

MARION INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2017

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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 was reviewed and approved for the year ended August 31, 2017 at a meeting of the Board of Trustees of such school district on the 13th day of December, 2017.

//signature on file//
Signature of Board Secretary

//signature on file//
Signature of Board President

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FINANCIAL SECTION

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Independent Auditor's Report

Board of School Trustees
Marion Independent School District
Marion, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marion Independent School District (the District) as of and for the year ended August 31, 2017, 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 risk 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, 2017, 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 proportionate share of the net pension liability, and schedule of the District's contributions to the Teacher Retirement System of Texas 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 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report 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 13, 2017

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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, 2017. 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 2017. General Fund actual revenues exceeded budgeted revenues by \$1,617 due mainly to an increase in state and local revenues. Expenditures were less than budgeted expenditures by \$183,751. General Fund expenditures exceeded revenues by \$174,632 due mainly to a land purchase. The fund balance is \$2,529,037 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 (whether outside customers or 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, and the Athletic Facilities Rental Fund, an enterprise fund, are the District's only proprietary funds. 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 52.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position (Government-Wide)

The following table summarizes the District's net position as of August 31, 2017 and 2016.

CONDENSED STATEMENT OF NET POSITION August 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 5,503,929	\$ 15,428,260	\$ 23,709	\$ -	\$ 5,527,638	\$ 15,428,260
Capital Assets, Net	34,953,419	27,078,446	-	-	34,953,419	27,078,446
Total Assets and Deferred Outflows	<u>40,457,348</u>	<u>42,506,706</u>	<u>23,709</u>	<u>-</u>	<u>40,481,057</u>	<u>42,506,706</u>
					-	-
Current Liabilities	2,710,937	4,046,023	-	-	2,710,937	4,046,023
Long-Term Liabilities	23,184,126	24,174,103	-	-	23,184,126	24,174,103
Total Liabilities and Deferred Inflows	<u>25,895,063</u>	<u>28,220,126</u>	<u>-</u>	<u>-</u>	<u>25,895,063</u>	<u>28,220,126</u>
Net Position:						
Net Investment in Capital Assets	12,745,396	4,598,761	-	-	12,745,396	4,598,761
Restricted	196,495	183,113	-	-	196,495	183,113
Unrestricted	1,620,394	9,504,706	23,709	-	1,644,103	9,504,706
Total Net Position	<u>\$ 14,562,285</u>	<u>\$ 14,286,580</u>	<u>\$ 23,709</u>	<u>\$ -</u>	<u>\$ 14,585,994</u>	<u>\$ 14,286,580</u>

The District's net position totaled \$14,585,994. Of this amount, \$12,745,396 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 \$196,495 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, 2017 and 2016.

CHANGES IN NET POSITION For Fiscal Years Ended August 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program Revenues:						
Charges for Services	\$ 490,074	\$ 461,331	\$ 33,793	\$ -	\$ 523,867	\$ 461,331
Operating Grants and Contributions	1,568,531	1,395,364	-	-	1,568,531	1,395,364
Total Program Revenues	2,058,605	1,856,695	33,793	-	2,092,398	1,856,695
General Revenues:						
Maintenance and Operations Taxes	7,453,149	7,469,878	-	-	7,453,149	7,469,878
Debt Service Taxes	1,143,572	670,960	-	-	1,143,572	670,960
Investment Earnings	76,223	44,289	-	-	76,223	44,289
Grants and Contributions, Not Restricted to Specific Programs	3,848,574	4,265,960	-	-	3,848,574	4,265,960
Miscellaneous	128,582	114,881	-	-	128,582	114,881
Total General Revenues	12,650,100	12,565,968	-	-	12,650,100	12,565,968
Total Revenues	14,708,705	14,422,663	33,793	-	14,742,498	14,422,663
EXPENSES						
Instruction, Curriculum and Media Services	8,019,151	7,729,411	-	-	8,019,151	7,729,411
Instructional and School Leadership	1,093,065	1,085,011	-	-	1,093,065	1,085,011
Student Support Services	975,378	925,142	-	-	975,378	925,142
Child Nutrition	755,258	746,681	-	-	755,258	746,681
Cocurricular Activities	783,350	737,919	-	-	783,350	737,919
General Administration	523,891	536,014	-	-	523,891	536,014
Plant Maintenance, Security and Data Processing	1,645,036	1,936,485	-	-	1,645,036	1,936,485
Community Services	36,457	36,042	-	-	36,457	36,042
Interest	496,396	535,890	-	-	496,396	535,890
Other Intergovernmental Charges	105,018	96,569	-	-	105,018	96,569
Facility Rental	-	-	10,084	-	10,084	-
Total Expenses	14,433,000	14,365,164	10,084	-	14,443,084	14,365,164
Increase (Decrease) in Net Position	275,705	57,499	23,709	-	299,414	57,499
Net Position at September 1,	14,286,580	14,229,081	-	-	14,286,580	14,229,081
Net Position at August 31,	\$ 14,562,285	\$ 14,286,580	\$ 23,709	\$ -	\$ 14,585,994	\$ 14,286,580

Property taxes in the amount of \$8,596,721 and state revenue of \$3,848,574 accounted for 84% of the District's total revenue of \$14,742,498.

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 \$14,433,000. Of the total expenses, \$490,074 was financed by charges for services and \$1,568,531 was financed by operating and capital grants and contributions. The resulting net cost of \$12,374,395 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 decreased by \$297,704 due mainly to a decrease in state and property tax revenues.

REVENUES BY SOURCE For the Years ended August 31, 2017 and 2016

	2017	2016	Increase (Decrease)
Local and Tax Revenues	\$ 7,725,639	\$ 7,753,070	\$ (27,431)
State Programs	4,140,186	4,408,258	(268,072)
Federal Programs	100,792	102,993	(2,201)
Total	\$ 11,966,617	\$ 12,264,321	\$ (297,704)

General Fund Expenditures - Overall expenditures decreased by \$904,177. The decrease in general fund expenditures is directly attributed to a decrease in Plant Maintenance.

EXPENDITURES BY FUNCTION
For the Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
EXPENSES			
Instruction, Curriculum and Media Services	\$ 6,807,798	\$ 6,644,766	\$ 163,032
Instructional and School Leadership	955,122	940,075	15,047
Student Support Services	849,567	827,996	21,571
Cocurricular Activities	657,277	623,200	34,077
General Administration	486,773	496,706	(9,933)
Plant Maintenance, Security and Data Processing	1,580,689	2,806,450	(1,225,761)
Community Services	34,477	34,337	140
Debt Service	331,525	330,055	1,470
Capital Outlay	333,003	245,272	87,731
Other Intergovernmental Charges	<u>105,018</u>	<u>96,569</u>	<u>8,449</u>
Total Expenses	<u>\$ 12,141,249</u>	<u>\$ 13,045,426</u>	<u>\$ (904,177)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At August 31, 2017, the District had \$34,953,419 net of accumulated depreciation invested in a broad range of capital assets as shown in the table below.

