

MARION INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2015

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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 reports of the above named school district were reviewed and approved for the year ended August 31, 2015 at a meeting of the board of trustees of such school district on the 20th day of January, 2016.

//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 on Financial Statements

Board of School Trustees  
Marion Independent School District  
Marion, Texas

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marion Independent School District (the District) as of and for the year ended August 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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## Opinion

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, 2015, 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.

## Change in Accounting Principle

As discussed in Note 1E to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Reporting for Pensions. Our opinion is not modified with respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information for the general fund, schedule of the District's share of the net pension liability, and schedule of the District's contributions to TMRS as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 introductory section, combining and other statements, 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 also presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The 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 January 20, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and do not 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

January 20, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) of Marion Independent School District (the District) is intended to provide an overview of the District's financial position and results of operation for the fiscal year ended August 31, 2015. 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 2015. General Fund revenues exceeded budget by \$435,251 due mainly to an increase in state revenues. Expenditures were less than budget by \$599,544. General Fund revenues exceeded expenditures by \$1,039,274, and the fund balance is \$4,465,879 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 two fund types – governmental 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 continues to be 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, ESEA Title I, and IDEA, Part B. The differences in the amounts reported between the fund statements and the government-wide statements are explained in the reconciliations provided on pages 23 and 26.

**Proprietary Funds** – The District reports the activities for which it charges users (other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The Transportation Fund, an internal service fund, is the District's only proprietary fund. The Statement of Net Position and the Statement of Revenues, Expenditures, 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, 2015 and 2014.

#### CONDENSED STATEMENT OF NET POSITION August 2015 and 2014

	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 5,310,231	\$ 4,339,477
Capital Assets, Net	<u>22,953,402</u>	<u>23,360,976</u>
Total Assets and Deferred Outflows	<u>28,263,633</u>	<u>27,700,453</u>
Current Liabilities	1,334,191	1,266,009
Long-Term Liabilities	<u>12,700,361</u>	<u>12,240,534</u>
Total Liabilities and Deferred Inflows	<u>14,034,552</u>	<u>13,506,543</u>
Net Position:		
Invested in Capital Assets, Net of Related Debt	10,308,786	12,285,123
Restricted	171,432	219,376
Unrestricted	<u>3,748,863</u>	<u>1,689,411</u>
Total Net Position	<u>\$ 14,229,081</u>	<u>\$ 14,193,910</u>

The District's net position totaled \$14,229,081. Of this amount, \$10,308,786 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 \$171,432 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, 2015 and 2014.

### CHANGES IN NET POSITION For Fiscal Years Ended August 2015 and 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 387,771	\$ 254,132
Operating Grants and Contributions	<u>1,445,113</u>	<u>899,720</u>
Total Program Revenues	<u>1,832,884</u>	<u>1,153,852</u>
General Revenues:		
Maintenance and Operations Taxes	7,339,118	6,796,041
Debt Service Taxes	689,303	642,728
Investment Earnings	4,208	4,451
Grants and Contributions,		
Not Restricted to Specific Programs	3,836,716	4,005,929
Miscellaneous	<u>133,401</u>	<u>-</u>
Total General Revenues	<u>12,002,746</u>	<u>11,449,149</u>
Total Revenues	<u>13,835,630</u>	<u>12,603,001</u>
EXPENSES		
Instruction, Curriculum and Media Services	6,974,145	6,348,625
Instructional and School Leadership	978,881	873,628
Student Support Services	757,228	726,843
Child Nutrition	635,006	632,103
Cocurricular Activities	658,355	569,328
General Administration	490,734	589,229
Plant Maintenance, Security and		
Data Processing	1,900,627	2,229,095
Community Services	33,188	29,955
Interest	253,433	259,990
Other Intergovernmental Charges	<u>93,364</u>	<u>86,073</u>
Total Expenses	<u>12,774,961</u>	<u>12,344,869</u>
Increase (Decrease) in Net Position	1,060,669	258,132
Net Position at September 1,	14,193,910	13,935,778
Restatement of Net Position	<u>(1,025,498)</u>	<u>-</u>
Net Position at August 31,	<u>\$ 14,229,081</u>	<u>\$ 14,193,910</u>

Property taxes in the amount of \$8,028,421 and state revenue of \$3,836,716 accounted for 86% of the District's total revenue of \$13,835,630.

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 \$12,774,961. Of the total expenses, \$387,771 was financed by charges for services and \$1,445,113 was financed by operating and capital grants and contributions. The resulting net cost of \$10,942,077 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, ESEA Title I, and IDEA, Part B. Financial information for the nonmajor governmental funds is aggregated and presented in a single column.

#### General Fund

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

General Fund Revenues – Overall revenues increased by \$999,766 due mainly to an increase in state and property tax revenues caused by increased student enrollment and increased property tax values.

#### REVENUES BY SOURCE For the Years ended August 31, 2015 and 2014

	2015	2014	Increase (Decrease)
Local and Tax Revenues	\$ 7,620,807	\$ 6,942,164	\$ 678,643
State Programs	4,119,296	3,918,672	200,624
Federal Programs	175,148	54,649	120,499
Total	\$ 11,915,251	\$ 10,915,485	\$ 999,766

General Fund Expenditures – Overall expenditures increased by \$191,238. The increase in general fund expenditures is directly attributed to increase in Instruction, Curriculum, and Media Services expenses and decrease in Plant Maintenance, Security and Data Processing expenses.

**EXPENDITURES BY FUNCTION**  
For the Years Ended August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
<b>EXPENSES</b>			
Instruction, Curriculum and Media Services	\$ 6,056,721	\$ 5,506,850	\$ 549,871
Instructional and School Leadership	838,672	806,521	32,151
Student Support Services	653,190	720,876	(67,686)
Cocurricular Activities	581,494	481,560	99,934
General Administration	465,057	552,651	(87,594)
Plant Maintenance, Security and Data Processing	1,824,218	2,172,701	(348,483)
Community Services	33,590	29,955	3,635
Debt Service	334,150	332,031	2,119
Other Intergovernmental Charges	<u>93,364</u>	<u>86,073</u>	<u>7,291</u>
Total Expenses	<u>\$ 10,880,456</u>	<u>\$ 10,689,218</u>	<u>\$ 191,238</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – At August 31, 2015, the District had \$22,953,402 net of accumulated depreciation invested in a broad range of capital assets as shown in the table below.

**CAPITAL ASSETS**  
At August 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
Land	\$ 406,922	\$ 406,922	\$ -
Buildings and Improvements	21,396,100	22,056,317	(660,217)
Furniture and Equipment	<u>1,150,380</u>	<u>897,737</u>	<u>252,643</u>
Total	<u>\$ 22,953,402</u>	<u>\$ 23,360,976</u>	<u>\$ (407,574)</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
General Obligation Bonds	\$ 11,680,000	\$ 12,395,000	\$ (715,000)
Premium on Bond	341,230	361,302	(20,072)
Compensated Absences	<u>227,139</u>	<u>199,232</u>	<u>27,907</u>
Total	<u>\$ 12,248,369</u>	<u>\$ 12,955,534</u>	<u>\$ (707,165)</u>



## **BUDGETARY HIGHLIGHTS**

In 2015 the District adopted a balanced budget designed to meet the needs of existing student instructional and support programs. There were no major amendments made to the budget that resulted in changes in total expected revenues or expenses however the District approve an amendment to assign \$800,000 of fund balance for a roofing project.

