

MARBLE FALLS
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2011

Marble Falls Independent School District
Annual Financial Report
For The Year Ended August 31, 2011

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For The Year Ended August 31, 2011

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Introductory Section

CERTIFICATE OF BOARD

Marble Falls Independent School District
Name of School District

Burnet
County

027-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____disapproved for the year ended August 31, 2011, at a meeting of the board of trustees of such school district on the 23 day of January, 2012.


Signature of Board Secretary


Signature of Board President

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

Financial Section

WEST, DAVIS & COMPANY, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759

Independent Auditors' Report on Financial Statements

Board of Trustees
Marble Falls Independent School District
Marble Falls, 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 Marble Falls Independent School District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marble Falls Independent School District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Marble Falls Independent School District as of August 31, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2012, on our consideration of Marble Falls Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Marble Falls Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular

A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

West, Davis & Company

West, Davis & Company, LLP
January 16, 2012

Marble Falls Independent School District

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Marble Falls Independent School District (the District), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2011. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements, which begin on page 10. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 10 and 11). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise. Fund financial statements (starting on page 12) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Assets and the Statement of Activities, we classify the District's activities as Governmental activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. The internal service funds report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs. The District, at present, maintains no proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities increased from \$22.9 million to \$26.1 million. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$9.4 million at August 31, 2011. This increase in governmental net assets was the result of the District's decreased expense of contracted instructional services between schools and correction of capital assets schedule.

Table I
Marble Falls Independent School District

NET ASSETS
in thousands

	Governmental Activities	
	2011	2010*
Current and other assets	14,470	12,788
Capital assets	95,419	97,170
Total assets	109,889	109,958
Long-term liabilities	81,887	85,151
Other liabilities	1,919	1,903
Total liabilities	83,806	87,054
Net Assets:		
Invested in capital assets net of related debt	14,176	12,703
Restricted	2,487	1,359
Unrestricted	9,420	8,842
Total net assets	26,083	22,904

Table II
Marble Falls Independent School District

CHANGES IN NET ASSETS
in thousands

	Governmental Activities	
	2011	2010*
Revenues:		
Program Revenues:		
Charges for Services	896	1,025
Operating grants and contributions	5,620	4,867
General Revenues:		
Maintenance and operations taxes	30,238	29,471
Debt Service taxes	7,236	6,921
State aid - formula grants	6,431	5,684
Investment Earnings	99	92
Miscellaneous	457	636
Total Revenue	<u>50,977</u>	<u>48,696</u>
Expenses:		
Instruction, curriculum and media services	22,596	23,478
Instructional and school leadership	2,973	3,195
Student support services	3,610	3,588
Child nutrition	2,023	1,942
Extracurricular activities	1,515	1,612
General administration	1,090	1,026
Plant maintenance, security and data processing	5,845	6,143
Community services	156	329
Debt services	3,434	2,248
Contracted Inst. Services between School	3,886	2,704
Other Intergovernmental Charges	670	655
Total Expenses	<u>47,798</u>	<u>46,920</u>
Increase in net assets	3,179	1,776
Net assets at Beginning	<u>22,904</u>	<u>21,128</u>
Net assets at Ending	<u>26,083</u>	<u>22,904</u>

*As restated

THE DISTRICT'S FUNDS

As the District completed this annual period, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$10.3 million, which is \$1.5 million more than last year's total of \$8.8 million. Included in this year's total change in fund balance is an increase of \$880 thousand in the District's General Fund, \$530 thousand in the Debt Service Fund and \$69 thousand in Other Governmental Funds.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2010). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had \$95.4 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

The District added some \$903 thousand in capital assets during the year, over half that amount relating to Buildings and Improvements. More detailed information about the District's capital assets is presented in Note D to the financial statements.

Debt

At year-end, the District had \$74.5 million in bonds outstanding versus \$77.7 million last year. More detailed information about the District's long-term liabilities is presented in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During the 2011-12 budget cycle the District considered options to reduce spending because current revenue sources would not provide adequate funding. As a result, the District continued with the two year attrition plan which began in the 2010-11 budget cycle. This plan will work to reduce staffing without a reduction-in-force. The District continues to use the comparison study and staffing targets, which were established as a result of this comparison study.