CAPITAL ASSETS
At August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Land	\$ 764,238	\$ 586,160	\$ 178,078
Buildings and Improvements	21,071,886	21,747,262	(675,376)
Furniture and Equipment	1,165,439	1,178,979	(13,540)
Construction in Progress	<u>11,951,856</u>	<u>3,566,045</u>	<u>8,385,811</u>
Total	<u>\$ 34,953,419</u>	<u>\$ 27,078,446</u>	<u>\$ 7,874,973</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, 2017 and 2016

	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 20,980,000	\$ 21,935,000	\$ (955,000)
Premium on Bond	512,848	544,685	(31,837)
Compensated Absences	198,363	201,477	(3,114)
Total	\$ 21,691,211	\$ 22,681,162	\$ (989,951)

BUDGETARY HIGHLIGHTS

In 2017 the District adopted a balanced budget designed to meet the needs of existing student instructional and support programs. One major budget amendment was made during the year. The Board of Trustees appropriated \$348,000 to purchase and improve land for future expansion.

ECONOMIC FACTORS

For fiscal year 2017, the student enrollment remained constant over the 2016 fiscal year. However, a recent demographic study commissioned by the District projects an average student population increase of 2.5 to 4.5 percent per year over the next five years.

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, 2017

EXHIBIT A-1

DATA CONTROL CODES		PRIMARY GOVERNMENT		
		GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	<u>ASSETS</u>			
1110	Cash and Cash Equivalents	\$ 2,963,837	\$ 23,709	\$ 2,987,546
1225	Property Taxes Receivable (Net)	168,963	-	168,963
1240	Due from Other Governments	1,062,154	-	1,062,154
1290	Other Receivables (Net)	89,609	-	89,609
1300	Inventories	13,110	-	13,110
1410	Prepaid Items	25,792	-	25,792
	Capital Assets:			
1510	Land	764,238	-	764,238
1520	Buildings and Improvements (Net)	21,071,886	-	21,071,886
1530	Furniture and Equipment (Net)	1,165,439	-	1,165,439
1580	Construction in Progress	11,951,856	-	11,951,856
	Total Capital Assets (Net)	34,953,419	-	34,953,419
1000	TOTAL ASSETS	39,276,884	23,709	39,300,593
	<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
1701	Deferred Outflow Related to TRS	1,180,464	-	1,180,464
1700	TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,180,464	-	1,180,464
	<u>LIABILITIES</u>			
2110	Accounts Payable	1,153,205	-	1,153,205
2140	Interest Payable	22,971	-	22,971
2150	Payroll Deductions and Withholdings Payable	7,333	-	7,333
2160	Accrued Wages Payable	404,634	-	404,634
2165	Accrued Liabilities	68,241	-	68,241
2300	Unearned Revenues	24,553	-	24,553
	<u>Noncurrent Liabilities</u>			
2501	Due Within One Year	1,030,000	-	1,030,000
2502	Due in More than One Year	20,661,211	-	20,661,211
	Net Pension Liability (District's Share)	2,385,411	-	2,385,411
	Total Noncurrent Liabilities	24,076,622	-	24,076,622
2000	TOTAL LIABILITIES	25,757,559	-	25,757,559
	<u>DEFERRED INFLOWS OF RESOURCES</u>			
	Deferred Inflows Related to TRS	137,504	-	137,504
	TOTAL DEFERRED INFLOWS OF RESOURCES	137,504	-	137,504
	<u>NET POSITION</u>			
3200	Net Investment in Capital Assets	12,745,396	-	12,745,396
3850	Restricted for Debt Service	158,711	-	158,711
3870	Restricted for Campus Activities	37,784	-	37,784
3900	Unrestricted	1,620,394	23,709	1,644,103
3000	TOTAL NET POSITION	\$ 14,562,285	\$ 23,709	\$ 14,585,994

**MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017**

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
		1	3	4	6	7	8
		EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
	Governmental Activities:						
11	Instruction	\$ 7,664,052	\$ 87,220	\$ 905,492	\$ (6,671,340)	\$ -	\$ (6,671,340)
12	Instructional Resources and Media Services	289,182	-	11,441	(277,741)	-	(277,741)
13	Curriculum and Staff Development	65,917	-	-	(65,917)	-	(65,917)
21	Instructional Leadership	270,428	-	56,558	(213,870)	-	(213,870)
23	School Leadership	822,637	-	40,611	(782,026)	-	(782,026)
31	Guidance, Counseling, and Evaluation Services	91,040	-	4,388	(86,652)	-	(86,652)
32	Social Work Services	174,682	1,590	4,130	(168,962)	-	(168,962)
33	Health Services	142,128	-	7,643	(134,485)	-	(134,485)
34	Student Transportation	567,528	5,299	23,649	(538,580)	-	(538,580)
35	Food Service	755,258	247,280	464,588	(43,390)	-	(43,390)
36	Cocurricular/Extracurricular Activities	783,350	109,475	12,465	(661,410)	-	(661,410)
41	General Administration	523,891	530	14,125	(509,236)	-	(509,236)
51	Facilities Maintenance and Operations	1,349,830	19,075	12,513	(1,318,242)	-	(1,318,242)
52	Security and Monitoring Services	76,473	-	-	(76,473)	-	(76,473)
53	Data Processing Services	218,733	-	9,013	(209,720)	-	(209,720)
61	Community Services	36,457	19,605	1,915	(14,937)	-	(14,937)
72	Debt Service - Interest on Long-Term Debt	484,433	-	-	(484,433)	-	(484,433)
73	Debt Service - Bond Issuance Costs and Fees	11,963	-	-	(11,963)	-	(11,963)
99	Other Intergovernmental Charges	105,018	-	-	(105,018)	-	(105,018)
TG	Total Governmental Activities	<u>14,433,000</u>	<u>490,074</u>	<u>1,568,531</u>	<u>(12,374,395)</u>	<u>-</u>	<u>(12,374,395)</u>
	Business-Type Activities:						
01	Facility Rental	<u>10,084</u>	<u>33,793</u>	<u>-</u>	<u>-</u>	<u>23,709</u>	<u>23,709</u>
TB	Total Business-Type Activities	<u>10,084</u>	<u>33,793</u>	<u>-</u>	<u>-</u>	<u>23,709</u>	<u>23,709</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 14,443,084</u>	<u>\$ 523,867</u>	<u>\$ 1,568,531</u>	<u>(12,374,395)</u>	<u>23,709</u>	<u>(12,350,686)</u>
	General Revenues:						
MT	Property Taxes, Levied for General Purposes				7,453,149	-	7,453,149
DT	Property Taxes, Levied for Debt Service				1,143,572	-	1,143,572
IE	Investment Earnings				76,223	-	76,223
GC	Grants and Contributions not Restricted				3,848,574	-	3,848,574
MI	Miscellaneous Local and Intermediate Revenue				116,582	-	116,582
	Gain on Disposal of Asset				<u>12,000</u>	<u>-</u>	<u>12,000</u>
TR	Total General Revenues				<u>12,650,100</u>	<u>-</u>	<u>12,650,100</u>
CN	Change in Net Position				275,705	23,709	299,414
NB	NET POSITION - BEGINNING				<u>14,286,580</u>	<u>-</u>	<u>14,286,580</u>
NE	NET POSITION - ENDING				<u>\$ 14,562,285</u>	<u>\$ 23,709</u>	<u>\$ 14,585,994</u>

