Governmental Activities column of the government-wide financial statements.

Fiduciary Funds:

Agency Funds – These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments.

Fiduciary Funds are reported in the fiduciary financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

Measurement Focus, Basis of Accounting:

Government-Wide, Proprietary and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty (60) days after year end. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

C. Financial Statement Amounts

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

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 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 1 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a sixty-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund and Debt Service Fund are based upon 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.

Deposit Accounting Policy

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts (Continued)

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one (1) year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (YRS)</u>
Buildings	50
Building Improvements	20
Infrastructure	30
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts (Continued)

Compensated Absences

On retirement, termination of employment, or death of employees, the District pays any accrued sick leave in a lump-sum payment to such employee or his/her beneficiary or estate. Employees are allowed to accrue up to 50 days of sick leave.

Pension

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows / Outflows of Resources

In addition to assets, the statement of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single transfer line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single internal balances line of the government-wide statement of net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance

Data Control Codes

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

In the fund financial statements, the District uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts not available for appropriation or legally earmarked for a special use. Examples include inventories and prepaid items.

Restricted – amounts that have been legally separated for a specific purpose; such as, grants and long-term debt.

Committed – amounts that require Board action to be used for a specific purpose; such as certain amounts for construction and capital acquisition. Formal action to commit funds must occur prior to fiscal year end and can only be modified or removed by the same formal action.

Assigned – amounts that do not require Board approval but are intended to be used for a specific purpose, as determined by an official or body to which the Board has delegated authority; such as the Superintendent. These amounts do not meet the criteria to be classified as restricted for committed.

Unassigned – residual amounts in the general fund that are available to finance operating expenditures. In other funds this classification is used only to report a deficit balance resulting from over spending for specific purposes for which amounts had been restricted, committed or assigned.

Net Position Flow Assumption – sometimes the District will fund outlays for a particular purpose from both restricted (i.e., restricted bond or grant proceeds) and unrestricted sources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions - sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 2: DEPOSITS AND INVESTMENTS

A. Cash Deposits

At August 31, 2016, the carrying amount of the District's deposits (cash, cash on hand, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$565,182 and the bank balance was \$662,856. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

B. Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, 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, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (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, and (10) common trust funds.

The District's investments at August 31, 2016 are shown below:

DESCRIPTION	MINIMUM LEGAL RATING	INVESTMENT RATING	RATING ORGANIZATION	CARRYING/FAIR VALUE	PERCENTAGE INVESTED
TexPool Investment Fund	AAA	AAAm	Standard & Poors	\$ 425,696	3.51%
Logic	AAA	AAA	Standard & Poors	<u>11,685,341</u>	<u>96.49%</u>
TOTAL INVESTMENTS				<u>\$ 12,111,037</u>	<u>100.00%</u>

C. Analysis of Specific Deposit and Investment Risks

GASB Statement Number 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

C. Analysis of Specific Deposit and Investment Risks (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the District's investment policy and the Act and the actual rating as of August 31, 2016 for each investment:

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

D. Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

E. Public Funds Investment Pools

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the act designed to promote liquidity and safety of principal, the act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service, and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The District's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is reported at share value.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2016 was as follows:

	BEGINNING BALANCE 09/01/15	ADDITIONS	DELETIONS	ENDING BALANCE 08/31/16
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 406,922	\$ 179,238	\$ -	\$ 586,160
Construction in Process	-	3,566,045	-	3,566,045
Total Capital Assets not being Depreciated	<u>406,922</u>	<u>3,745,283</u>	<u>-</u>	<u>4,152,205</u>
Capital Assets being Depreciated:				
Buildings and Improvements	30,266,716	1,010,483	-	31,277,199
Equipment	1,281,041	30,638	-	1,311,679
Total Capital Assets being Depreciated	<u>31,547,757</u>	<u>1,041,121</u>	<u>-</u>	<u>32,588,878</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(9,047,349)	(648,275)	-	(9,695,624)
Equipment	(651,758)	(54,318)	-	(706,076)
Total Accumulated Depreciation	<u>(9,699,107)</u>	<u>(702,593)</u>	<u>-</u>	<u>(10,401,700)</u>
Total Capital Assets being Depreciated, Net	<u>21,848,650</u>	<u>338,528</u>	<u>-</u>	<u>22,187,178</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 22,255,572</u>	<u>\$ 4,083,811</u>	<u>\$ -</u>	<u>\$ 26,339,383</u>
<u>BUSINESS-TYPE ACTIVITIES</u>				
Capital Assets being Depreciated:				
Buildings and Improvements	\$ 331,375	\$ -	\$ -	\$ 331,375
Equipment	1,718,688	150,490	-	1,869,178
Vehicles	-	-	-	-
Total Capital Assets being Depreciated	<u>2,050,063</u>	<u>150,490</u>	<u>-</u>	<u>2,200,553</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(154,642)	(11,046)	-	(165,688)
Vehicles, Furniture, and Equipment	(1,197,591)	(98,211)	-	(1,295,802)
Total Accumulated Depreciation	<u>(1,352,233)</u>	<u>(109,257)</u>	<u>-</u>	<u>(1,461,490)</u>
Total Capital Assets being Depreciated, Net	<u>697,830</u>	<u>41,233</u>	<u>-</u>	<u>739,063</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 697,830</u>	<u>\$ 41,233</u>	<u>\$ -</u>	<u>\$ 739,063</u>