In addition, department managers were asked to trim 10% off of their operating budgets for the 2011-12 school year.

The District continues to look for ways to decrease costs in such a way that the impact on education is minimal.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Marble Falls Independent School District, 1800 Colt Circle, Marble Falls, Texas 78654.

Basic Financial Statements

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET ASSETS**

AUGUST 31, 2011

		1	
Data Control Codes		Governmental Activities	
ASSETS:			
1110	Cash and Cash Equivalents	\$	10,041,030
1120	Current Investments		986,720
1225	Property Taxes Receivable (Net)		1,918,516
1240	Due from Other Governments		707,772
1290	Other Receivables (Net)		21,947
1300	Inventories		103,431
1410	Deferred Expenses		63,131
1420	Capitalized Bond and Other Debt Issuance Costs		627,557
Capital Assets:			
1510	Land		3,047,266
1520	Buildings and Improvements, Net		90,817,421
1530	Furniture and Equipment, Net		1,554,226
1000	Total Assets		109,889,017
LIABILITIES:			
2110	Accounts Payable		210,266
2140	Interest Payable		129,239
2165	Accrued Liabilities		1,433,001
2300	Unearned Revenue		146,488
Noncurrent Liabilities:			
2501	Due Within One Year		3,224,524
2502	Due in More Than One Year		78,662,439
2000	Total Liabilities		83,805,957
NET ASSETS			
3200	Invested in Capital Assets, Net of Related Debt		14,176,374
Restricted For:			
3820	Federal and State Programs		537,467
3850	Debt Service		1,725,656
3870	Campus Activities		223,246
3900	Unrestricted		9,420,317
3000	Total Net Assets	\$	26,083,060

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 21,830,288	\$ 60,216	\$ 2,523,937	\$ (19,246,135)
12	Instructional Resources and Media Services	599,072	--	6,320	(592,752)
13	Curriculum and Staff Development	166,476	--	7,722	(158,754)
21	Instructional Leadership	783,757	--	6,089	(777,668)
23	School Leadership	2,189,664	--	75,993	(2,113,671)
31	Guidance, Counseling, & Evaluation Services	1,304,497	--	63,123	(1,241,374)
33	Health Services	428,971	--	--	(428,971)
34	Student Transportation	1,876,299	--	251	(1,876,048)
35	Food Service	2,022,866	633,846	1,300,135	(88,885)
36	Cocurricular/Extracurricular Activities	1,514,739	202,227	36,449	(1,276,063)
41	General Administration	1,090,371	--	363	(1,090,008)
51	Plant Maintenance and Operations	4,550,612	--	--	(4,550,612)
52	Security and Monitoring Services	85,524	--	--	(85,524)
53	Data Processing Services	1,209,084	--	30,229	(1,178,855)
61	Community Services	155,700	--	1,569,429	1,413,729
72	Interest on Long-term Debt	3,391,939	--	--	(3,391,939)
73	Bond Issuance Costs and Fees	42,055	--	--	(42,055)
91	Contracted Instructional Services between Schools	3,885,871	--	--	(3,885,871)
99	Other Intergovernmental Charges	670,380	--	--	(670,380)
TG	Total Governmental Activities	<u>47,798,165</u>	<u>896,289</u>	<u>5,620,040</u>	<u>(41,281,836)</u>
TP	Total Primary Government	<u>\$ 47,798,165</u>	<u>\$ 896,289</u>	<u>\$ 5,620,040</u>	<u>(41,281,836)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				30,237,935
DT	Property Taxes, Levied for Debt Service				7,235,812
IE	Investment Earnings				98,890
GC	Grants and Contributions Not Restricted to Specific Programs				6,431,391
MI	Miscellaneous				457,275
TR	Total General Revenues				<u>44,461,303</u>
CN	Change in Net Assets				<u>3,179,467</u>
NB	Net Assets - Beginning				23,358,744
PA	Prior Period Adjustment				(455,151)
	Net Assets - Beginning, as Restated				22,903,593
NE	Net Assets - Ending				<u>\$ 26,083,060</u>