MARION INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2017

DATA CONTROL CODES		10	50	60
		GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS
	<u>ASSETS</u>			
1110	Cash and Cash Equivalents	\$ 1,352,015	\$ 160,161	\$ 1,380,198
1220	Property Taxes - Delinquent	233,240	30,644	-
1230	Allowance for Uncollectible Taxes (Credit)	(83,728)	(11,193)	-
1240	Receivables from Other Governments	939,659	-	-
1260	Due from Other Funds	623,216	-	-
1290	Other Receivables	89,609	-	-
1300	Inventories	-	-	-
1410	Prepaid Items	25,792	-	-
1000	TOTAL ASSETS	<u>\$ 3,179,803</u>	<u>\$ 179,612</u>	<u>\$ 1,380,198</u>
	<u>LIABILITIES</u>			
2110	Accounts Payable	\$ 81,131	\$ -	\$ 1,025,151
2150	Payroll Deductions and Withholdings	7,333	-	-
2160	Accrued Wages Payable	349,372	-	-
2170	Due to Other Funds	-	1,450	18,659
2200	Accrued Expenditures	63,418	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>501,254</u>	<u>1,450</u>	<u>1,043,810</u>
	<u>DEFERRED INFLOWS OF RESOURCES</u>			
2600	Deferred Inflows - Property Taxes	149,512	19,451	-
	Total Liabilities and Deferred Inflows of Resources	<u>650,766</u>	<u>20,901</u>	<u>1,043,810</u>
	<u>FUND BALANCES</u>			
3430	Non-Spendable - Prepaid Items	25,792	-	-
3470	Restricted - Capital Acquisitions and Contractual Obligations	-	-	336,388
3480	Restricted - Debt Service	-	158,711	-
3490	Restricted - Other	-	-	-
3600	Unassigned Fund Balance	2,503,245	-	-
3000	Total Fund Balances	<u>2,529,037</u>	<u>158,711</u>	<u>336,388</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3,179,803</u>	<u>\$ 179,612</u>	<u>\$ 1,380,198</u>

EXHIBIT C-1

<u>OTHER GOVERNMENTAL FUNDS</u>	<u>98 TOTAL GOVERNMENTAL FUNDS</u>
\$ 71,463	\$ 2,963,837
-	263,884
-	(94,921)
122,495	1,062,154
-	623,216
-	89,609
13,110	13,110
<u>-</u>	<u>25,792</u>
<u>\$ 207,068</u>	<u>\$ 4,946,681</u>
\$ 41,749	\$ 1,148,031
-	7,333
31,231	380,603
68,949	89,058
2,802	66,220
<u>24,553</u>	<u>24,553</u>
<u>169,284</u>	<u>1,715,798</u>
<u>-</u>	<u>168,963</u>
<u>169,284</u>	<u>1,884,761</u>
-	25,792
-	336,388
-	158,711
37,784	37,784
<u>-</u>	<u>2,503,245</u>
<u>37,784</u>	<u>3,061,920</u>
<u>\$ 207,068</u>	<u>\$ 4,946,681</u>

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MARION INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT C-2

Total Fund Balances - Governmental Funds Balance Sheet \$ 3,061,920

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.	34,238,244
Property tax receivable unavailable to pay for current period expenditures is deferred in the funds.	168,963
The assets and liabilities of internal service funds are included in the governmental activities in the Statement of Net Assets.	149,791
Payables for bond principal and bond premiums which are not due in the current period are not reported in the funds.	(21,492,848)
Payables for bond interest which are not due in the current period are not reported in the funds.	(22,971)
Payables for net pension liability which are not due in the current period are not reported in the funds.	(1,342,451)
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(198,363)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ 14,562,285</u>

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

DATA CONTROL CODES		10	50	60
		GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS
	REVENUES			
5700	Local and Intermediate Sources	\$ 7,725,639	\$ 1,155,710	\$ 46,004
5800	State Program Revenues	4,140,186	-	-
5900	Federal Program Revenues	<u>100,792</u>	-	-
5020	Total Revenues	<u>11,966,617</u>	<u>1,155,710</u>	<u>46,004</u>
	EXPENDITURES			
	<u>Current:</u>			
0011	Instruction	6,477,762	-	-
0012	Instructional Resources and Media Services	267,700	-	-
0013	Curriculum and Instructional Staff Development	62,336	-	-
0021	Instructional Leadership	200,262	-	-
0023	School Leadership	754,860	-	-
0031	Guidance, Counseling, and Evaluation Services	82,709	-	-
0032	Social Work Services	162,308	-	-
0033	Health Services	129,555	-	-
0034	Student (Pupil) Transportation	474,995	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	657,277	-	60,934
0041	General Administration	486,773	-	-
0051	Facilities Maintenance and Operations	1,269,686	-	-
0052	Security and Monitoring Services	72,319	-	-
0053	Data Processing Services	238,684	-	-
0061	Community Services	34,477	-	-
	<u>Debt Service:</u>			
0071	Principal on Long-Term Debt	305,000	650,000	-
0072	Interest on Long-Term Debt	14,977	502,292	-
0073	Bond Issuance Costs and Fees	11,548	415	-
	<u>Capital Outlay:</u>			
0081	Facilities Acquisition and Construction	333,003	-	8,169,951
	<u>Intergovernmental:</u>			
0099	Other Intergovernmental Charges	<u>105,018</u>	-	-
6030	Total Expenditures	<u>12,141,249</u>	<u>1,152,707</u>	<u>8,230,885</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(174,632)</u>	<u>3,003</u>	<u>(8,184,881)</u>
	OTHER FINANCING SOURCES AND (USES)			
7912	Sale of Real or Personal Property	12,000	-	-
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	<u>(8,153)</u>	-	-
7080	Total Other Financing Sources and (Uses)	<u>3,847</u>	-	-
1200	Net Change in Fund Balances	(170,785)	3,003	(8,184,881)
0100	Fund Balance - September 1 (Beginning)	<u>2,699,822</u>	<u>155,708</u>	<u>8,521,269</u>
3000	FUND BALANCE - AUGUST 31 (ENDING)	<u>\$ 2,529,037</u>	<u>\$ 158,711</u>	<u>\$ 336,388</u>