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions as follows:

	AMOUNT
Instruction	\$ 361,836
Instruction Resources and Media Services	13,801
Curriculum and Staff Development	3,763
Instructional Leadership	13,402
School Leadership	39,668
Guidance, Counseling, and Evaluation Services	4,338
Social Work Services	7,952
Health Services	6,409
Food Services	37,176
Extracurricular Activities	36,795
General Administration	26,684
Plant Maintenance and Operations	135,721
Security and Monitoring Services	3,996
Data Processing Services	11,052
TOTAL DEPRECIATION EXPENSE	\$ 702,593

NOTE 4: LONG-TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

A. Long-Term Obligation Activity – Bonds

Bonded indebtedness of the District is reflected as governmental activities in the statement of net position. Effective interest rates range from 0.7% to 3.5%.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-Term Obligation Activity – Bonds (Continued)

A summary of changes in long-term debt for the year ended August 31, 2016 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNT ORIGINAL ISSUE	AMOUNT OUTSTANDING 09/01/15	ISSUED	RETIRED/ REFUNDED	AMOUNT OUTSTANDING 08/31/16
School Building Bonds 2012	2.5 - 2.5%	\$ 8,000,000	\$ 7,225,000	\$ -	\$ (285,000)	\$ 6,940,000
Limited Maintenance Tax Notes 2012	.7 - 1.37%	1,400,000	830,000	-	(200,000)	630,000
School Building Bonds 2013	2.0 - 3.0%	2,380,000	2,100,000	-	(145,000)	1,955,000
Limited Maintenance Tax Notes 2013	1.23%	1,545,000	1,525,000	-	(100,000)	1,425,000
School Building Bonds 2015	1.61 - 3.5%	5,000,000	-	5,000,000	-	5,000,000
School Building Bonds 2016	2.0 - 3.0%	5,985,000	-	5,985,000	-	5,985,000
TOTALS		<u>\$ 24,310,000</u>	<u>\$ 11,680,000</u>	<u>\$ 10,985,000</u>	<u>\$ (730,000)</u>	<u>\$ 21,935,000</u>

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2016 are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 11,680,000	\$ 10,985,000	\$ (730,000)	\$ 21,935,000	\$ 955,000
Bond Premium	341,230	235,292	(31,837)	544,685	-
Compensated Absences	227,139	66,753	(92,415)	201,477	-
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 12,248,369</u>	<u>\$ 11,287,045</u>	<u>\$ (854,252)</u>	<u>\$ 22,681,162</u>	<u>\$ 955,000</u>

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

B. Debt Service Requirements

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

<u>YEAR ENDING AUGUST 31,</u>	<u>GOVERNMENTAL ACTIVITIES</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$ 955,000	\$ 526,033	\$ 1,481,033
2018	1,030,000	506,769	1,536,769
2019	1,080,000	487,344	1,567,344
2020	1,070,000	464,504	1,534,504
2021	1,105,000	440,483	1,545,483
2022-2026	5,230,000	1,857,001	7,087,001
2027-2031	5,345,000	1,292,270	6,637,270
2031-2036	<u>6,120,000</u>	<u>546,162</u>	<u>6,666,162</u>
TOTALS	<u>\$ 21,935,000</u>	<u>\$ 6,120,566</u>	<u>\$ 28,055,566</u>

NOTE 5: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 6: HEALTH CARE COVERAGE

During the year ended August 31, 2016, employees of the District were covered by a health insurance plan. The District paid premiums of \$537,341 to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by a contractual agreement.