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 <i>Cash and Cash Equivalents</i>	\$ 8,787,189	\$ 763,456	\$ 490,385	\$ 10,041,030
1120 <i>Current Investments</i>	93,768	892,952	--	986,720
1225 <i>Taxes Receivable, Net</i>	1,600,016	318,500	--	1,918,516
1240 <i>Due from Other Governments</i>	319,929	15,375	372,468	707,772
1260 <i>Due from Other Funds</i>	(2)	--	31,810	31,808
1290 <i>Other Receivables</i>	18,356	--	3,591	21,947
1300 <i>Inventories</i>	61,408	--	42,023	103,431
1410 <i>Deferred Expenditures</i>	63,131	--	--	63,131
1000 Total Assets	<u>\$ 10,943,795</u>	<u>\$ 1,990,283</u>	<u>\$ 940,277</u>	<u>\$ 13,874,355</u>
LIABILITIES:				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 128,250	\$ --	\$ 82,016	\$ 210,266
2150 <i>Payroll Deductions & Withholdings</i>	(16,562)	--	--	(16,562)
2160 <i>Accrued Wages Payable</i>	1,383,823	--	65,740	1,449,563
2170 <i>Due to Other Funds</i>	--	--	31,808	31,808
2300 <i>Deferred Revenue</i>	1,626,648	318,500	--	1,945,148
2000 Total Liabilities	<u>3,122,159</u>	<u>318,500</u>	<u>179,564</u>	<u>3,620,223</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 <i>Inventories</i>	61,408	--	--	61,408
3430 <i>Prepaid Items</i>	4,894	--	--	4,894
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	537,467	537,467
3480 <i>Retirement of Long-Term Debt</i>	--	1,671,783	--	1,671,783
Committed Fund Balances:				
3545 <i>Other Committed Fund Balance</i>	--	--	223,246	223,246
3600 <i>Unassigned</i>	7,755,334	--	--	7,755,334
3000 Total Fund Balances	<u>7,821,636</u>	<u>1,671,783</u>	<u>760,713</u>	<u>10,254,132</u>
4000 Total Liabilities and Fund Balances	<u>\$ 10,943,795</u>	<u>\$ 1,990,283</u>	<u>\$ 940,277</u>	<u>\$ 13,874,355</u>

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS*
 AUGUST 31, 2011

Total fund balances - governmental funds balance sheet \$ 10,254,132

Amounts reported for governmental activities in the Statement of Net Assets
 ("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds.	95,418,912
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,798,660
Payables for bond principal which are not due in the current period are not reported in the funds.	(74,498,864)
The accumulated accretion of interest on CAB's is not reported in the funds.	(6,743,675)
Payables for bond interest which are not due in the current period are not reported in the funds.	(129,239)
Bond premiums are deferred in the SNA but not in the funds.	(644,424)
Bond issuance costs and similar items are capitalized in the SNA but not in the funds.	627,556
Rounding difference	<u>2</u>