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

OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 319,054	\$ 9,246,407
210,394	4,350,580
<u>868,406</u>	<u>969,198</u>
<u>1,397,854</u>	<u>14,566,185</u>
582,785	7,060,547
-	267,700
-	62,336
50,749	251,011
-	754,860
500	83,209
-	162,308
-	129,555
-	474,995
700,843	700,843
60,750	778,961
-	486,773
-	1,269,686
-	72,319
-	238,684
-	34,477
-	955,000
-	517,269
-	11,963
-	8,502,954
<u>-</u>	<u>105,018</u>
<u>1,395,627</u>	<u>22,920,468</u>
<u>2,227</u>	<u>(8,354,283)</u>
-	12,000
8,153	8,153
<u>-</u>	<u>(8,153)</u>
<u>8,153</u>	<u>12,000</u>
10,380	(8,342,283)
<u>27,404</u>	<u>11,404,203</u>
<u>\$ 37,784</u>	<u>\$ 3,061,920</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, 2017

EXHIBIT C-4

Net Change in Fund Balances - Total Governmental Funds	\$ (8,342,283)
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.	8,608,470
The depreciation of capital assets used in governmental activities is not reported in the funds.	(709,609)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	33,194
Repayment of bond principal is an expenditure in the funds but is not an expense in the Statement of Activities.	955,000
The net revenue (expense) of internal service funds is reported with governmental activities.	(97,138)
Changes in net pension liability are reported as amounts expensed in the statement of activities but not in the funds.	(207,879)
Compensated absences are reported as amounts expensed in the statement of activities but not in the funds.	3,114
Bond premiums and accrued interest are reported in the Statement of Activities but not in the funds.	<u>32,836</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	 <u>\$ 275,705</u>

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2017

EXHIBIT D-1

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES
	NONMAJOR ENTERPRISE FUND	NONMAJOR INTERNAL SERVICE FUND
	ATHLETIC FACILITIES RENTAL FUND	TRANSPORTATION FUND
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 23,709	\$ -
<u>Noncurrent Assets</u>		
Capital Assets:		
Buildings and Improvements	-	331,375
Vehicles, Furniture, and Equipment	-	1,960,599
Accumulated Depreciation	-	(1,576,799)
Total Assets	23,709	715,175
<u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	-	5,174
Accrued Wages Payable	-	24,031
Due to Other Funds	-	534,158
Accrued Expenses	-	2,021
Total Liabilities	-	565,384
<u>NET POSITION</u>		
Unrestricted	23,709	149,791
Total Net Position	\$ 23,709	\$ 149,791

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT D-2

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES
	NONMAJOR ENTERPRISE FUND	NONMAJOR INTERNAL SERVICE FUND
	ATHLETIC FACILITIES RENTAL FUND	TRANSPORTATION FUND
<u>OPERATING REVENUES</u>		
Local and Intermediate Sources	\$ 33,793	\$ 609,388
State Program Revenues	-	24,217
Total Operating Revenues	33,793	633,605
<u>OPERATING EXPENSES</u>		
Payroll Costs	-	456,483
Professional and Contracted Services	10,084	35,553
Supplies and Materials	-	110,270
Other Operating Costs	-	128,437
Total Operating Expenses	10,084	730,743
Change in Net Position	23,709	(97,138)
Total Net Position - Beginning	-	246,929
Total Net Position - Ending	\$ 23,709	\$ 149,791

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT D-3

	BUSINESS-TYPE ACTIVITIES	GOVERNMENTAL ACTIVITIES
	NONMAJOR ENTERPRISE FUND	NONMAJOR INTERNAL SERVICE FUND
	ATHLETIC FACILITIES RENTAL FUND	TRANSPORTATION FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Grants	\$ -	\$ 24,217
Cash Received from Customers	33,793	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	-	609,388
Cash Payments to Employees for Services	-	(454,471)
Cash Payments for Other Suppliers for Goods and Services	(10,084)	(87,713)
Net Cash Provided (Used) by Operating Activities	23,709	91,421
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition or Construction of Capital Assets	-	(91,421)
Net Cash Provided (Used) for Capital and Related Financing Activities	-	(91,421)
Net Increase (Decrease) in Cash and Cash Equivalents	23,709	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	\$ 23,709	\$ -
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$ 23,709	\$ (97,138)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	-	115,309
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable	-	451
Increase (Decrease) in Accrued Wages Payable	-	2,012
Increase (Decrease) in Interfund Payables	-	70,885
Increase (Decrease) in Accrued Expenses	-	(98)
Total Adjustments	-	188,559
Net Cash Provided (Used) by Operating Activities	\$ 23,709	\$ 91,421

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

EXHIBIT E-1

	AGENCY FUND
	STUDENT ACTIVITY
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 73,764
Other Receivables	<u>53</u>
Total Assets	<u>\$ 73,817</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 8,867
Due to Student Groups	<u>64,950</u>
Total Liabilities	<u>\$ 73,817</u>
<u>NET POSITION</u>	
Total Net Position	<u>\$ -</u>

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

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. 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. Business-type activities include operations funded by fees and charges to third parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental and business-type 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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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:

Enterprise Fund - This fund is used to account for revenues and expenses related to services provided to parties outside the District. Revenue is comprised of user charges from rental activities of the District's sports complex.

Internal Service Fund - 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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts (Continued)

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.

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 acquisition 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.

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts (Continued)

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
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.

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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts (Continued)

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 balance line on 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.

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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance (Continued)

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.

NOTE 2: DEPOSITS AND INVESTMENTS

A. Cash Deposits

At August 31, 2017, 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 \$362,954 and the bank balance was \$468,092. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017 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.

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 2: DEPOSITS AND INVESTMENTS

B. Investments (Continued)

The District's investments at August 31, 2017 are shown below:

DESCRIPTION	MINIMUM LEGAL RATING	INVESTMENT RATING	RATING ORGANIZATION	CARRYING/FAIR VALUE	PERCENTAGE INVESTED
TexPool Investment Fund	AAA	AAAm	Standard & Poors	\$ 431,088	15.98%
Logic	AAA	AAA	Standard & Poors	<u>2,267,268</u>	<u>84.02%</u>
TOTAL INVESTMENTS				<u>\$ 2,698,356</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.

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, 2017 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.

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

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

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.