NOTE 7: DEFINED BENEFIT 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 16, 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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 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 COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution Rates	<u>2015</u>	<u>2016</u>
Member (Employees)	6.70%	7.20%
Non-Employer Contributing Entity (State of Texas)	6.80%	6.80%
Employer (District)	6.80%	6.80%
Contributions		
Member (Employees)	\$ 444,715	\$ 522,100
Non-Employer Contributing Entity (State of Texas)	375,515	386,458
Employer (District)	190,858	200,553

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 source or 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

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

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

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (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
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

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:

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha	<u>0%</u>		<u>1.0%</u>
Total	100%		8.7%

* 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.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability	\$ 3,569,876	\$ 2,278,434	\$ 1,202,742

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, the District reported a liability of \$2,278,434 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 2,278,434
State's Proportionate Share that is Associated with the District	4,265,927
Total	<u>\$ 6,544,361</u>

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0064456% which was an increase of 0.0030571% percent from its proportion measured as of August 31, 2014.

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- 11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- 12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

- 13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended August 31, 2016, the District recognized pension expense of \$243,814 and revenue of \$386,458 for support provided by the State.

At August 31, 2016, 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	\$ 11,642	\$ 87,562
Changes in Actuarial Assumptions	48,929	81,285
Differences Between Projected and Actual Investment Earnings	353,648	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	698,597	660
Contributions Paid to TRS Subsequent to the Measurement Date	<u>200,553</u>	<u>-</u>
 Total	 <u>\$ 1,313,369</u>	 <u>\$ 169,507</u>

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

2017	\$ 173,007
2018	173,007
2019	173,007
2020	242,167
2021	101,159
Thereafter	<u>80,962</u>
Total	<u>\$ 943,309</u>

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 8: COMMITMENTS AND CONTINGENCIES

A. Contingencies

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

B. Litigation

The District is a defendant in several lawsuits related to educating a diverse population. While the result of any litigation contains an element of uncertainty, the District's management believes that the amount of any liability and costs which might result would not have a material adverse effect on its operations or financial statements.

NOTE 9: INTERFUND BALANCES AND ACTIVITIES

A. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2016, consisted of the following:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Other Governmental Funds	\$ 458,037	Short-Term Loans
General Fund	Capital Projects Fund	2,888	Short-Term Loans
General Fund	Debt Service Fund	1,035	Short-Term Loans
Capital Projects Fund	General Fund	<u>986,880</u>	Short-Term Loans
		<u>1,448,840</u>	
General Fund	Internal Service - Transportation	<u>463,273</u>	Short-Term Loans
TOTAL		<u>\$ 1,912,113</u>	

All amounts due are scheduled to be repaid within one year.

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 9: INTERFUND BALANCES AND ACTIVITIES (CONTINUED)

B. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2016, consisted of the following:

<u>TRANSFERS FROM</u>	<u>TRANSFERS TO</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Capital Projects Fund	\$ 986,880	Supplement Other Fund Sources
General Fund	Child Nutrition Program	9,972	Supplement Other Fund Sources
Capital Projects Fund	Debt Service Fund	<u>38,711</u>	Supplement Other Fund Sources
TOTAL		<u>\$ 1,035,563</u>	

NOTE 10: CONCENTRATIONS

The District receives 42.81% of it's taxes from a single taxpayer, Guadalupe Power Partners, LP.

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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.