Net assets of governmental activities - Statement of Net Assets \$ 26,083,060

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED AUGUST 31, 2011**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 30,679,467	\$ 7,194,074	\$ 846,833	\$ 38,720,374
5800 <i>State Program Revenues</i>	6,771,900	--	200,360	6,972,260
5900 <i>Federal Program Revenues</i>	332,555	--	4,746,616	5,079,171
5020 Total Revenues	<u>37,783,922</u>	<u>7,194,074</u>	<u>5,793,809</u>	<u>50,771,805</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	17,550,630	--	2,824,201	20,374,831
0012 <i>Instructional Resources and Media Services</i>	516,827	--	51,800	568,627
0013 <i>Curriculum and Staff Development</i>	142,391	--	14,242	156,633
0021 <i>Instructional Leadership</i>	710,123	--	25,308	735,431
0023 <i>School Leadership</i>	1,967,032	--	92,695	2,059,727
0031 <i>Guidance, Counseling, & Evaluation Services</i>	1,121,394	--	95,103	1,216,497
0033 <i>Health Services</i>	399,499	--	2,106	401,605
0034 <i>Student Transportation</i>	1,836,023	--	251	1,836,274
0035 <i>Food Service</i>	--	--	1,971,096	1,971,096
0036 <i>Cocurricular/Extracurricular Activities</i>	1,387,700	--	71,187	1,458,887
0041 <i>General Administration</i>	987,040	--	388	987,428
0051 <i>Plant Maintenance and Operations</i>	4,425,966	--	--	4,425,966
0052 <i>Security and Monitoring Services</i>	74,730	--	9,616	84,346
0053 <i>Data Processing Services</i>	1,112,709	--	139,417	1,252,126
0061 <i>Community Services</i>	113,930	--	20,808	134,738
0071 <i>Principal on Long-term Debt</i>	--	3,165,234	--	3,165,234
0072 <i>Interest on Long-term Debt</i>	--	3,494,952	--	3,494,952
0073 <i>Bond Issuance Costs and Fees</i>	--	3,600	--	3,600
0081 <i>Capital Outlay</i>	--	--	406,855	406,855
0091 <i>Contracted Instructional Services</i>				
0091 <i>Between Public Schools</i>	3,885,871	--	--	3,885,871
0099 <i>Other Intergovernmental Charges</i>	670,380	--	--	670,380
6030 Total Expenditures	<u>36,902,245</u>	<u>6,663,786</u>	<u>5,725,073</u>	<u>49,291,104</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>881,677</u>	<u>530,288</u>	<u>68,736</u>	<u>1,480,701</u>
Other Financing Sources and (Uses):				
7912 <i>Sale of Real or Personal Property</i>	5,550	--	--	5,550
7915 <i>Transfers In</i>	--	30	212,286	212,316
8911 <i>Transfers Out</i>	(1,600)	--	(210,716)	(212,316)
7080 Total Other Financing Sources and (Uses)	<u>3,950</u>	<u>30</u>	<u>1,570</u>	<u>5,550</u>
1200 Net Change in Fund Balances	<u>885,627</u>	<u>530,318</u>	<u>70,306</u>	<u>1,486,251</u>
0100 Fund Balances - Beginning	7,391,160	1,141,465	690,407	9,223,032
1300 Prior Period Adjustment	(455,151)	--	--	(455,151)
Fund Balances - Beginning, as Restated	6,936,009	1,141,465	690,407	8,767,881
3000 Fund Balances - Ending	<u>\$ 7,821,636</u>	<u>\$ 1,671,783</u>	<u>\$ 760,713</u>	<u>\$ 10,254,132</u>

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2011*

Net change in fund balances - total governmental funds	\$ 1,486,251
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	903,209
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,640,062)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(14,604)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	214,881
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,165,234
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(38,455)
The accretion of interest on capital appreciation bonds is not reported in the funds.	59,665
(Increase) decrease in accrued interest from beginning of period to end of period.	4,102
Bond premiums are reported in the funds but not in the SOA.	39,246
	<hr/>
Change in net assets of governmental activities - Statement of Activities	\$ <u>3,179,467</u>

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET ASSETS**FIDUCIARY FUNDS**AUGUST 31, 2011*

			Agency Funds
Data Control Codes		Private-purpose Trust Funds	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ 27,098	\$ 100,506
1800	Restricted Assets	20,905	--
1000	Total Assets	\$ 48,003	\$ 100,506
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ --	\$ 13,076
2190	Due to Student Groups	--	87,430
2000	Total Liabilities	--	100,506
NET ASSETS			
3800	Held in Trust	48,003	--
3000	Total Net Assets	\$ 48,003	\$ --

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT*STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**FIDUCIARY FUNDS**FOR THE YEAR ENDED AUGUST 31, 2011*

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 864
Contributions	--
Total Additions	<u>864</u>
Deductions:	
Scholarship Awards	--
Other Expenses	--
Total Deductions	<u>--</u>
Change in Net Assets	864
Net Assets-Beginning of the Year	47,139
Net Assets-End of the Year	<u><u>\$ 48,003</u></u>

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies

The basic financial statements of Marble Falls 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 ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("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, 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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets 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, intergovernmental 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.

The District reports the following major governmental funds:

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

Debt Service Fund: This fund accounts for debt service property taxes and the payment of bond principal and interest as it comes due.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

In addition, the District reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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 fund 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.

b. **Measurement Focus, Basis of Accounting**

Government-wide 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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. 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 general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general 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.