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, 2017

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017 was as follows:

	BEGINNING BALANCE 09/01/16	ADDITIONS	DELETIONS	ENDING BALANCE 08/31/17
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 586,160	\$ 178,078	\$ -	\$ 764,238
Construction in Process	3,566,045	8,385,811	-	11,951,856
Total Capital Assets not being Depreciated	<u>4,152,205</u>	<u>8,563,889</u>	<u>-</u>	<u>12,716,094</u>
Capital Assets being Depreciated:				
Buildings and Improvements	31,277,199	-	-	31,277,199
Equipment	1,311,679	44,581	-	1,356,260
Total Capital Assets being Depreciated	<u>32,588,878</u>	<u>44,581</u>	<u>-</u>	<u>32,633,459</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(9,695,624)	(664,330)	-	(10,359,954)
Equipment	(706,076)	(45,279)	-	(751,355)
Total Accumulated Depreciation	<u>(10,401,700)</u>	<u>(709,609)</u>	<u>-</u>	<u>(11,111,309)</u>
Total Capital Assets being Depreciated, Net	<u>22,187,178</u>	<u>(665,028)</u>	<u>-</u>	<u>21,522,150</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 26,339,383</u>	<u>\$ 7,898,861</u>	<u>\$ -</u>	<u>\$ 34,238,244</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets being Depreciated:				
Buildings and Improvements	\$ 331,375	\$ -	\$ -	\$ 331,375
Vehicles, Furniture, and Equipment	1,869,178	91,421	-	1,960,599
Total Capital Assets being Depreciated	<u>2,200,553</u>	<u>91,421</u>	<u>-</u>	<u>2,291,974</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(165,688)	(11,046)	-	(176,734)
Vehicles, Furniture, and Equipment	(1,295,802)	(104,263)	-	(1,400,065)
Total Accumulated Depreciation	<u>(1,461,490)</u>	<u>(115,309)</u>	<u>-</u>	<u>(1,576,799)</u>
Total Capital Assets being Depreciated, Net	<u>739,063</u>	<u>(23,888)</u>	<u>-</u>	<u>715,175</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 739,063</u>	<u>\$ (23,888)</u>	<u>\$ -</u>	<u>\$ 715,175</u>

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions as follows:

	AMOUNT
Instruction	\$ 405,579
Instruction Resources and Media Services	15,377
Curriculum and Staff Development	3,581
Instructional Leadership	14,419
School Leadership	43,361
Guidance, Counseling, and Evaluation Services	4,780
Social Work Services	9,323
Health Services	7,442
Food Services	40,259
Extracurricular Activities	44,746
General Administration	27,962
Plant Maintenance and Operations	72,935
Security and Monitoring Services	4,154
Data Processing Services	13,711
Community Services	1,980
TOTAL DEPRECIATION EXPENSE	\$ 709,609

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, 2017

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, 2017 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNT ORIGINAL ISSUE	AMOUNT OUTSTANDING 09/01/16	ISSUED	RETIRED/ REFUNDED	AMOUNT OUTSTANDING 08/31/17
School Building Bonds 2012	2.5 - 2.5%	\$ 8,000,000	\$ 6,940,000	\$ -	\$ (295,000)	\$ 6,645,000
Limited Maintenance Tax Notes 2012	.7 - 1.37%	1,400,000	630,000	-	(205,000)	425,000
School Building Bonds 2013	2.0 - 3.0%	2,380,000	1,955,000	-	(150,000)	1,805,000
Limited Maintenance Tax Notes 2013	1.23%	1,545,000	1,425,000	-	(100,000)	1,325,000
School Building Bonds 2015	1.61 - 3.5%	5,000,000	5,000,000	-	(50,000)	4,950,000
School Building Bonds 2016	2.0 - 3.0%	<u>5,985,000</u>	<u>5,985,000</u>	<u>-</u>	<u>(155,000)</u>	<u>5,830,000</u>
TOTALS		<u>\$ 24,310,000</u>	<u>\$ 21,935,000</u>	<u>\$ -</u>	<u>\$ (955,000)</u>	<u>\$ 20,980,000</u>

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017 are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 21,935,000	\$ -	\$ (955,000)	\$ 20,980,000	\$ 1,030,000
Bond Premium	544,685	-	(31,837)	512,848	-
Compensated Absences	<u>201,477</u>	<u>97,349</u>	<u>(100,463)</u>	<u>198,363</u>	<u>-</u>
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 22,681,162</u>	<u>\$ 97,349</u>	<u>\$ (1,087,300)</u>	<u>\$ 21,691,211</u>	<u>\$ 1,030,000</u>

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017, are as follows:

YEAR ENDING AUGUST 31,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
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	1,155,000	416,188	1,571,188
2023-2027	5,090,000	1,747,581	6,837,581
2028-2032	5,485,000	1,163,349	6,648,349
2032-2036	4,965,000	368,316	5,333,316
TOTALS	<u>\$ 20,980,000</u>	<u>\$ 5,594,534</u>	<u>\$ 26,574,534</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 2017, 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, 2017, employees of the District were covered by a health insurance plan. The District paid premiums of \$529,551 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). It is a defined benefit pension plan 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, 2017

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 https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; 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, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contribution Rates	<u>2016</u>	<u>2017</u>
Member (Employees)	7.20%	7.70%
Non-Employer Contributing Entity (State of Texas)	6.80%	6.80%
Employer (District)	6.80%	6.80%

Contributions

2017 Member Contributions (Employees)	\$ 585,691
2017 Non-Employer Contributing Entity Contributions (State of Texas)	408,627
2017 Employer Contributions (District)	212,320

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, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions. The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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%
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2016 to 2115 projection period	2115
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

** If a municipal bond rate was to be used, the rate would be 2.84% as of August 2016 (i.e. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.*

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, 2016 are summarized below:

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
<u>Global Equity</u>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<u>Stable Value</u>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<u>Real Return</u>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<u>Risk Parity</u>			
Risk Parity	<u>5%</u>	<u>6.7%</u>	<u>0.3%</u>
Inflation Expectation			2.2%
Alpha			<u>1.0%</u>
TOTAL	<u>100%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
District's Proportionate Share of the Net Pension Liability	\$ 3,691,812	\$ 2,385,411	\$ 1,277,318

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, the District reported a liability of \$2,385,411 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	\$ 2,385,411
State's Proportionate Share that is Associated with the District	<u>4,661,801</u>
Total	<u>\$ 7,047,212</u>

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0063125281% which was a decrease of 0.0001331072% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$305,205 and revenue of \$97,326 for support provided by the State.

At August 31, 2017, 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:

	Outflows of Resources	Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 37,403	\$ 71,227
Changes in Actuarial Assumptions	72,703	66,120
Differences between Projected and Actual Investment Earnings	201,992	-
Changes in Proportion and Difference between the Employer's Contributions and the Proportionate Share of Contributions	656,046	157
Contributions Paid to TRS Subsequent to the Measurement Date	212,320	-
Total	\$ 1,180,464	\$ 137,504

MARION INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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:

	2018	\$	150,161
	2019		150,161
	2020		279,001
	2021		140,262
	2022		98,172
	Thereafter		12,883
	Total	\$	<u>830,640</u>

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, 2017, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
General Fund	Other Governmental Funds	\$ 68,949	Short-Term Loans
General Fund	Capital Projects Fund	18,659	Short-Term Loans
General Fund	Debt Service Fund	1,450	Short-Term Loans
		<u>89,058</u>	
General Fund	Internal Service - Transportation	<u>534,158</u>	Short-Term Loans
TOTAL		<u>\$ 623,216</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, 2017

NOTE 9: INTERFUND BALANCES AND ACTIVITIES (CONTINUED)

B. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2017, consisted of the following:

<u>TRANSFERS FROM</u>	<u>TRANSFERS TO</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Child Nutrition Program	<u>\$ 8,153</u>	Supplement Other Fund Sources

NOTE 10: CONCENTRATIONS

The District receives 32.174% of its taxes from a single taxpayer, Guadalupe Power Partners, LP.