## **ECONOMIC FACTORS**

For fiscal year 2015, the student enrollment in the District increased 3.9% while the local tax base increased 5.5%. The increased tax base was due mainly to a 9.9% increase in taxable property value of the District's largest taxpayer.

## **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, 2015

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	<u>ASSETS</u>	
1110	Cash and Cash Equivalents	\$ 3,712,970
1225	Property Taxes Receivable (Net)	149,117
1240	Due from Other Governments	1,142,437
1290	Other Receivables (Net)	22,755
1300	Inventories	5,714
1410	Unrealized Expenses	13,549
	Capital Assets:	
1510	Land	\$ 406,922
1520	Buildings and Improvements (Net)	21,396,100
1530	Furniture and Equipment (Net)	<u>1,150,380</u>
	Total Capital Assets (Net)	<u>22,953,402</u>
1000	TOTAL ASSETS	<u>27,999,944</u>
	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
1701	Deferred Outflow Related to TRS	<u>263,689</u>
1700	TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>263,689</u>
	<u>LIABILITIES</u>	
2110	Accounts Payable	204,524
2140	Interest Payable	7,177
	Payroll Deductions and Withholdings Payable	2,802
	Accrued Wages Payable	350,364
2165	Accrued Liabilities	<u>39,324</u>
	<u>Noncurrent Liabilities</u>	
2501	Due Within One Year	730,000
2502	Due in More than One Year	11,518,369
	Net Pension Liability (District's Share)	<u>905,115</u>
	Total Noncurrent Liabilities	<u>13,153,484</u>
2000	TOTAL LIABILITIES	<u>13,757,675</u>
	<u>DEFERRED INFLOWS OF RESOURCES</u>	
	Deferred Inflow Related to TRS	<u>276,877</u>
	TOTAL DEFERRED INFLOWS OF RESOURCES	<u>276,877</u>
	<u>NET POSITION</u>	
3200	Net Investment in Capital Assets	10,308,786
3820	Restricted for State and Federal Programs	6,453
3850	Restricted for Debt Service	139,977
3870	Restricted for Campus Activities	25,002
3900	Unrestricted	<u>3,748,863</u>
3000	TOTAL NET POSITION	<u>\$ 14,229,081</u>

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

MARION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	6 GOVERNMENTAL ACTIVITIES
Governmental Activities:				
Instruction	\$ 6,626,122	\$ 79,156	\$ 741,163	\$ (5,805,803)
Instructional Resources and Media Services	267,011	17,688	11,477	(237,846)
Curriculum and Staff Development	81,012		42,994	(38,018)
Instructional Leadership	296,396		96,653	(199,743)
School Leadership	682,485		32,683	(649,802)
Guidance, Counseling, and Evaluation Services	83,669		3,896	(79,773)
Social Work Services	150,903		3,717	(147,186)
Health Services	118,826		6,369	(112,457)
Student Transportation	403,830		16,445	(387,385)
Food Service	635,006		419,016	(215,990)
Cocurricular/Extracurricular Activities	658,355	202,865	11,021	(444,469)
General Administration	490,734	42,273	12,948	(435,513)
Facilities Maintenance and Operations	1,569,472	39,273	36,766	(1,493,433)
Security and Monitoring Services	78,324	2,327	-	(75,997)
Data Processing Services	252,831	4,189	8,056	(240,586)
Community Services	33,188		1,909	(31,279)
Debt Service - Interest on Long-Term Debt	250,451		-	(250,451)
Debt Service - Bond Issuance Costs and Fees	2,982		-	(2,982)
Other Intergovernmental Charges	93,364	-	-	(93,364)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$ 12,774,961</u></b>	<b><u>\$ 387,771</u></b>	<b><u>\$ 1,445,113</u></b>	<b><u>(10,942,077)</u></b>
General Revenues:				
Property Taxes, Levied for General Purposes				7,339,118
Property Taxes, Levied for Debt Service				689,303
Investment Earnings				4,208
Grants and Contributions not Restricted				3,836,716
Miscellaneous Local and Intermediate Revenue				123,401
Gain on Disposal of Asset				<u>10,000</u>
Total General Revenues				<u>12,002,746</u>
Change in Net Position				1,060,669
NET POSITION - BEGINNING				14,193,910
PRIOR PERIOD ADJUSTMENT				<u>(1,025,498)</u>
NET POSITION - BEGINNING, RESTATED				<u>13,168,412</u>
NET POSITION - ENDING				<u>\$ 14,229,081</u>

MARION INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
AUGUST 31, 2015

DATA CONTROL CODES		10 GENERAL FUND	ESEA TITLE I IMPROVING BASIC PROGRAMS	IDEA PART B FORMULA
	<u>ASSETS</u>			
1110	Cash and Cash Equivalents	\$ 3,257,066	\$ -	\$ -
1225	Taxes Receivable (Net)	144,978	-	-
1240	Receivables from Other Governments	615,077	207,501	261,602
1260	Due from Other Funds	1,019,678	-	-
1290	Other Receivables	22,755	-	-
1300	Inventories	-	-	-
1410	Unrealized Expenditures	<u>13,549</u>	<u>-</u>	<u>-</u>
1000	TOTAL ASSETS	<u>\$ 5,073,103</u>	<u>\$ 207,501</u>	<u>\$ 261,602</u>
	<u>LIABILITIES</u>			
2110	Accounts Payable	\$ 108,895	\$ -	\$ -
2150	Payroll Deductions and Withholdings Payable	2,802	-	-
2160	Accrued Wages Payable	313,251	9,485	11,326
2170	Due to Other Funds	-	197,396	249,171
2200	Accrued Expenditures	<u>37,298</u>	<u>620</u>	<u>1,105</u>
2000	Total Liabilities	<u>462,246</u>	<u>207,501</u>	<u>261,602</u>
	<u>DEFERRED INFLOWS OF RESOURCES</u>			
2600	Unearned Revenue - Property Taxes	<u>144,978</u>	<u>-</u>	<u>-</u>
	Total Liabilities and Deferred Inflows of Resources	<u>607,224</u>	<u>207,501</u>	<u>261,602</u>
	<u>FUND BALANCES</u>			
	Designated Fund Balance:			
3480	Retirement of Long-Term Debt	-	-	-
3490	Other Restrictions of Fund Balance	800,000	-	-
3600	Unassigned Fund Balance	<u>3,665,879</u>	<u>-</u>	<u>-</u>
3000	Total Fund Balances	<u>4,465,879</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 5,073,103</u>	<u>\$ 207,501</u>	<u>\$ 261,602</u>