3. **Financial Statement Amounts**

a. **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 when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds 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.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

b. 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.

c. 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</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. 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.

e. 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 "Transfers" 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 assets.

f. Use of Estimates

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

g. 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.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>				<u>Action Taken</u>
Expenditures exceeded appropriations in the following General Fund Functions:				The District will make every effort to review general ledger activity to ensure that all items, such as, Medicare Part D on-behalf amounts are recorded throughout the year. In addition, budget adjustments for these items will be made in advance.
11	Instruction	\$	24,709	
12	Instructional Resources		329	
31	Guidance, Counseling		11,212	
33	Health Services		1,317	
36	Cocurricular		11,837	
51	Plant Maintenance		12,743	
53	Data Processing		3,585	

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	\$ --	Not Applicable

C. Deposits and Investments

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.

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,041,030 and the bank balance was \$10,592,491. The District's cash deposits at August 31, 2011 and during the period ended August 31, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. 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, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2011 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Ratings</u>	<u>Fair Value</u>	<u>Percentage</u>
Lone Star Investment Pool	24 days average	AAA	\$ <u>986,720</u>	100%

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 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:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District's investments were rated as noted above.

b. 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.

c. 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 investments representing more than 5% of total investments are disclosed above.

d. 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. 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.

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 deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") 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 (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

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 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.

D. Capital Assets

Capital asset activity for the year ended August 31, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,047,266	\$ --	\$ --	\$ 3,047,266
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>3,047,266</u>	<u>--</u>	<u>--</u>	<u>3,047,266</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	112,836,341	501,649	393,000	112,944,990
Furniture and Equipment	3,953,646	401,560	81,969	4,273,237
Total capital assets being depreciated	<u>116,789,987</u>	<u>903,209</u>	<u>474,969</u>	<u>117,218,227</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,257,084)	(2,263,485)	(393,000)	(22,127,569)
Furniture and Equipment	(2,409,799)	(376,577)	(67,365)	(2,719,011)
Total accumulated depreciation	<u>(22,666,883)</u>	<u>(2,640,062)</u>	<u>(460,365)</u>	<u>(24,846,580)</u>
Total capital assets being depreciated, net	<u>94,123,104</u>	<u>(1,736,853)</u>	<u>14,604</u>	<u>92,371,647</u>
Governmental activities capital assets, net	<u>\$ 97,170,370</u>	<u>\$ (1,736,853)</u>	<u>\$ 14,604</u>	<u>\$ 95,418,913</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,474,657
Instructional Resources and Media Services	30,445
Curriculum and Staff Development	9,843
Instructional Leadership	48,326
School Leadership	129,937
Guidance, Counseling, & Evaluation Services	88,000
Health Services	27,366
Student Transportation	221,035
Food Services	138,492
Extracurricular Activities	72,693
General Administration	102,943
Plant Maintenance and Operations	237,440
Security and Monitoring Services	1,178
Data Processing Services	36,745
Community Services	20,962
	<u>\$ 2,640,062</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2011, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 31,808	Short-term loans
	Total	<u>\$ 31,808</u>	

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

Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2011, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Projects Fund	\$ 1,600	Supplement other funds sources
Campus Activity Funds	Campus Activity Funds	210,686	Reclassify Accounts
Capital Projects Fund	Debt Service Fund	30	Residual Fund Balance
	Total	<u>\$ 212,316</u>	

F. 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.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2011, are as follows:

Series	Original Issue (millions)	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>							
2002	12.325	3.0-4.5%	\$ 2,695,506	\$ --	\$ 740,234	\$ 1,955,272	694,524
2002A	8.940	2.5-5.0%	6,810,000	--	1,005,000	5,805,000	1,055,000
2006	6.967	4.2-4.61%	6,966,778	--	--	6,966,778	--
2007A	25.000	3.67-4.51%	24,525,000	--	500,000	24,025,000	525,000
2008	28.000	3.0-5.0%	27,090,443	--	570,000	26,520,443	590,000
2009A	9.342	2.0-5.0%	414,754	--	200,000	214,754	205,000
2009B	0.570	2.0%	9,161,617	--	150,000	9,011,617	155,000
			<u>77,664,098</u>	<u>--</u>	<u>3,165,234</u>	<u>74,498,864</u>	<u>3,224,524</u>
Premium on Bonds			683,670	--	39,246	644,424	--
Accumulated Accretion on CAB's			6,803,340	385,101	444,766	6,743,675	--
Total governmental activities			<u>\$ 85,151,108</u>	<u>\$ 385,101</u>	<u>\$ 3,649,246</u>	<u>\$ 81,886,963</u>	<u>\$ 3,224,524</u>
Due Within One Year						<u>\$ 3,224,524</u>	
Due in More Than One Year						<u>78,662,439</u>	
						<u>\$ 81,886,963</u>	