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, 2017

EXHIBIT G-1

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS			
		ORIGINAL	FINAL	ACTUAL	
	REVENUES				
5700	Local and Intermediate Sources	\$ 7,764,000	\$ 7,764,000	\$ 7,725,639	\$ (38,361)
5800	State Program Revenues	4,051,000	4,101,000	4,140,186	39,186
5900	Federal Program Revenues	<u>100,000</u>	<u>100,000</u>	<u>100,792</u>	<u>792</u>
5020	Total Revenues	<u>11,915,000</u>	<u>11,965,000</u>	<u>11,966,617</u>	<u>1,617</u>
	EXPENDITURES				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	6,446,836	6,486,836	6,477,762	9,074
0012	Instructional Resources and Media Services	279,427	279,427	267,700	11,727
0013	Curriculum and Staff Development	<u>64,030</u>	<u>64,030</u>	<u>62,336</u>	<u>1,694</u>
	Total Instruction and Instructional Related Services	<u>6,790,293</u>	<u>6,830,293</u>	<u>6,807,798</u>	<u>22,495</u>
	Instructional and School Leadership:				
0021	Instructional Leadership	197,298	205,298	200,262	5,036
0023	School Leadership	<u>758,665</u>	<u>768,665</u>	<u>754,860</u>	<u>13,805</u>
	Total Instructional and School Leadership	<u>955,963</u>	<u>973,963</u>	<u>955,122</u>	<u>18,841</u>
	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	83,100	83,100	82,709	391
0032	Social Work Services	148,081	164,081	162,308	1,773
0033	Health Services	134,933	134,933	129,555	5,378
0034	Student (Pupil) Transportation	475,000	475,000	474,995	5
0036	Cocurricular/Extracurricular Activities	<u>697,448</u>	<u>693,448</u>	<u>657,277</u>	<u>36,171</u>
	Total Support Services - Student (Pupil)	<u>1,538,562</u>	<u>1,550,562</u>	<u>1,506,844</u>	<u>43,718</u>
	Administrative Support Services:				
0041	General Administrative	<u>506,061</u>	<u>506,061</u>	<u>486,773</u>	<u>19,288</u>
	Total Administrative Support Services	<u>506,061</u>	<u>506,061</u>	<u>486,773</u>	<u>19,288</u>
	Support Services - Nonstudent Based:				
0051	Facilities Maintenance and Operations	1,344,825	1,311,825	1,269,686	42,139
0052	Security and Monitoring Services	75,200	75,200	72,319	2,881
0053	Data Processing Services	<u>255,586</u>	<u>255,586</u>	<u>238,684</u>	<u>16,902</u>
	Total Support Services - Nonstudent Based	<u>1,675,611</u>	<u>1,642,611</u>	<u>1,580,689</u>	<u>61,922</u>
	Ancillary Services:				
0061	Community Services	<u>33,760</u>	<u>34,760</u>	<u>34,477</u>	<u>283</u>
	Total Ancillary Services	<u>33,760</u>	<u>34,760</u>	<u>34,477</u>	<u>283</u>
	Debt Service:				
0071	Principal on Long-Term Debt	305,000	305,000	305,000	-
0072	Interest on Long-Term Debt	15,750	15,750	14,977	773
0073	Bond Issuance Cost and Fees	<u>12,000</u>	<u>12,000</u>	<u>11,548</u>	<u>452</u>
	Total Debt Service	<u>332,750</u>	<u>332,750</u>	<u>331,525</u>	<u>1,225</u>

MARION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ -	\$ 348,000	\$ 333,003	\$ 14,997
	Total Capital Outlay	<u>-</u>	<u>348,000</u>	<u>333,003</u>	<u>14,997</u>
	Intergovernmental Charges:				
0099	Other Intergovernmental Charges	<u>94,000</u>	<u>106,000</u>	<u>105,018</u>	<u>982</u>
	Total Intergovernmental Charges	<u>94,000</u>	<u>106,000</u>	<u>105,018</u>	<u>982</u>
6030	Total Expenditures	<u>11,927,000</u>	<u>12,325,000</u>	<u>12,141,249</u>	<u>183,751</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,000)</u>	<u>(360,000)</u>	<u>(174,632)</u>	<u>185,368</u>
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real or Personal Property	12,000	12,000	12,000	-
8911	Transfers Out (Use)	<u>-</u>	<u>-</u>	<u>(8,153)</u>	<u>(8,153)</u>
7080	Total Other Financing Sources (Uses)	<u>12,000</u>	<u>12,000</u>	<u>3,847</u>	<u>(8,153)</u>
1200	Net Change in Fund Balance	-	(348,000)	(170,785)	177,215
0100	FUND BALANCE - BEGINNING	<u>2,699,822</u>	<u>2,699,822</u>	<u>2,699,822</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 2,699,822</u>	<u>\$ 2,351,822</u>	<u>\$ 2,529,037</u>	<u>\$ 177,215</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, 2017

EXHIBIT G-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0063125%	0.0064456%	0.0033885%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,385,411	\$ 2,278,434	\$ 905,115
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>4,661,801</u>	<u>4,265,927</u>	<u>3,697,632</u>
Total	<u>\$ 7,047,212</u>	<u>\$ 6,544,361</u>	<u>\$ 4,602,747</u>
District's Covered-Employee Payroll	\$ 7,606,367	\$ 7,251,389	\$ 6,948,665
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.36%	31.42%	13.06%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	78.00%	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 dates of August 31, 2016 for the year 2017, August 31, 2015 for 2016, and August 31, 2014 for 2015.

Note: Only three 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, 2017

EXHIBIT G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 200,565	\$ 190,857	\$ 219,785
Contribution in Relation to the Contractually Required Contribution	<u>(200,565)</u>	<u>(190,857)</u>	<u>(219,785)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 7,606,367	\$ 7,251,389	\$ 6,360,386
Contribution as a Percentage of Covered-Employee Payroll	0.026368041%	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 for the respective fiscal years.