EXHIBIT C-1

50	OTHER	98
DEBT SERVICE	GOVERNMENTAL	TOTAL
FUND	FUNDS	GOVERNMENTAL
FUND	FUNDS	FUNDS
\$ 338,154	\$ 117,750	\$ 3,712,970
14,520	-	159,498
-	58,257	1,142,437
-	-	1,019,678
-	-	22,755
-	5,714	5,714
-	-	13,549
<u>352,674</u>	<u>181,721</u>	<u>6,076,601</u>
\$ -	\$ 93,520	\$ 202,415
-	-	2,802
-	9,229	343,291
146,010	47,336	639,913
-	178	39,201
<u>146,010</u>	<u>150,263</u>	<u>1,227,622</u>
<u>14,520</u>	<u>-</u>	<u>159,498</u>
<u>160,530</u>	<u>150,263</u>	<u>1,387,120</u>
192,144	-	192,144
-	31,458	831,458
-	-	3,665,879
<u>192,144</u>	<u>31,458</u>	<u>4,689,481</u>
<u>\$ 352,674</u>	<u>\$ 181,721</u>	<u>\$ 6,076,601</u>

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MARION INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AUGUST 31, 2015

EXHIBIT C-2

Total Fund Balances - Governmental Funds Balance Sheet \$ 4,689,481

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.	22,255,572
Property tax receivable unavailable to pay for current period expenditures is deferred in the funds.	149,118
The assets and liabilities of internal service funds are included in the governmental activities in the SNA.	308,759
Payables for bond principal which are not due in the current period are not reported in the funds.	(12,021,230)
Payables for bond interest which are not due in the current period are not reported in the funds.	(7,177)
Payables for net pension liability which are not due in the current period are not reported in the funds.	(918,303)
Payables for compensated absences which are not due in the current period are not reported in the funds.	<u>(227,139)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION \$ 14,229,081

MARION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

DATA CONTROL CODES		10		
		GENERAL FUND	ESEA TITLE I IMPROVING BASIC PROGRAMS	IDEA PART B FORMULA
	REVENUES			
5700	Local and Intermediate Sources	\$ 7,620,807	\$ -	\$ -
5800	State Program Revenues	4,119,296	-	-
5900	Federal Program Revenues	175,148	204,440	255,239
5020	Total Revenues	<u>11,915,251</u>	<u>204,440</u>	<u>255,239</u>
	EXPENDITURES			
	<u>Current:</u>			
0011	Instruction	5,770,034	200,719	169,625
0012	Instructional Resources and Media Service	253,448	-	-
0013	Curriculum and Staff Development	33,239	-	-
0021	Instructional Leadership	189,629	3,721	85,614
0023	School Leadership	649,043	-	-
0031	Guidance, Counseling, and Evaluation Services	79,638	-	-
0032	Social Work Services	142,501	-	-
0033	Health Services	113,078	-	-
0034	Student Transportation	317,973	-	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	581,494	-	-
0041	General Administration	465,057	-	-
0051	Facilities Maintenance and Operations	1,511,628	-	-
0052	Security and Monitoring Services	73,703	-	-
0053	Data Processing Services	238,887	-	-
0061	Community Services	33,590	-	-
	<u>Debt Service:</u>			
0071	Principal on Long-Term Debt	300,000	-	-
0072	Interest on Long-Term Debt	32,646	-	-
0073	Bond Issuance Costs and Fees	1,504	-	-
	<u>Intergovernmental:</u>			
0099	Other Intergovernmental Charges	93,364	-	-
6030	Total Expenditures	<u>10,880,456</u>	<u>204,440</u>	<u>255,239</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,034,795</u>	<u>-</u>	<u>-</u>
	OTHER FINANCING SOURCES AND (USES)			
7912	Sale of Real or Personal Property	10,000	-	-
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	(5,521)	-	-
7080	Total Other Financing Sources and (Uses)	<u>4,479</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	1,039,274		
0100	Fund Balances - Beginning	3,426,605	-	-
1300	Increase (Decrease) in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 4,465,879</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT C-3

50	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
DEBT SERVICE FUND		
\$ 699,345	\$ 242,140	\$ 8,562,292
-	97,033	4,216,329
-	<u>430,673</u>	<u>1,065,500</u>
<u>699,345</u>	<u>769,846</u>	<u>13,844,121</u>
-	138,149	6,278,527
-	-	253,448
-	42,994	76,233
-	1,568	280,532
-	-	649,043
-	-	79,638
-	-	142,501
-	-	113,078
-	-	317,973
-	603,631	603,631
-	36,966	618,460
-	-	465,057
-	-	1,511,628
-	-	73,703
-	-	238,887
-	-	33,590
415,000	-	715,000
230,700	-	263,346
1,478	-	2,982
-	-	<u>93,364</u>
<u>647,178</u>	<u>823,308</u>	<u>12,810,621</u>
<u>52,167</u>	<u>(53,462)</u>	<u>1,033,500</u>
-	-	10,000
-	5,521	5,521
-	-	<u>(5,521)</u>
-	<u>5,521</u>	<u>10,000</u>
52,167	(47,941)	1,043,500
139,977	79,399	3,645,981
-	-	-
<u>\$ 192,144</u>	<u>\$ 31,458</u>	<u>\$ 4,689,481</u>

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, 2015

EXHIBIT C-4

Net Change in Fund Balances - Total Governmental Funds	\$ 1,043,500
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.	53,126
The depreciation of capital assets used in governmental activities is not reported in the funds.	(713,550)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(31,289)
Repayment of bond principal is an expenditure in the funds but is not an expense in the statement of activities.	715,000
The net revenue (expense) of internal service funds is reported with governmental activities.	(111,098)
Changes in net pension liability are reported as amounts expensed in the statement of activities but not in the funds.	107,195
Compensated absences are reported as amounts expensed in the statement of activities but not in the funds.	(27,907)
Bond premiums and accrued interest are reported in the funds but not in the Statement of Activities.	<u>25,692</u>
 CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	 <u>\$ 1,060,669</u>

MARION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
INTERNAL SERVICE FUND  
AUGUST 31, 2015

EXHIBIT D-1

<u>DATA CONTROL CODES</u>		<u>NONMAJOR INTERNAL SERVICE FUND  TRANSPORTATION FUND</u>
	<u>ASSETS</u>	
	<u>Noncurrent Assets</u>	
	Capital Assets:	
1520	Buildings and Improvements	\$ 331,375
1530	Furniture and Equipment	1,718,688
1570	Accumulated Depreciation	<u>(1,352,233)</u>
1000	Total Assets	<u>697,830</u>
	 <u>LIABILITIES</u>	
	<u>Current Liabilities</u>	
2110	Accounts Payable	2,110
2160	Accrued Wages Payable	7,073
2170	Due to Other Funds	379,765
2200	Accrued Expenses	<u>123</u>
2000	Total Liabilities	<u>389,071</u>
	 <u>NET POSITION</u>	
3900	Unrestricted	<u>308,759</u>
3000	Total Net Position	<u>\$ 308,759</u>

MARION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT D-2

<u>DATA CONTROL CODES</u>		<u>NONMAJOR INTERNAL SERVICE FUND</u>	<u>TRANSPORTATION FUND</u>
	<u>OPERATING REVENUES</u>		
5700	Local and Intermediate Sources	\$ 425,242	
5800	State Program Revenues	<u>16,835</u>	
5020	Total Operating Revenues		<u>442,077</u>
	<u>OPERATING EXPENSES</u>		
6100	Payroll Costs		313,349
6200	Professional and Contracted Services		30,744
6300	Supplies and Materials		100,707
6400	Other Operating Costs		<u>108,375</u>
6030	Total Operating Expenses		<u>553,175</u>
1300	Change in Net Position		<u>(111,098)</u>
0100	Total Net Position - Beginning		<u>419,857</u>
3300	Total Net Position - Ending	<u>\$</u>	<u><u>308,759</u></u>