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2011, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 3,224,524	\$ 3,441,837	\$ 6,666,361
2013	3,232,282	3,437,180	6,669,462
2014	3,070,462	3,490,874	6,561,336
2015	3,146,854	3,421,083	6,567,937
2016	2,693,390	3,876,796	6,570,186
2017-2021	10,562,739	15,419,831	25,982,570
2022-2026	11,313,613	13,566,525	24,880,138
2021-2022	12,045,000	7,877,684	19,922,684
2032-2036	15,210,000	4,698,431	19,908,431
2037-2041	10,000,000	968,875	10,968,875
Totals	\$ 74,498,864	\$ 60,199,116	\$ 134,697,980

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2011, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

Bond Issue	Amount
Series 1996	\$ 300,000
Series 2002	7,034,744
Total	\$ 7,334,744

G. 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 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2011, 2010 and 2009 were \$1,584,830, \$1,643,613 and \$1,573,303, respectively. The District paid additional state contributions for the years ending June 30, 2011, 2010 and 2009 in the amount of \$292,763, \$300,502 and \$261,256, respectively, on portion of the employees' salaries that exceeded the statutory minimum and contributions from federal and private grants.

I. Health Care Coverage

During the period ended August 31, 2011, employees of the District were covered by a state-wide plan, TRS Active Care. The District paid premiums of \$150 per month per employee to the Plan. Employees at their option may authorize payroll withholdings to pay premiums for dependent coverage. The Teacher Retirement System of Texas (TRS) manages TRS Active Care. The Plan is administered by Blue Cross and Blue Shield of Texas, and Scott and White HMO for the medical plan while Medco Health was assigned the prescription drug plan.

The District's participation is renewable annually.

The latest financial information on the state-wide plan is available from TRS (see note H1).

J. Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010 and 2009, the State's contributions to TRS-Care were \$228,255, \$235,592, and \$232,890, respectively, the active member contributions were \$148,366, \$153,135, and \$151,378, respectively, and the school district's contributions were \$125,540, \$129,576, and \$128,089, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended 2011, 2010, and 2009 the subsidy payments received by TRS-Care on behalf of the District were \$58,437, \$66,184, and \$57,475, respectively.

K. Commitments and Contingencies

1. 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 collectibility 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.

2. Litigation

No reportable litigation was pending against the District at August 31, 2011.

L. Prior Period Adjustments

The following adjustments have been made which relate to prior periods. These adjustments relate to "settle-up amounts paid to or received from the Texas Education Agency (TEA) during the current year that settle-up years ending as far back as the 2007-08 school year.

<u>Description</u>	<u>Fiscal Year</u>	<u>Amounts</u>
Chapter 41 Recapture	2007-08	\$ 34,800
Chapter 41 Recapture	2009-10	19,099
Chapter 41 Recapture	2009-10	(105,328)
Foundation Formula	2009-10	(32,038)
Foundation Formula	2009-10	(6,240)
Foundation Formula	2009-10	544,858
Prior Period Adjustment		\$ <u>455,151</u>