Note: Only three 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, 2017

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	\$ 71,463	\$ 71,463
1240	Receivables from Other Governments	122,495	122,495
1260	Due from Other Funds	-	-
1290	Other Receivables	-	-
1300	Inventories	<u>13,110</u>	<u>13,110</u>
1000	TOTAL ASSETS	<u>\$ 207,068</u>	<u>\$ 207,068</u>
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	\$ 41,749	\$ 41,749
2160	Accrued Wages Payable	31,231	31,231
2170	Due to Other Funds	68,949	68,949
2200	Accrued Expenditures	2,802	2,802
2300	Unearned Revenue	<u>24,553</u>	<u>24,553</u>
2000	Total Liabilities	<u>169,284</u>	<u>169,284</u>
	FUND BALANCES		
3000	Total Fund Balances	<u>37,784</u>	<u>37,784</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 207,068</u>	<u>\$ 207,068</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, 2017

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	REVENUES		
5700	Local and Intermediate Sources	\$ 319,054	\$ 319,054
5800	State Program Revenues	210,394	210,394
5900	Federal Program Revenues	<u>868,406</u>	<u>868,406</u>
5020	Total Revenues	<u>1,397,854</u>	<u>1,397,854</u>
	EXPENDITURES		
	<u>Current</u>		
0011	Instruction	582,785	582,785
0021	Instructional Leadership	50,749	50,749
0031	Guidance, Counseling, and Evaluation Services	500	500
0035	Food Service	700,843	700,843
0036	Cocurricular/Extracurricular Activities	<u>60,750</u>	<u>60,750</u>
6030	Total Expenditures	<u>1,395,627</u>	<u>1,395,627</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,227</u>	<u>2,227</u>
	<u>Other Financing Sources (Uses)</u>		
7915	Transfers In	<u>8,153</u>	<u>8,153</u>
7020	Total Other Financing Sources	<u>8,153</u>	<u>8,153</u>
7080	Total Other Financing Sources and (Uses)	<u>8,153</u>	<u>8,153</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>10,380</u>	<u>10,380</u>
0100	Fund Balances - Beginning	27,404	27,404
1300	Increase (Decrease) in Fund Balance	<u>10,380</u>	<u>10,380</u>
3000	FUND BALANCES - ENDING	<u>\$ 37,784</u>	<u>\$ 37,784</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

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	23,531	54,519	1,444
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
1000	TOTAL ASSETS	<u>\$ 23,531</u>	<u>\$ 54,519</u>	<u>\$ 1,444</u>
	LIABILITIES			
	Current Liabilities			
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	9,398	8,278	704
2170	Due to Other Funds	13,700	45,492	731
2200	Accrued Expenditures	433	749	9
2300	Unearned Revenue	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
2000	Total Liabilities	<u>23,531</u>	<u>54,519</u>	<u>1,444</u>
	FUND BALANCES			
3490	Other Restrictions of Fund Balance	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 23,531</u>	<u>\$ 54,519</u>	<u>\$ 1,444</u>

EXHIBIT H-3

240 NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING	410 STATE TEXBOOK FUND
\$ 6,307	\$ -	\$ 22,573
15,841	11,290	15,870
-	-	-
-	-	-
<u>13,110</u>	<u>-</u>	<u>-</u>
<u>\$ 35,258</u>	<u>\$ 11,290</u>	<u>\$ 38,443</u>
\$ 23,060	\$ -	\$ 13,890
10,618	2,233	-
-	9,026	-
1,580	31	-
<u>-</u>	<u>-</u>	<u>24,553</u>
<u>35,258</u>	<u>11,290</u>	<u>38,443</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 35,258</u>	<u>\$ 11,290</u>	<u>\$ 38,443</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 42,583	\$ 71,463
1240	Receivables from Other Governments	-	122,495
1260	Due from Other Funds	-	-
1290	Other Receivables	-	-
1300	Inventories	<u>-</u>	<u>13,110</u>
1000	TOTAL ASSETS	<u>\$ 42,583</u>	<u>\$ 207,068</u>
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	\$ 4,799	\$ 41,749
2160	Accrued Wages Payable	-	31,231
2170	Due to Other Funds	-	68,949
2200	Accrued Expenditures	-	2,802
2300	Unearned Revenue	<u>-</u>	<u>24,553</u>
2000	Total Liabilities	<u>4,799</u>	<u>169,284</u>
	FUND BALANCES		
3490	Other Restrictions of Fund Balance	<u>37,784</u>	<u>37,784</u>
3000	Total Fund Balances	<u>37,784</u>	<u>37,784</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 42,583</u>	<u>\$ 207,068</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, 2017

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	151,160	239,977	4,453
5020	Total Revenues	<u>151,160</u>	<u>239,977</u>	<u>4,453</u>
	EXPENDITURES			
	<u>Current</u>			
0011	Instruction	147,922	192,673	4,453
0013	Curriculum Development and Instructional Staff Development	-	-	-
0021	Instructional Leadership	3,238	46,804	-
0031	Guidance, Counseling, and Evaluation Services	-	500	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-
6030	Total Expenditures	<u>151,160</u>	<u>239,977</u>	<u>4,453</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
	<u>Other Financing Sources (Uses)</u>			
7915	Transfers In	-	-	-
7020	Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>-</u>
0100	Fund Balances - Beginning	-	-	-
1300	Increase (Decrease) in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
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	410 STATE TEXTBOOK FUND
\$ 247,924	\$ -	\$ -
23,407	-	186,987
<u>421,359</u>	<u>51,457</u>	<u>-</u>
<u>692,690</u>	<u>51,457</u>	<u>186,987</u>
-	50,750	186,987
-	-	-
-	707	-
-	-	-
700,843	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>700,843</u>	<u>51,457</u>	<u>186,987</u>
<u>(8,153)</u>	<u>-</u>	<u>-</u>
<u>8,153</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>8,153</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</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, 2017

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	\$ 71,130	\$ 319,054
5800	State Program Revenues	-	210,394
5900	Federal Program Revenues	-	868,406
5020	Total Revenues	<u>71,130</u>	<u>1,397,854</u>
	EXPENDITURES		
	<u>Current</u>		
0011	Instruction	-	582,785
0021	Instructional Leadership	-	50,749
0031	Guidance, Counseling, and Evaluation Services	-	500
0035	Food Service	-	700,843
0036	Cocurricular/Extracurricular Activities	<u>60,750</u>	<u>60,750</u>
6030	Total Expenditures	<u>60,750</u>	<u>1,395,627</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,380</u>	<u>2,227</u>
	<u>Other Financing Sources (Uses)</u>		
7915	Transfers In	-	<u>8,153</u>
7020	Total Other Financing Sources	<u>-</u>	<u>8,153</u>
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>8,153</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>10,380</u>	<u>10,380</u>
0100	Fund Balances - Beginning	27,404	27,404
1300	Increase (Decrease) in Fund Balance	<u>10,380</u>	<u>10,380</u>
3000	FUND BALANCES - ENDING	<u>\$ 37,784</u>	<u>\$ 37,784</u>