MARION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT D-3

		<u>NONMAJOR INTERNAL SERVICE FUND</u>
		<u>TRANSPORTATION FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Grants	\$	16,835
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds		425,242
Cash Payments to Employees for Services		(311,225)
Cash Payments for Other Suppliers for Goods and Services		<u>216,784</u>
Net Cash Provided (Used) by Operating Activities		<u>347,636</u>
 <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition or Construction of Capital Assets		<u>(347,636)</u>
 Net Cash Provided (Used) for Capital and Related Financing Activities		 <u>(347,636)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents		 -
Cash and Cash Equivalents at Beginning of Year		<u>-</u>
Cash and Cash Equivalents at End of Year	\$	<u>-</u>
 <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</u>		
Operating Income (Loss)	\$	(111,098)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation		94,786
Change in Assets and Liabilities:		
Increase (Decrease) in Accounts Payable		932
Increase (Decrease) in Accrued Wages Payable		2,124
Increase (Decrease) in Interfund Payables		360,859
Increase (Decrease) in Accrued Expenses		<u>33</u>
Total Adjustments		<u>458,734</u>
Net Cash Provided (Used) by Operating Activities	\$	<u>347,636</u>

MARION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2015

EXHIBIT E-1

<u>DATA CONTROL CODES</u>		<u>AGENCY FUND</u>
		<u>STUDENT ACTIVITY</u>
	<u>ASSETS</u>	
1110	Cash and Cash Equivalents	\$ 72,738
1290	Other Receivables	<u>358</u>
1000	Total Assets	<u>\$ 73,096</u>
	<u>LIABILITIES</u>	
	Current Liabilities	
2110	Accounts Payable	\$ 2,201
2190	Due to Student Groups	<u>70,895</u>
2000	Total Liabilities	<u>\$ 73,096</u>
	<u>NET POSITION</u>	
3000	Total Net Position	<u>\$ -</u>



MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Special Revenue Fund-ESEA Title I: This fund is used to account for resources restricted for the Federal Title I program.

Special Revenue Fund-IDEA B, Formula: This fund is used to account for resources restricted for the IDEA B, Formula program.

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.

Additionally, the District reports the following fund types:

Non-Major Governmental Funds:

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

Proprietary Funds:

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

Fiduciary Funds:

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

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

Measurement Focus, Basis of Accounting:

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

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty (60) days after year end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

C. Financial Statement Amounts

Cash and Cash Equivalents

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

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a sixty-day period after the close of the fiscal year.

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

Deposit Accounting Policy

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts (Continued)

Investment Accounting Policy

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

Inventories and Prepaid Items

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

Capital Assets

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

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

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

Receivable and Payable Balances

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

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

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Financial Statement Amounts (Continued)

Compensated Absences

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

Deferred Inflows / Outflows of Resources

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

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

Interfund Activity

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

Use of Estimates

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

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 insure accuracy in building a statewide database for policy development and funding plans.

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Balance

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

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

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

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

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

Unassigned – residual amounts in the general fund that is 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.

E. GASB Implementation

During fiscal year 2015, the District changed accounting policies related to reporting of net pension liability, deferred outflows of resources, and deferred inflows of resources in a statement of net financial position by adopting GASB Statement No. 68 "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27." Accordingly, the effect of the accounting change is reported on the statement of net position, and the statement of activities for the current year.

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS

A. Cash Deposits

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,307,455 and the bank balance was \$1,361,636. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015 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 Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District's investments at August 31, 2015 are shown below:

DESCRIPTION	MINIMUM LEGAL RATING	INVESTMENT RATING	RATING ORGANIZATION	CARRYING/FAIR VALUE	PERCENTAGE INVESTED
TexPool Investment Fund	AAA	AAAm	Standard & Poors	\$ 422,357	17.05%
Logic	AAA	AAA	Standard & Poors	2,054,446	82.95%
TOTAL INVESTMENTS				<u>\$ 2,476,803</u>	<u>100%</u>

C. Analysis of Specific Deposit and Investment Risks

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

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the District's investment policy and the Act and the actual rating as of August 31, 2015 for each investment:

Custodial Credit Risk

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

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

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

Concentration of Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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



MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 2: DEPOSITS AND INVESTMENTS (CONTINUED)

D. Investment Accounting Policy

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

E. Public Funds Investment Pools

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

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

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2015 was as follows:

	BEGINNING BALANCE 09/01/14	ADDITIONS	DELETIONS	TRANSFERS	ENDING BALANCE 08/31/15
<u>GOVERNMENTAL ACTIVITIES</u>					
Capital Assets Not Being Depreciated:					
Land	\$ 406,922	\$ -	\$ -	\$ -	\$ 406,922
Total Capital Assets not being Depreciated	<u>406,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>406,922</u>
Capital Assets being Depreciated:					
Buildings and Improvements	30,266,716	-	-	-	30,266,716
Equipment	<u>1,227,915</u>	<u>53,126</u>	<u>-</u>	<u>-</u>	<u>1,281,041</u>
Total Capital Assets being Depreciated	<u>31,494,631</u>	<u>53,126</u>	<u>-</u>	<u>-</u>	<u>31,547,757</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(8,398,178)	(649,171)	-	-	(9,047,349)
Equipment	<u>(587,379)</u>	<u>(64,379)</u>	<u>-</u>	<u>-</u>	<u>(651,758)</u>
Total Accumulated Depreciation	<u>(8,985,557)</u>	<u>(713,550)</u>	<u>-</u>	<u>-</u>	<u>(9,699,107)</u>
Total Capital Assets being Depreciated, Net	<u>22,509,074</u>	<u>(660,424)</u>	<u>-</u>	<u>-</u>	<u>21,848,650</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 22,915,996</u>	<u>\$ (660,424)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,255,572</u>
	BEGINNING BALANCE 09/01/14	ADDITIONS	DELETIONS	TRANSFERS	ENDING BALANCE 08/31/15
<u>BUSINESS-TYPE ACTIVITIES</u>					
Capital Assets being Depreciated:					
Buildings and Improvements	\$ 331,375	\$ -	\$ -	\$ -	\$ 331,375
Equipment	1,371,052	347,636	-	-	1,718,688
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets being Depreciated	<u>1,702,427</u>	<u>347,636</u>	<u>-</u>	<u>-</u>	<u>2,050,063</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(143,596)	(11,046)	-	-	(154,642)
Equipment	<u>(1,113,851)</u>	<u>(83,740)</u>	<u>-</u>	<u>-</u>	<u>(1,197,591)</u>
Total Accumulated Depreciation	<u>(1,257,447)</u>	<u>(94,786)</u>	<u>-</u>	<u>-</u>	<u>(1,352,233)</u>
Total Capital Assets being Depreciated, Net	<u>444,980</u>	<u>252,850</u>	<u>-</u>	<u>-</u>	<u>697,830</u>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 444,980</u>	<u>\$ 252,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 697,830</u>

MARION INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 3: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions as follows:

	AMOUNT
Instruction	\$ 393,436
Instruction Resources and Media Services	15,890
Curriculum and Staff Development	4,779
Instructional Leadership	17,588
School Leadership	40,692
Guidance, Counseling, and Evaluation Services	4,993
Social Work Services	8,934
Health Services	7,090
Food Services	37,845
Extracurricular Activities	38,775
General Administration	29,157
Plant Maintenance and Operations	94,773
Security and Monitoring Services	4,621
Data Processing Services	14,977
TOTAL DEPRECIATION EXPENSE	\$ 713,550

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 5.3%.