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL	
		ORIGINAL	FINAL		
	REVENUES				
5700	Local and Intermediate Sources	\$ 7,773,000	\$ 7,773,000	\$ 7,753,070	\$ (19,930)
5800	State Program Revenues	3,955,000	4,445,000	4,408,258	(36,742)
5900	Federal Program Revenues	80,000	80,000	102,993	22,993
5020	Total Revenues	<u>11,808,000</u>	<u>12,298,000</u>	<u>12,264,321</u>	<u>(33,679)</u>
	EXPENDITURES				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	6,152,860	6,337,860	6,323,855	14,005
0012	Instructional Resources and Media Services	255,117	259,117	256,898	2,219
0013	Curriculum and Staff Development	<u>64,030</u>	<u>67,030</u>	<u>64,013</u>	<u>3,017</u>
	Total Instruction and Instructional Related Services	<u>6,472,007</u>	<u>6,664,007</u>	<u>6,644,766</u>	<u>19,241</u>
	Instructional and School Leadership:				
0021	Instructional Leadership	231,582	204,582	201,682	2,900
0023	School Leadership	<u>780,098</u>	<u>748,098</u>	<u>738,393</u>	<u>9,705</u>
	Total Instructional and School Leadership	<u>1,011,680</u>	<u>952,680</u>	<u>940,075</u>	<u>12,605</u>
	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	81,758	81,758	80,747	1,011
0032	Social Work Services	146,413	150,413	148,022	2,391
0033	Health Services	125,351	131,351	119,306	12,045
0034	Student (Pupil) Transportation	375,000	485,000	479,921	5,079
0036	Cocurricular/Extracurricular Activities	<u>648,583</u>	<u>648,583</u>	<u>623,200</u>	<u>25,383</u>
	Total Support Services - Student (Pupil)	<u>1,377,105</u>	<u>1,497,105</u>	<u>1,451,196</u>	<u>45,909</u>
	Administrative Support Services:				
0041	General Administrative	<u>457,805</u>	<u>497,805</u>	<u>496,706</u>	<u>1,099</u>
	Total Administrative Support Services	<u>457,805</u>	<u>497,805</u>	<u>496,706</u>	<u>1,099</u>
	Support Services - Nonstudent Based:				
0051	Facilities Maintenance and Operations	1,711,097	2,492,097	2,526,341	(34,244)
0052	Security and Monitoring Services	75,200	75,200	74,377	823
0053	Data Processing Services	<u>249,756</u>	<u>224,756</u>	<u>205,732</u>	<u>19,024</u>
	Total Support Services - Nonstudent Based	<u>2,036,053</u>	<u>2,792,053</u>	<u>2,806,450</u>	<u>(14,397)</u>
	Ancillary Services:				
0061	Community Services	<u>34,350</u>	<u>36,350</u>	<u>34,337</u>	<u>2,013</u>
	Total Ancillary Services	<u>34,350</u>	<u>36,350</u>	<u>34,337</u>	<u>2,013</u>
	Debt Service:				
0071	Principal on Long-Term Debt	303,500	303,500	300,000	3,500
0072	Interest on Long-Term Debt	27,500	27,500	27,271	229
0073	Bond Issuance Cost and Fees	<u>2,000</u>	<u>2,000</u>	<u>2,784</u>	<u>(784)</u>
	Total Debt Service	<u>333,000</u>	<u>333,000</u>	<u>330,055</u>	<u>2,945</u>

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL	FINAL		
	EXPENDITURES (CONTINUED)				
	<u>Capital Outlay:</u>				
0081	Facilities Acquisition and Construction	\$ -	\$ 413,000	\$ 245,272	\$ 167,728
	Total Capital Outlay	<u>-</u>	<u>413,000</u>	<u>245,272</u>	<u>167,728</u>
	<u>Intergovernmental Charges:</u>				
0099	Other Intergovernmental Charges	<u>86,000</u>	<u>95,000</u>	<u>96,569</u>	<u>(1,569)</u>
	Total Intergovernmental Charges	<u>86,000</u>	<u>95,000</u>	<u>96,569</u>	<u>(1,569)</u>
6030	Total Expenditures	<u>11,808,000</u>	<u>13,281,000</u>	<u>13,045,426</u>	<u>235,574</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(983,000)</u>	<u>(781,105)</u>	<u>201,895</u>
	<u>OTHER FINANCING SOURCES (USES):</u>				
7912	Sale of Real or Personal Property	-	-	11,900	11,900
8911	Transfers Out (Use)	<u>-</u>	<u>(986,880)</u>	<u>(996,852)</u>	<u>(9,972)</u>
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>(986,880)</u>	<u>(984,952)</u>	<u>1,928</u>
1200	Net Change in Fund Balance	-	(1,969,880)	(1,766,057)	203,823
0100	FUND BALANCE - BEGINNING	<u>4,465,879</u>	<u>4,465,879</u>	<u>4,465,879</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 4,465,879</u>	<u>\$ 2,495,999</u>	<u>\$ 2,699,822</u>	<u>\$ 203,823</u>

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-2

	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0064456%	0.0033885%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,278,434	\$ 905,115
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,265,927	3,697,632
Total	\$ 6,544,361	\$ 4,602,747
District's Covered-Employee Payroll	\$ 7,251,389	\$ 6,948,665
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.42%	13.06%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement date of August 31, 2015 for the year 2016 and August 31, 2014 for 2015.

Note: Only two years of data are presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement".

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 190,857	\$ 219,785
Contribution in Relation to the Contractually Required Contribution	(190,857)	(219,785)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered-Employee Payroll	\$ 7,251,389	\$ 6,360,386
Contribution as a Percentage of Covered-Employee Payroll	0.026320061%	0.034555293%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time period covered by the measurement dates ending August 31, 2014 for fiscal year 2015 and August 31, 2015 for fiscal year 2016.