MARION INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT I-1

	<u>BALANCE SEPTEMBER 1, 2016</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AUGUST 31, 2017</u>
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 73,787	\$ -	\$ 23	\$ 73,764
Other Receivables	<u>-</u>	<u>53</u>	<u>-</u>	<u>53</u>
Total Assets	<u>\$ 73,787</u>	<u>\$ 53</u>	<u>\$ 23</u>	<u>\$ 73,817</u>
Liabilities:				
Accounts Payable	\$ 8,188	\$ 679	\$ -	\$ 8,867
Due to Student Groups	<u>65,599</u>	<u>-</u>	<u>649</u>	<u>64,950</u>
Total Liabilities	<u>\$ 73,787</u>	<u>\$ 679</u>	<u>\$ 649</u>	<u>\$ 73,817</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, 2017

<u>YEAR ENDED AUGUST 31,</u>	TAX RATES		(3) ASSESSSED/APPRaised VALUE FOR SCHOOL TAX PURPOSES
	(1) <u>MAINTENANCE</u>	(2) <u>DEBT SERVICE</u>	
2008 and Prior Years	Various	Various	Various
2009	1.08	.15	398,923,872
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	1.17	.1050	634,292,314
2017 (School Year Under Audit)	1.17	.1800	614,477,407
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 09/01/2016	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 8/31/2017
\$ 30,071	\$ -	\$ 10,332	\$ 2,010	\$ (6,899)	\$ 10,830
5,865	-	2,017	280	(16)	3,552
8,720	-	1,977	256	(85)	6,402
7,817	-	2,288	273	-	5,256
7,783	-	2,957	336	-	4,490
19,325	-	4,280	402	(289)	14,354
33,284	-	14,281	1,342	633	18,294
31,016	-	10,649	1,000	(436)	18,931
88,646	-	36,539	3,278	(12,006)	36,823
-	8,295,445	7,342,213	1,126,816	318,536	144,952
\$ 232,527	\$ 8,295,445	\$ 7,427,533	\$ 1,135,993	\$ 299,438	\$ 263,884

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, 2017

EXHIBIT J-2

DATA CONTROL CODES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL			
REVENUES					
5700	Local and Intermediate Sources	\$ 224,000	\$ 224,000	\$ 247,924	\$ 23,924
5800	State Program Revenues	24,000	24,000	23,407	(593)
5900	Federal Program Revenues	<u>458,000</u>	<u>458,000</u>	<u>421,359</u>	<u>(36,641)</u>
5020	Total Revenues	<u>706,000</u>	<u>706,000</u>	<u>692,690</u>	<u>(13,310)</u>
EXPENDITURES					
Current:					
<u>Support Services - Student (Pupil)</u>					
0035	Food Services	<u>706,000</u>	<u>706,000</u>	<u>700,843</u>	<u>5,157</u>
	Total Support Services - Student (Pupil)	<u>706,000</u>	<u>706,000</u>	<u>700,843</u>	<u>5,157</u>
6030	Total Expenditures	<u>706,000</u>	<u>706,000</u>	<u>700,843</u>	<u>5,157</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(8,153)	(8,153)
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	-	<u>8,153</u>	<u>8,153</u>
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	FUND BALANCE - BEGINNING	-	-	-	-
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, 2017

EXHIBIT J-3

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL	FINAL		
	REVENUES				
5700	Local and Intermediate Sources	\$ 1,150,500	\$ 1,150,500	\$ 1,155,710	\$ 5,210
5800	State Program Revenues	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
5020	Total Revenues	<u>1,158,000</u>	<u>1,158,000</u>	<u>1,155,710</u>	<u>(2,290)</u>
	EXPENDITURES				
	<u>Debt Service</u>				
0071	Principal on Long-Term Debt	650,000	650,000	650,000	-
0072	Interest on Long-Term Debt	503,000	503,000	502,292	708
0073	Bond Issuance Costs and Fees	<u>5,000</u>	<u>5,000</u>	<u>415</u>	<u>4,585</u>
	Total Debt Service	<u>1,158,000</u>	<u>1,158,000</u>	<u>1,152,707</u>	<u>5,293</u>
6030	Total Expenditures	<u>1,158,000</u>	<u>1,158,000</u>	<u>1,152,707</u>	<u>5,293</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>3,003</u>	<u>3,003</u>
	OTHER FINANCING SOURCES (USES)				
7915	Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080	Total Other Financing Sources (Uses)				
1200	Net Change in Fund Balance	-	-	3,003	3,003
0100	FUND BALANCE - BEGINNING	<u>155,708</u>	<u>155,708</u>	<u>155,708</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 155,708</u>	<u>\$ 155,708</u>	<u>\$ 158,711</u>	<u>\$ 3,003</u>

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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, 2017, 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 13, 2017.

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 any 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 13, 2017

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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 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, 2017. 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, 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, 2017.

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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 major federal 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 13, 2017

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MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

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		
84.027 84.173	U.S. Department of Education - Special Education Cluster: IDEA - Part B, Formula IDEA - Part B, Preschool		
Dollar threshold used to distinguish between Type A and Type B programs:			\$750,000
Auditee qualified as low-risk auditee?		<u> X </u> Yes	<u> </u> No

MARION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED AUGUST 31, 2017

SECTION II - Financial Statement Findings:

None

SECTION III - Federal Award Findings and Questioned Costs:

None

MARION INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED AUGUST 31, 2017

NONE

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2017

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	17610101094904	\$ 141,329
ESEA Title I, Part A - Improving Basic Programs	84.010A	18610101094904	<u>9,831</u>
Total CFDA Number 84.010A			<u>151,160</u>
IDEA-Part B, Formula *	84.027	176600010949046600	230,950
IDEA-Part B, Formula *	84.027	186600010949046600	<u>9,027</u>
Total CFDA Number 84.027			<u>239,977</u>
IDEA-Part B, Preschool *	84.173	176610010949046610	3,739
IDEA-Part B, Preschool *	84.173	186610010949046610	<u>714</u>
Total CFDA Number 84.173			<u>4,453</u>
Total Special Education Cluster (IDEA)			<u>244,430</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	17694501094904	49,192
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	18694501094904	<u>2,265</u>
Total CFDA Number 84.367A			<u>51,457</u>
Total Passed Through State Department of Education			<u>447,047</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>447,047</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Agriculture			
School Breakfast Program *	10.553	094-904	92,664
School Lunch Program *	10.555	094-904	282,577
Commodity Supplement Food Program *	10.565	094-904	<u>46,118</u>
Total Child Nutrition Cluster			<u>421,359</u>
Total Passed Through State Department of Agriculture			<u>421,359</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>421,359</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 868,406</u>
School Health and Related Services (SHARS)			<u>100,792</u>
TOTAL FEDERAL REVENUE PER EXHIBIT C-3			<u>\$ 969,198</u>

* Clustered Programs

MARION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

NOTE 1: 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.

NOTE 2: SHARS RECONCILIATION

SHARS Funding	\$	100,792
Total from Schedule of Expenditures of Federal Awards		<u>868,406</u>
Total Federal Revenue per C-3	\$	<u>969,198</u>

NOTE 3: INDIRECT COSTS

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

MARION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 FOR THE YEAR ENDED AUGUST 31, 2017

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>\$ 2,385,411</u>