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

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, 2015 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNT ORIGINAL ISSUE	AMOUNT OUTSTANDING 09/01/14	ISSUED	RETIRED/ REFUNDED	AMOUNT OUTSTANDING 08/31/15
School Building Bonds 1999	5.0 - 5.3%	\$ -	\$ 20,000	\$ -	\$ (20,000)	\$ -
School Building Bonds 2009	2.8 - 3.8%	-	75,000		(75,000)	-
School Building Bonds 2012	2.5 - 2.5%	-	7,485,000		(260,000)	7,225,000
School Building Bonds 2012	.7 - 1.37%	-	1,025,000		(195,000)	830,000
School Building Bonds 2013	2.0 - 3.0%	-	2,255,000		(155,000)	2,100,000
School Building Bonds 2013	1.23%	-	1,535,000	-	(10,000)	1,525,000
TOTALS		<u>\$ -</u>	<u>\$ 12,395,000</u>	<u>\$ -</u>	<u>\$ (715,000)</u>	<u>\$ 11,680,000</u>

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2015 are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 12,395,000	\$ -	\$ (715,000)	\$ 11,680,000	\$ 730,000
Bond Premium	361,302	-	(20,072)	341,230	-
Compensated Absences	<u>199,232</u>	<u>101,355</u>	<u>(73,448)</u>	<u>227,139</u>	<u>-</u>
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 12,955,534</u>	<u>\$ 101,355</u>	<u>\$ (808,520)</u>	<u>\$ 12,248,369</u>	<u>\$ 730,000</u>

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 4: LONG-TERM OBLIGATIONS (CONTINUED)

B. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2015, are as follows:

<u>YEAR ENDING AUGUST 31,</u>	<u>GOVERNMENTAL ACTIVITIES</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 730,000	\$ 248,371	\$ 978,371
2017	750,000	234,816	984,816
2018	765,000	220,403	985,403
2019	785,000	207,778	992,778
2020	755,000	194,338	949,338
2021-2025	3,480,000	757,042	4,237,042
2026-2030	3,050,000	413,675	3,463,675
2031-2032	<u>1,365,000</u>	<u>55,175</u>	<u>1,420,175</u>
TOTALS	<u>\$ 11,680,000</u>	<u>\$ 2,331,596</u>	<u>\$ 14,011,596</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 2015, 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, 2015, employees of the District were covered by a health insurance plan. The District paid premiums of \$49,991 to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by a contractual agreement.

NOTE 7: DEFINED BENEFIT PENSION PLAN

**Plan Description.** The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article 16, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
 Net Position as percentage of Total Pension Liability	 83.25%

**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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

MARION INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

<u>Contribution Rates</u>	<u>2014</u>	<u>2015</u>
Member (Employees)	6.4%	6.7%
Non-Employer Contributing Entity (State of Texas)	6.8%	6.8%
Employer (District)	6.8%	6.8%
<u>Contributions</u>		
Member	\$ 407,065	\$ 444,715
Non-Employer Contributing Entity	350,209	375,515
Employer	85,908	190,858

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 including public 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.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions.** The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

\*Includes Inflation of 3%

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**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, 2014 are summarized below:



MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

\* 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 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ 1,617,386	\$ 905,115	\$ 372,470

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2015, the District reported a liability of \$905,115 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	\$ 905,115
State's proportionate share that is associated with the District	<u>3,697,632</u>
<b>Total</b>	<u><u>\$ 4,602,747</u></u>

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (CONTINUED)

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .000033885%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the measurement period August 31, 2014, the District recognized pension expense of \$350,209 and revenue of \$350,209 for support provided by the State.

At August 31, 2014, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 13,998	\$ -
Changes in actuarial assumptions	58,833	-
Difference between projected and actual investment earnings	-	276,640
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	237
Contributions paid to TRS subsequent to the measurement date	190,858	-
<b>Total</b>	<b>\$ 263,689</b>	<b>\$ 276,877</b>

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:

2016	\$ (56,913)
2017	(56,913)
2018	(56,913)
2019	12,247
Thereafter	11,359

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

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, 2015, consisted of the following:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Other Governmental Funds	\$ 47,336	Short-Term Loans
General Fund	Major Fund, Title I	197,396	Short-Term Loans
General Fund	Major Fund, IDEA B, Formula	249,171	
General Fund	Major Fund, Debt Service Fund	<u>146,010</u>	Short-Term Loans
		<u>639,913</u>	
General Fund	Internal Service - Transportation	<u>379,765</u>	Short-Term Loans
TOTAL		<u>\$ 1,019,678</u>	

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

B. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2015, consisted of the following:

<u>TRANSFERS FROM</u>	<u>TRANSFERS TO</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Child Nutrition Program	<u>\$ 5,521</u>	Supplement Other Fund Sources

MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED AUGUST 31, 2015

NOTE 10: CONCENTRATIONS

The District receives 52.9% of its taxes from a single taxpayer, Guadalupe Power Partners, LP.

NOTE 11: RESTATEMENT OF NET POSITION

During fiscal year 2015, the District adopted GASB Statement No. 68, Accounting and Reporting for Pensions. With the adoption of this standard, the District must assume their proportionate share of the Net Pension Liability of TRS. Adoption of GASB No. 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$1,025,498). The restated beginning net position for the Governmental Activities is \$13,168,412.