Note: Only two years of data are presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement".

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

EXHIBIT H-1

<u>DATA CONTROL CODES</u>		<u>SPECIAL REVENUE FUNDS</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	ASSETS		
1110	Cash and Cash Equivalents	\$ 41,376	\$ 41,376
1240	Receivables from Other Governments	501,161	501,161
1260	Due from Other Funds	-	-
1290	Other Receivables	-	-
1300	Inventories	<u>11,718</u>	<u>11,718</u>
1000	TOTAL ASSETS	<u>\$ 554,255</u>	<u>\$ 554,255</u>
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	\$ 27,444	\$ 27,444
2160	Accrued Wages Payable	38,287	38,287
2170	Due to Other Funds	458,037	458,037
2200	Accrued Expenditures	<u>3,083</u>	<u>3,083</u>
2000	Total Liabilities	<u>526,851</u>	<u>526,851</u>
	FUND BALANCES		
3000	Total Fund Balances	<u>27,404</u>	<u>27,404</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 554,255</u>	<u>\$ 554,255</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	REVENUES		
5700	Local and Intermediate Sources	\$ 299,648	\$ 299,648
5800	State Program Revenues	22,596	22,596
5900	Federal Program Revenues	<u>887,629</u>	<u>887,629</u>
5020	Total Revenues	<u>1,209,873</u>	<u>1,209,873</u>
	EXPENDITURES		
	<u>Current</u>		
0011	Instruction	411,437	411,437
0013	Curriculum Development and Instructional Staff Development	10,940	10,940
0021	Instructional Leadership	47,790	47,790
0035	Food Service	692,009	692,009
0036	Cocurricular/Extracurricular Activities	<u>61,723</u>	<u>61,723</u>
6030	Total Expenditures	<u>1,223,899</u>	<u>1,223,899</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,026)</u>	<u>(14,026)</u>
	<u>Other Financing Sources (Uses)</u>		
7915	Transfers In	<u>9,972</u>	<u>9,972</u>
7020	Total Other Financing Sources	<u>9,972</u>	<u>9,972</u>
7080	Total Other Financing Sources and (Uses)	<u>9,972</u>	<u>9,972</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>(4,054)</u>	<u>(4,054)</u>
0100	Fund Balances - Beginning	31,458	31,458
1300	Increase (Decrease) in Fund Balance	<u>(4,054)</u>	<u>(4,054)</u>
3000	FUND BALANCES - ENDING	<u>\$ 27,404</u>	<u>\$ 27,404</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA PART B FORMULA	225 IDEA PART B PRESCHOOL
	ASSETS			
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	170,083	275,609	3,775
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1000	TOTAL ASSETS	<u>\$ 170,083</u>	<u>\$ 275,609</u>	<u>\$ 3,775</u>
	LIABILITIES			
	Current Liabilities			
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	11,307	9,448	634
2170	Due to Other Funds	158,062	265,741	3,131
2200	Accrued Expenditures	<u>714</u>	<u>420</u>	<u>10</u>
2000	Total Liabilities	<u>170,083</u>	<u>275,609</u>	<u>3,775</u>
	FUND BALANCES			
3490	Other Restrictions of Fund Balance	-	-	-
3000	Total Fund Balances	-	-	-
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 170,083</u>	<u>\$ 275,609</u>	<u>\$ 3,775</u>

EXHIBIT H-3

240 NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING	289 SUMMER LEP	410 STATE TEXBOOK FUND	429 STATE MATH ACHEIVEMENT ACADEMIES
\$ 12,124	\$ -	\$ -	\$ -	\$ -
15,691	31,103	-	-	4,900
-	-	-	-	-
-	-	-	-	-
<u>11,718</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 39,533</u>	<u>\$ 31,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,900</u>
\$ 25,596	\$ -	\$ -	\$ -	\$ -
11,998	-	-	-	4,900
-	31,103	-	-	-
<u>1,939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>39,533</u>	<u>31,103</u>	<u>-</u>	<u>-</u>	<u>4,900</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 39,533</u>	<u>\$ 31,103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,900</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT H-3