## **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, 2015

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL	
		ORIGINAL	FINAL		
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 7,539,000	\$ 7,539,000	\$ 7,620,807	\$ 81,807
5800	State Program Revenues	3,891,000	3,891,000	4,119,296	228,296
5900	Federal Program Revenues	50,000	50,000	175,148	125,148
5020	Total Revenues	<u>11,480,000</u>	<u>11,480,000</u>	<u>11,915,251</u>	<u>435,251</u>
<b>EXPENDITURES</b>					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	5,732,882	5,767,882	5,770,034	(2,152)
0012	Instructional Resources and Media Services	257,005	257,005	253,448	3,557
0013	Curriculum and Staff Development	<u>64,030</u>	<u>64,030</u>	<u>33,239</u>	<u>30,791</u>
	Total Instruction and Instructional Related Services	<u>6,053,917</u>	<u>6,088,917</u>	<u>6,056,721</u>	<u>32,196</u>
Instructional and School Leadership:					
0021	Instructional Leadership	195,219	195,219	189,629	5,590
0023	School Leadership	<u>617,699</u>	<u>657,699</u>	<u>649,043</u>	<u>8,656</u>
	Total Instructional and School Leadership	<u>812,918</u>	<u>852,918</u>	<u>838,672</u>	<u>14,246</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling, and Evaluation Services	107,493	83,493	79,638	3,855
0032	Social Work Services	144,471	144,471	142,501	1,970
0033	Health Services	122,812	122,812	113,078	9,734
0034	Student (Pupil) Transportation	500,000	461,000	317,973	143,027
0036	Cocurricular/Extracurricular Activities	<u>578,375</u>	<u>598,375</u>	<u>581,494</u>	<u>16,881</u>
	Total Support Services - Student (Pupil)	<u>1,453,151</u>	<u>1,410,151</u>	<u>1,234,684</u>	<u>175,467</u>
Administrative Support Services:					
0041	General Administrative	<u>522,390</u>	<u>482,390</u>	<u>465,057</u>	<u>17,333</u>
	Total Administrative Support Services	<u>522,390</u>	<u>482,390</u>	<u>465,057</u>	<u>17,333</u>
Support Services - Nonstudent Based:					
0051	Facilities Maintenance and Operations	1,844,133	1,844,133	1,511,628	332,505
0052	Security and Monitoring Services	75,200	75,200	73,703	1,497
0053	Data Processing Services	<u>255,307</u>	<u>255,307</u>	<u>238,887</u>	<u>16,420</u>
	Total Support Services - Nonstudent Based	<u>2,174,640</u>	<u>2,174,640</u>	<u>1,824,218</u>	<u>350,422</u>
Ancillary Services:					
0061	Community Services	<u>33,484</u>	<u>33,984</u>	<u>33,590</u>	<u>394</u>
	Total Ancillary Services	<u>33,484</u>	<u>33,984</u>	<u>33,590</u>	<u>394</u>
Debt Service:					
0071	Principal on Long-Term Debt	309,350	309,350	300,000	9,350
0072	Interest on Long-Term Debt	32,646	32,646	32,646	-
0073	Bond Issuance Cost and Fees	<u>1,504</u>	<u>1,504</u>	<u>1,504</u>	<u>-</u>
	Total Debt Service	<u>343,500</u>	<u>343,500</u>	<u>334,150</u>	<u>9,350</u>

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL	FINAL		
	EXPENDITURES (CONTINUED)				
	<u>Capital Outlay:</u>				
0081	Facilities Acquisition and Construction	-	-	-	-
	Total Capital Outlay	-	-	-	-
	<u>Intergovernmental Charges:</u>				
	Contracted Instructor Services between				
0099	Other Intergovernmental Charges	86,000	93,500	93,364	136
	Total Intergovernmental Charges	86,000	93,500	93,364	136
6030	Total Expenditures	11,480,000	11,480,000	10,880,456	599,544
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	1,034,795	1,034,795
	<u>OTHER FINANCING SOURCES (USES):</u>				
7912	Sale of Real or Personal Property	-	-	10,000	10,000
8911	Transfers Out (Use)	-	-	(5,521)	(5,521)
7080	Total Other Financing Sources (Uses)	-	-	4,479	4,479
1200	Net Change in Fund Balance	-	-	1,039,274	1,039,274
0100	FUND BALANCE - BEGINNING	3,426,605	3,426,605	3,426,605	-
1300	INCREASE (DECREASE) IN FUND BALANCE	-	-	1,039,274	1,039,274
3000	FUND BALANCE - ENDING	\$ 3,426,605	\$ 3,426,605	\$ 4,465,879	\$ 1,039,274

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, 2015

EXHIBIT G-2

	2015
District's Proportion of the Net Pension Liability (Asset)	0.000033885%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 905,115
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District.	3,697,632
Total	\$ 4,602,747
District's Covered-Employee Payroll	\$ 6,360,386
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	13.26%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information in this schedule be data from the period corresponding with the period covered by the measurement date of August 31, 2014 – the period from September 1, 2013 – August 31, 2014.

Note: Only one year of data is 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, 2015

EXHIBIT G-3

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

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 – August 31, 2014.

Note: Only one year of data is 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, 2015

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	\$ 117,750	\$ 117,750
1240	Receivables from Other Governments	58,257	58,257
1260	Due from Other Funds	-	-
1290	Other Receivables	-	-
1300	Inventories	<u>5,714</u>	<u>5,714</u>
1000	TOTAL ASSETS	<u>\$ 181,721</u>	<u>\$ 181,721</u>
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	\$ 93,520	\$ 93,520
2160	Accrued Wages Payable	9,229	9,229
2170	Due to Other Funds	47,336	47,336
2200	Accrued Expenditures	<u>178</u>	<u>178</u>
2000	Total Liabilities	<u>150,263</u>	<u>150,263</u>
	FUND BALANCES		
3000	Total Fund Balances	<u>31,458</u>	<u>31,458</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 181,721</u>	<u>\$ 181,721</u>

MARION INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	REVENUES		
5700	Local and Intermediate Sources	\$ 242,140	\$ 242,140
5800	State Program Revenues	97,033	97,033
5900	Federal Program Revenues	<u>430,673</u>	<u>430,673</u>
5020	Total Revenues	<u>769,846</u>	<u>769,846</u>
	EXPENDITURES		
	<u>Current</u>		
0011	Instruction	138,149	138,149
0013	Curriculum Development and Instructional Staff Development	42,994	42,994
0021	Instructional Leadership	1,568	1,568
0035	Food Service	603,631	603,631
0036	Cocurricular/Extracurricular Activities	<u>36,966</u>	<u>36,966</u>
6030	Total Expenditures	<u>823,308</u>	<u>823,308</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(53,462)</u>	<u>(53,462)</u>
	<u>Other Financing Sources (Uses)</u>		
7915	Transfers In	<u>5,521</u>	<u>5,521</u>
7020	Total Other Financing Sources	<u>5,521</u>	<u>5,521</u>
7080	Total Other Financing Sources and (Uses)	<u>5,521</u>	<u>5,521</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>(47,941)</u>	<u>(47,941)</u>
0100	Fund Balances - Beginning	79,399	79,399
1300	Increase (Decrease) in Fund Balance	<u>(47,941)</u>	<u>(47,941)</u>
3000	FUND BALANCES - ENDING	<u>\$ 31,458</u>	<u>\$ 31,458</u>

MARION INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

DATA CONTROL CODES		225 IDEA PART B PRESCHOOL	240 NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
	ASSETS		
1110	Cash and Cash Equivalents	\$ -	\$ 12,270
1240	Receivables from Other Governments	3,599	10,921
1260	Due from Other Funds	-	-
1290	Other Receivables	-	-
1300	Inventories	-	5,714
1000	TOTAL ASSETS	\$ 3,599	\$ 28,905
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	\$ -	\$ 13,043
2160	Accrued Wages Payable	-	9,229
2170	Due to Other Funds	3,599	-
2200	Accrued Expenditures	-	178
2000	Total Liabilities	3,599	22,450
	FUND BALANCES		
3490	Other Restrictions of Fund Balance	-	6,455
3000	Total Fund Balances	-	6,455
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 3,599	\$ 28,905

EXHIBIT H-3

255 ESEA TITLE II TRAINING AND RECRUITING	289 SUMMER LEP	385 VISUALLY IMPAIRED	410 STATE TEXBOOK FUND
\$ -	\$ -	\$ -	\$ 75,634
43,737	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 43,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,634</u>
\$ -	\$ -	\$ -	\$ 75,634
-	-	-	-
43,737	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>43,737</u>	<u>-</u>	<u>-</u>	<u>75,634</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 43,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,634</u>

MARION INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT H-3

<u>DATA CONTROL CODES</u>		<u>461 CAMPUS ACTIVITY FUNDS</u>	<u>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</u>
	ASSETS		
1110	Cash and Cash Equivalents	\$ 29,846	\$ 117,750
1240	Receivables from Other Governments	-	58,257
1260	Due from Other Funds	-	-
1290	Other Receivables	-	-
1300	Inventories	<u>-</u>	<u>5,714</u>
1000	TOTAL ASSETS	<u>\$ 29,846</u>	<u>\$ 181,721</u>
	LIABILITIES		
	Current Liabilities		
2110	Accounts Payable	\$ 4,843	\$ 93,520
2160	Accrued Wages Payable	-	9,229
2170	Due to Other Funds	-	47,336
2200	Accrued Expenditures	<u>-</u>	<u>178</u>
2000	Total Liabilities	<u>4,843</u>	<u>150,263</u>
	DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable Revenue - Property Taxes	<u>-</u>	<u>-</u>
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
	FUND BALANCES		
3490	Other Restrictions of Fund Balance	<u>25,003</u>	<u>31,458</u>
3000	Total Fund Balances	<u>25,003</u>	<u>31,458</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 29,846</u>	<u>\$ 181,721</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, 2015

DATA CONTROL CODES		225 IDEA PART B PRESCHOOL	240 NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
	REVENUES		
5700	Local and Intermediate Sources	\$ -	202,867
5800	State Program Revenues	-	20,574
5900	Federal Program Revenues	3,599	381,124
5020	Total Revenues	<u>3,599</u>	<u>604,565</u>
	EXPENDITURES		
	<u>Current</u>		
0011	Instruction	3,599	-
0013	Curriculum Development and Instructional Staff Development	-	-
0021	Instructional Leadership	-	-
0035	Food Service	-	603,631
0036	Cocurricular/Extracurricular Activities	-	-
6030	Total Expenditures	<u>3,599</u>	<u>603,631</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>934</u>
	<u>Other Financing Sources (Uses)</u>		
7915	Transfers In	-	5,521
7020	Total Other Financing Sources	<u>-</u>	<u>-</u>
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>5,521</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>6,455</u>
0100	Fund Balances - Beginning	-	-
1300	Increase (Decrease) in Fund Balance	<u>-</u>	<u>6,455</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 6,455</u>



EXHIBIT H-4

255 ESEA TITLE II, A TRAINING AND RECRUITING	289 SUMMER LEP	385 VISUALLY IMPAIRED	410 STATE TEXTBOOK FUND
\$ -	\$ -	\$ -	\$ -
-	-	825	75,634
<u>43,737</u>	<u>2,213</u>	<u>-</u>	<u>-</u>
<u>43,737</u>	<u>2,213</u>	<u>825</u>	<u>75,634</u>
-	1,100	-	133,450
42,994	-	-	-
743	-	825	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>43,737</u>	<u>1,100</u>	<u>825</u>	<u>133,450</u>
<u>-</u>	<u>1,113</u>	<u>-</u>	<u>(57,816)</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>1,113</u>	<u>-</u>	<u>(57,816)</u>
<u>-</u>	<u>(1,113)</u>	<u>-</u>	<u>57,816</u>
<u>-</u>	<u>1,113</u>	<u>-</u>	<u>(57,816)</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, 2015

EXHIBIT H-4

<u>DATA CONTROL CODES</u>		461 <u>CAMPUS ACTIVITY FUNDS</u>	TOTAL NONMAJOR SPECIAL REVENUE <u>FUNDS</u>
	REVENUES		
5700	Local and Intermediate Sources	39,273	242,140
5800	State Program Revenues	-	97,033
5900	Federal Program Revenues	-	<u>430,673</u>
5020	Total Revenues	<u>39,273</u>	<u>769,846</u>
	EXPENDITURES		
	<u>Current</u>		
0011	Instruction	-	138,149
0013	Curriculum Development and Instructional Staff Development	-	42,994
0021	Instructional Leadership	-	1,568
0035	Food Service	-	603,631
0036	Cocurricular/Extracurricular Activities	<u>36,966</u>	<u>36,966</u>
6030	Total Expenditures	<u>36,966</u>	<u>823,308</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,307</u>	<u>(53,462)</u>
	<u>Other Financing Sources (Uses)</u>		
7915	Transfers In	-	<u>5,521</u>
7020	Total Other Financing Sources	-	-
7080	Total Other Financing Sources and (Uses)	-	<u>5,521</u>
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other Uses	<u>2,307</u>	<u>(47,941)</u>
0100	Fund Balances - Beginning	22,696	79,399
1300	Increase (Decrease) in Fund Balance	<u>2,307</u>	<u>(47,941)</u>
3000	FUND BALANCES - ENDING	<u>\$ 25,003</u>	<u>\$ 31,458</u>

MARION INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT I-1

<u>DATA CONTROL CODES</u>	<u>BALANCE SEPTEMBER 1, 2014</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE AUGUST 31, 2015</u>
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 88,794	\$ -	\$ 16,056	\$ 72,738
Other Receivables	323	35	-	358
Total Assets	<u>\$ 89,117</u>	<u>\$ 35</u>	<u>\$ 16,056</u>	<u>\$ 73,096</u>
Liabilities:				
Accounts Payable	\$ 649	\$ 1,552	\$ -	\$ 2,201
Due to Other Funds	-	-	-	-
Due to Student Groups	88,468	-	17,573	70,895
Total Liabilities	<u>\$ 89,117</u>	<u>\$ 1,552</u>	<u>\$ 17,573</u>	<u>\$ 73,096</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, 2015

<u>YEAR ENDED AUGUST 31,</u>	(1)	(2)	(3)
	<u>TAX RATES</u>		<u>ASSESSED/APPRAISED VALUE FOR SCHOOL TAX PURPOSES</u>
	<u>MAINTENANCE</u>	<u>DEBT SERVICE</u>	
2006 and Prior Years	Various	Various	\$ 366,632,925
2007	1.37	.1615	384,570,463
2008	1.04	.19	387,848,614
2009	1.08	.15	398,823,872
2010	1.08	.14	427,284,580
2011	1.17	.14	430,003,826
2012	1.17	.1303	497,416,229
2013	1.17	.11	521,019,894
2014	1.17	.11	574,191,355
2015 (School Year Under Audit)	1.17	.11	625,973,705

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 09/01/2014	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 8/31/2015
\$ 29,919	\$ -	\$ 2,347	\$ 375	\$ (936)	\$ 26,261
6,295	-	1,206	142	(372)	4,575
5,141	-	335	62	(247)	4,497
10,788	-	1,634	227	-	8,927
14,681	-	1,670	217	(132)	12,662
13,496	-	2,838	340	650	10,968
29,113	-	15,011	1,708	615	13,009
50,786	-	17,113	1,608	298	32,363
139,511	-	72,546	6,760	(5,564)	54,641
<u>-</u>	<u>7,942,333</u>	<u>7,240,945</u>	<u>679,828</u>	<u>79,114</u>	<u>100,674</u>
<u>\$ 299,730</u>	<u>\$ 7,942,333</u>	<u>\$ 7,355,645</u>	<u>\$ 691,267</u>	<u>\$ 73,426</u>	<u>\$ 268,577</u>