<u>DATA CONTROL CODES</u>		<u>461 CAMPUS ACTIVITY FUNDS</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
	ASSETS		
1110	Cash and Cash Equivalents	\$ 29,252	\$ 41,376
1240	Receivables from Other Governments	-	501,161
1260	Due from Other Funds	-	-
1290	Other Receivables	-	-
1300	Inventories	<u>-</u>	<u>11,718</u>
1000	TOTAL ASSETS	<u>\$ 29,252</u>	<u>\$ 554,255</u>
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	\$ 1,848	\$ 27,444
2160	Accrued Wages Payable	-	38,287
2170	Due to Other Funds	-	458,037
2200	Accrued Expenditures	<u>-</u>	<u>3,083</u>
2000	Total Liabilities	<u>1,848</u>	<u>526,851</u>
	DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable Revenue - Property Taxes	<u>-</u>	<u>-</u>
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
	FUND BALANCES		
3490	Other Restrictions of Fund Balance	<u>27,404</u>	<u>27,404</u>
3000	Total Fund Balances	<u>27,404</u>	<u>27,404</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 29,252</u>	<u>\$ 554,255</u>

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MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA PART B FORMULA	225 IDEA PART B PRESCHOOL
	REVENUES			
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	159,978	263,178	3,775
5020	Total Revenues	<u>159,978</u>	<u>263,178</u>	<u>3,775</u>
	EXPENDITURES			
	<u>Current</u>			
0011	Instruction	156,446	213,623	3,775
0013	Curriculum Development and Instructional Staff Development	-	6,040	-
0021	Instructional Leadership	3,532	43,515	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-
6030	Total Expenditures	<u>159,978</u>	<u>263,178</u>	<u>3,775</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
	<u>Other Financing Sources (Uses)</u>			
7915	Transfers In	-	-	-
7020	Total Other Financing Sources	-	-	-
7080	Total Other Financing Sources and (Uses)	-	-	-
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	-	-	-
0100	Fund Balances - Beginning	-	-	-
1300	Increase (Decrease) in Fund Balance	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-4

240 NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM	255 ESEA TITLE II, A TRAINING AND RECRUITING	289 SUMMER LEP	410 STATE TEXTBOOK FUND	429 STATE MATH ACHEIVEMENT ACADEMIES
\$ 235,524	\$ -	\$ -	\$ -	\$ -
11,576	-	-	6,120	4,900
<u>428,482</u>	<u>31,103</u>	<u>1,113</u>	<u>-</u>	<u>-</u>
<u>675,582</u>	<u>31,103</u>	<u>1,113</u>	<u>6,120</u>	<u>4,900</u>
-	30,360	1,113	6,120	-
-	-	-	-	4,900
-	743	-	-	-
692,009	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>692,009</u>	<u>31,103</u>	<u>1,113</u>	<u>6,120</u>	<u>4,900</u>
<u>(16,427)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(6,455)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>6,455</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(6,455)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT H-4

<u>DATA CONTROL CODES</u>		<u>461 CAMPUS ACTIVITY FUNDS</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
	REVENUES		
5700	Local and Intermediate Sources	\$ 64,124	\$ 299,648
5800	State Program Revenues	-	22,596
5900	Federal Program Revenues	-	887,629
5020	Total Revenues	<u>64,124</u>	<u>1,209,873</u>
	EXPENDITURES		
	<u>Current</u>		
0011	Instruction	-	411,437
0013	Curriculum Development and Instructional Staff Development	-	10,940
0021	Instructional Leadership	-	47,790
0035	Food Service	-	692,009
0036	Cocurricular/Extracurricular Activities	<u>61,723</u>	<u>61,723</u>
6030	Total Expenditures	<u>61,723</u>	<u>1,223,899</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,401</u>	<u>(14,026)</u>
	<u>Other Financing Sources (Uses)</u>		
7915	Transfers In	-	9,972
7020	Total Other Financing Sources	<u>-</u>	<u>-</u>
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>9,972</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>2,401</u>	<u>(4,054)</u>
0100	Fund Balances - Beginning	25,003	31,458
1300	Increase (Decrease) in Fund Balance	<u>2,401</u>	<u>(4,054)</u>
3000	FUND BALANCES - ENDING	<u>\$ 27,404</u>	<u>\$ 27,404</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT I-1

<u>DATA CONTROL CODES</u>	<u>BALANCE SEPTEMBER 1, 2015</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AUGUST 31, 2016</u>
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 72,738	\$ 1,049	\$ -	\$ 73,787
Other Receivables	<u>358</u>	<u>-</u>	<u>358</u>	<u>-</u>
Total Assets	<u>\$ 73,096</u>	<u>\$ 1,049</u>	<u>\$ 358</u>	<u>\$ 73,787</u>
Liabilities:				
Accounts Payable	\$ 2,201	\$ 5,987	\$ -	\$ 8,188
Due to Student Groups	<u>70,895</u>	<u>-</u>	<u>5,296</u>	<u>65,599</u>
Total Liabilities	<u>\$ 73,096</u>	<u>\$ 5,987</u>	<u>\$ 5,296</u>	<u>\$ 73,787</u>

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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.

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FOR THE YEAR ENDED AUGUST 31, 2016

<u>YEAR ENDED AUGUST 31,</u>	(1)	(2)	(3)
	<u>TAX RATES</u>		<u>ASSESSED/APPRaised VALUE FOR SCHOOL TAX PURPOSES</u>
	<u>MAINTENANCE</u>	<u>DEBT SERVICE</u>	
2007 and Prior Years	Various	Various	\$ 384,632,925
2008	1.04	.19	387,848,614
2009	1.08	.15	398,823,872
2010	1.08	.14	427,284,580
2011	1.17	.14	430,003,826
2012	1.17	.1303	497,416,229
2013	1.17	.11	521,019,894
2014	1.17	.11	574,191,355
2015	1.17	.11	625,973,705
2016 (School Year Under Audit)	1.17	.1050	634,292,314
 1000 TOTALS			

9000 - Portion of Row 1000 for taxes paid into Tax Increment Zone under Chapter 311, Tax Code

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 8/31/2016
\$ 30,836	\$ -	\$ 2,823	\$ 628	\$ (1,464)	\$ 25,921
4,497	-	205	38	(104)	4,150
8,927	-	2,607	362	(93)	5,865
12,662	-	3,363	436	(143)	8,720
10,968	-	2,770	324	(57)	7,817
13,009	-	4,648	523	(55)	7,783
32,363	-	11,382	1,065	(591)	19,325
54,641	-	19,246	1,803	(308)	33,284
100,674	-	52,880	4,972	(11,806)	31,016
<u>-</u>	<u>8,087,227</u>	<u>7,391,035</u>	<u>663,458</u>	<u>55,912</u>	<u>88,646</u>
<u>\$ 268,577</u>	<u>\$ 8,087,227</u>	<u>\$ 7,490,959</u>	<u>\$ 673,609</u>	<u>\$ 41,291</u>	<u>\$ 232,527</u>

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-2

DATA CONTROL CODES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL			
REVENUES					
5700	Local and Intermediate Sources	\$ 215,100	\$ 225,100	\$ 235,524	\$ 10,424
5800	State Program Revenues	22,700	22,700	11,576	(11,124)
5900	Federal Program Revenues	<u>407,200</u>	<u>437,200</u>	<u>428,482</u>	<u>(8,718)</u>
5020	Total Revenues	<u>645,000</u>	<u>685,000</u>	<u>675,582</u>	<u>(9,418)</u>
EXPENDITURES					
Current:					
<u>Support Services - Student (Pupil)</u>					
0035	Food Services	<u>645,000</u>	<u>685,000</u>	<u>692,009</u>	<u>(7,009)</u>
	Total Support Services - Student (Pupil)	<u>645,000</u>	<u>685,000</u>	<u>692,009</u>	<u>(7,009)</u>
6030	Total Expenditures	<u>645,000</u>	<u>685,000</u>	<u>692,009</u>	<u>(7,009)</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(16,427)	(16,427)
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	-	<u>9,972</u>	<u>9,972</u>
7080	Total Other Financing Sources (Uses)				
1200	Net Change in Fund Balance			(6,455)	(6,455)
0100	FUND BALANCE - BEGINNING	-	-	<u>6,455</u>	<u>6,455</u>
3000	FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT J-3

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL	FINAL		
	REVENUES				
5700	Local and Intermediate Sources	\$ 682,500	\$ 682,500	\$ 683,670	\$ 1,170
5800	State Program Revenues	22,000	22,000	18,480	(3,520)
5020	Total Revenues	704,500	704,500	702,150	(2,350)
	EXPENDITURES				
	<u>Debt Service</u>				
0071	Principal on Long-Term Debt	417,822	417,822	430,000	(12,178)
0072	Interest on Long-Term Debt	230,700	230,700	347,297	116,597
0073	Bond Issuance Costs and Fees	7,478	7,478	-	(7,478)
	Total Debt Service	656,000	656,000	777,297	96,941
6030	Total Expenditures	656,000	656,000	777,297	(121,297)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	48,500	48,500	(75,147)	(123,647)
	OTHER FINANCING SOURCES (USES)				
7915	Transfers In	-	-	38,711	38,711
7080	Total Other Financing Sources (Uses)				
1200	Net Change in Fund Balance	48,500	48,500	(36,436)	(84,936)
0100	FUND BALANCE - BEGINNING	185,000	185,000	192,144	7,144
3000	FUND BALANCE - ENDING	\$ 233,500	\$ 233,500	\$ 155,708	\$ (77,792)