MARION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT J-2

DATA CONTROL CODES	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL			
REVENUES					
5700	Local and Intermediate Sources	\$ 230,774	\$ 230,774	\$ 202,867	\$ (27,907)
5800	State Program Revenues	23,226	23,226	20,574	(2,652)
5900	Federal Program Revenues	<u>350,000</u>	<u>390,000</u>	<u>381,124</u>	<u>(8,876)</u>
5020	Total Revenues	<u>604,000</u>	<u>644,000</u>	<u>604,565</u>	<u>(39,435)</u>
EXPENDITURES					
Current:					
<u>Support Services - Student (Pupil)</u>					
0035	Food Services	<u>604,000</u>	<u>644,000</u>	<u>603,631</u>	<u>40,369</u>
	Total Support Services - Student (Pupil)	<u>604,000</u>	<u>644,000</u>	<u>603,631</u>	<u>40,369</u>
6030	Total Expenditures	<u>604,000</u>	<u>644,000</u>	<u>603,631</u>	<u>40,369</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	934	934
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	-	<u>5,521</u>	<u>5,521</u>
7080	Total Other Financing Sources (Uses)	-	-	<u>5,521</u>	<u>5,521</u>
1200	Net Change in Fund Balance			6,455	6,455
0100	FUND BALANCE - BEGINNING	-	-	-	-
3000	FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,455</u>	<u>\$ 6,455</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, 2015

EXHIBIT J-3

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL	FINAL		
	REVENUES				
5700	Local and Intermediate Sources	\$ 695,000	\$ 695,000	\$ 699,345	\$ 4,345
5020	Total Revenues	<u>695,000</u>	<u>695,000</u>	<u>699,345</u>	<u>4,345</u>
	EXPENDITURES				
	Debt Service				
0071	Principal on Long-Term Debt	417,822	417,822	415,000	2,822
0072	Interest on Long-Term Debt	230,700	230,700	230,700	-
0073	Bond Issuance Costs and Fees	<u>1,478</u>	<u>1,478</u>	<u>1,478</u>	<u>-</u>
	Total Debt Service	<u>417,822</u>	<u>650,000</u>	<u>647,178</u>	<u>2,822</u>
6030	Total Expenditures	<u>417,822</u>	<u>650,000</u>	<u>647,178</u>	<u>2,822</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>277,178</u>	<u>45,000</u>	<u>52,167</u>	<u>7,167</u>
1200	Net Change in Fund Balance	277,178	45,000	52,167	7,167
0100	FUND BALANCE - BEGINNING	139,977	139,977	139,977	-
1300	Increase (Decrease) in Fund Balance	<u>277,178</u>	<u>45,000</u>	<u>52,167</u>	<u>7,167</u>
3000	FUND BALANCE - ENDING	<u>\$ 417,155</u>	<u>\$ 184,977</u>	<u>\$ 192,144</u>	<u>\$ 7,167</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 the Marion Independent School District (the District) as of and for the year ended August 31, 2015, 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 January 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants  
San Antonio, Texas

January 20, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133

Board of School Trustees  
Marion Independent School District  
Marion, Texas

Report on Compliance for Each Major Federal Program

We have audited Marion Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each federal major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants  
San Antonio, Texas

January 20, 2016

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MARION INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

<b>FINANCIAL STATEMENTS</b>			
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

<b>FEDERAL AWARDS</b>			
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 Circular A-133, Section 510(a)?		<u>  X  </u> Yes	<u>    </u> No

<b>IDENTIFICATION OF MAJOR PROGRAMS</b>			
CFDA Number(s)		Name of Federal Program or Cluster	
10.553 10.555 10.555		U.S. Department of Agriculture: School Breakfast Program School Lunch Program Commodity Supplement Food Program	
Dollar threshold used to distinguish between Type A and Type B programs:			\$300,000
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, 2015

Schedule of Findings and Questioned Costs

SECTION II: Financial Statement Findings:

NONE

Section III: Federal Award Findings and Questioned Costs

United States Department of Agriculture

2015-001                      Child Nutrition Cluster –  
CFDA No. 10.553; Federal Award No. 094-094; Grant Period:  
September 1, 2014 to August 31, 2015;  
CFDA No. 10.555; Federal Award No. 094-094; Grant Period:  
September 1, 2014 to August 31, 2015;

**Application Verification**

*Condition:* The District did not verify the minimum percentage of eligible free and reduced lunch participants as required by program compliance requirements.

*Criteria:* The Child Nutrition program requires the District to verify eligibility of 3% of total participants. The calculation for 3% of participants calculated to 5.1 participants. The District did not round up, as required, to verify 6 participants and only verified 5. In addition, the food nutrition system tool used by the District to plan and conduct the verification notified them of the noncompliance at the time of the verification process but the District did not expand the sample size.

*Cause:* Unknown

*Effect:* The District is not in compliance with the programs compliance requirements.

*Recommendation:* The District should calculate the number of total reduced price eligible students and then verify at least one more than the calculation.

*Planned Corrective Action:* Courtney Junkin, Food Service Director, will ensure that at least one more reduced price eligible student is verified than what is calculated.

*Responsible Official:* Courtney Junkin, Food Service Director

MARION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015

Finding / Recommendation	Current Status	Management's Explanation (if not implemented)
--------------------------	----------------	--------------------------------------------------

None

MARION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2015

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
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs *	84.010A	14610101094904	\$ 6,976
ESEA Title I, Part A - Improving Basic Programs *	84.010A	15610101094904	187,359
ESEA Title I, Part A - Improving Basic Programs *	84.010A	16610101094904	<u>10,105</u>
Total CFDA Number 84.010A			<u>204,440</u>
IDEA-Part B, Formula *	84.027	156600010949046600	242,809
IDEA-Part B, Formula *	84.027	166600010949046600	<u>12,430</u>
Total CFDA Number 84.027			<u>255,239</u>
IDEA-Part B, Preschool *	84.173	156610010949046610	<u>3,599</u>
Total Special Education Cluster (IDEA)			258,838
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	15694501094904	<u>43,737</u>
Summer LEP	84.369A	119550502	<u>2,213</u>
Total Passed Through State Department of Education			<u>509,228</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>509,228</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed Through State Department of Agriculture			
School Breakfast Program *	10.553	094-904	84,800
School Lunch Program *	10.555	094-904	258,857
Commodity Supplement Food Program *	10.565	094-904	<u>37,467</u>
Total Child Nutrition Cluster			<u>381,124</u>
Total Passed Through State Department of Agriculture			<u>381,124</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>381,124</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 890,352</u>



MARION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2015

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

SHARS RECONCILIATION

SHARS Funding	\$ 175,148
Total from Expenditure of Federal Awards	<u>890,352</u>
Total Federal Revenue per C-3	<u>\$ 1,065,500</u>

MARION INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 FOR THE YEAR ENDED AUGUST 31, 2015

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>\$ 905,115</u>
SF13	Pension Expense (6147) at fiscal year-end.	<u>\$ (107,195)</u>

(The Accompanying Notes are an Integral Part of this Schedule)