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FEDERAL AWARDS SECTION

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of School Trustees
Marion Independent School District
Marion, Texas

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 Marion 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 of the District's basic financial statements, and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

December 14, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Board of School Trustees
Marion Independent School District
Marion, Texas

Report on Compliance for Each Major Federal Program

We have audited Marion Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2016.

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Report on Internal Control Over Compliance

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

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

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

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

ABIP, PC

Certified Public Accountants
San Antonio, Texas

December 14, 2016

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MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS			
Type of auditor’s report issued: <u>Unmodified</u>			
Internal control over financial reporting: • Material weakness(es) identified?		<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified not considered to be material weakness(es)?		<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?		<u> </u> Yes	<u> X </u> No

FEDERAL AWARDS			
Internal control over financial reporting: • Material weakness(es) identified?		<u> </u> Yes	<u> X </u> No
• Significant deficiency(ies) identified not considered to be material weakness(es)?		<u> </u> Yes	<u> X </u> None Reported
Type of auditor’s report issued on compliance for Major programs: <u>Unmodified</u>			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		<u> </u> Yes	<u> X </u> No

IDENTIFICATION OF MAJOR PROGRAMS			
CFDA Number(s)	Name of Federal Program or Cluster		
10.553 10.555 10.555	U.S. Department of Agriculture: School Breakfast Program School Lunch Program Commodity Supplement Food Program		
Dollar threshold used to distinguish between Type A and Type B programs:			\$750,000
Auditee qualified as low-risk auditee?		<u> </u> Yes	<u> X </u> No

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2016

Schedule of Findings and Questioned Costs (continued)

SECTION II: Financial Statement Findings:

NONE

Section III: Federal Award Findings and Questioned Costs:

NONE

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

United States Department of Agriculture

2015-001 Child Nutrition Cluster

Condition: The finding was an instance of noncompliance stating that the District did not verify the minimum percentage of eligible free and reduced lunch participants as required by program compliance requirements.

Effect: The District was not in compliance with the program compliance requirements.

Recommendation: The auditor recommended that the District calculate the number of total reduced price eligible students and verify at least one more than the calculation. Management concurred with the recommendation and indicated that the recommendation would be implemented.

Current Status: The recommendation was implemented and no similar finding was noted in the 2016 audit.

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT K-1

(1) FEDERAL GRANTOR / PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL CFDA NUMBER	(3) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(4) FEDERAL EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	16610101094904	\$ 147,957
ESEA Title I, Part A - Improving Basic Programs	84.010A	17610101094904	<u>12,021</u>
Total CFDA Number 84.010A			<u>159,978</u>
IDEA-Part B, Formula *	84.027	166600010949046600	245,031
IDEA-Part B, Formula *	84.027	176600010949046600	<u>18,147</u>
Total CFDA Number 84.027			<u>263,178</u>
IDEA-Part B, Preschool *	84.173	166610010949046610	3,131
IDEA-Part B, Preschool *	84.173	176610010949046610	<u>644</u>
Total CFDA Number 84.173			<u>3,775</u>
Total Special Education Cluster (IDEA)			<u>266,953</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	16694501094904	<u>31,103</u>
Summer LEP	84.369A	169550502	<u>1,113</u>
Total Passed Through State Department of Education			<u>459,147</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>459,147</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Agriculture			
School Breakfast Program *	10.553	094-904	95,413
School Lunch Program *	10.555	094-904	290,394
Commodity Supplement Food Program *	10.565	094-904	<u>42,675</u>
Total Child Nutrition Cluster			<u>428,482</u>
Total Passed Through State Department of Agriculture			<u>428,482</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>428,482</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 887,629</u>

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marion Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SHARS RECONCILIATION

SHARS Funding	\$ 102,993
Total from Schedule of Expenditures of Federal Awards	<u>887,629</u>
Total Federal Revenue per C-3	<u>\$ 990,622</u>

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT K-2

<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 the 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 government 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 a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	-
SF11	Net Pension Assets (1920) at fiscal year-end.	-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	<u>\$ 2,278,434</u>
SF13	Pension Expense (6147) at fiscal year-end.	<u>\$ 437,637</u>