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.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT
EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 30,513,200	\$ 30,652,141	\$ 30,679,467	\$ 27,326
5800	State Program Revenues	5,573,472	6,473,472	6,771,900	298,428
5900	Federal Program Revenues	215,000	277,540	332,555	55,015
5020	Total Revenues	36,301,672	37,403,153	37,783,922	380,769
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	17,548,808	17,525,921	17,550,630	(24,709)
0012	Instructional Resources and Media Services	523,583	516,498	516,827	(329)
0013	Curriculum and Staff Development	164,790	153,290	142,391	10,899
	Total Instruction & Instr. Related Services	18,237,181	18,195,709	18,209,848	(14,139)
	Instructional and School Leadership:				
0021	Instructional Leadership	754,082	730,498	710,123	20,375
0023	School Leadership	2,071,418	1,988,147	1,967,032	21,115
	Total Instructional & School Leadership	2,825,500	2,718,645	2,677,155	41,490
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	1,082,634	1,110,182	1,121,394	(11,212)
0033	Health Services	394,333	398,182	399,499	(1,317)
0034	Student (Pupil) Transportation	1,595,362	1,849,745	1,836,023	13,722
0036	Cocurricular/Extracurricular Activities	1,364,785	1,375,863	1,387,700	(11,837)
	Total Support Services - Student (Pupil)	4,437,114	4,733,972	4,744,616	(10,644)
	Administrative Support Services:				
0041	General Administration	1,068,206	989,406	987,040	2,366
	Total Administrative Support Services	1,068,206	989,406	987,040	2,366
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	5,108,613	4,413,223	4,425,966	(12,743)
0052	Security and Monitoring Services	80,465	80,465	74,730	5,735
0053	Data Processing Services	1,151,214	1,121,814	1,112,709	9,105
	Total Support Services - Nonstudent Based	6,340,292	5,615,502	5,613,405	2,097
	Ancillary Services:				
0061	Community Services	228,203	128,203	113,930	14,273
	Total Ancillary Services	228,203	128,203	113,930	14,273
	Intergovernmental Charges:				
0091	Contracted Instr. Services Between Public Schools	2,861,005	4,722,005	3,885,871	836,134
0099	Other Intergovernmental Charges	677,500	671,500	670,380	1,120
	Total Intergovernmental Charges	3,538,505	5,393,505	4,556,251	837,254
6030	Total Expenditures	36,675,001	37,774,942	36,902,245	872,697
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(373,329)	(371,789)	881,677	1,253,466
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	5,550	5,550
8911	Transfers Out	--	--	(1,600)	(1,600)
7080	Total Other Financing Sources and (Uses)	--	--	3,950	3,950
1200	Net Change in Fund Balance	(373,329)	(371,789)	885,627	1,257,416
0100	Fund Balance - Beginning	7,391,160	7,391,160	7,391,160	--
1300	Prior Period Adjustment	--	--	(455,151)	(455,151)
0100	Fund Balance - Beginning, as Restated	7,391,160	7,391,160	6,936,009	(455,151)
3000	Fund Balance - Ending	\$ 7,017,831	\$ 7,019,371	\$ 7,821,636	\$ 802,265

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2011

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ 490,385	\$ --	\$ 490,385
1240	Due from Other Governments	372,468	--	372,468
1260	Due from Other Funds	31,810	--	31,810
1290	Other Receivables	3,591	--	3,591
1300	Inventories	42,023	--	42,023
1000	Total Assets	<u>\$ 940,277</u>	<u>\$ --</u>	<u>\$ 940,277</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 82,016	\$ --	\$ 82,016
2160	Accrued Wages Payable	65,740	--	65,740
2170	Due to Other Funds	31,808	--	31,808
2000	Total Liabilities	<u>179,564</u>	<u>--</u>	<u>179,564</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	537,467	--	537,467
Committed Fund Balances:				
3545	Other Committed Fund Balance	223,246	--	223,246
3000	Total Fund Balances	<u>760,713</u>	<u>--</u>	<u>760,713</u>
4000	Total Liabilities and Fund Balances	<u>\$ 940,277</u>	<u>\$ --</u>	<u>\$ 940,277</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700	Local and Intermediate Sources	\$ 846,833	\$ --	\$ 846,833
5800	State Program Revenues	200,360	--	200,360
5900	Federal Program Revenues	4,746,616	--	4,746,616
5020	Total Revenues	5,793,809	--	5,793,809
EXPENDITURES:				
Current:				
0011	Instruction	2,824,201	--	2,824,201
0012	Instructional Resources and Media Services	51,800	--	51,800
0013	Curriculum and Staff Development	14,242	--	14,242
0021	Instructional Leadership	25,308	--	25,308
0023	School Leadership	92,695	--	92,695
0031	Guidance, Counseling, & Evaluation Services	95,103	--	95,103
0033	Health Services	2,106	--	2,106
0034	Student Transportation	251	--	251
0035	Food Service	1,971,096	--	1,971,096
0036	Cocurricular/Extracurricular Activities	71,187	--	71,187
0041	General Administration	388	--	388
0052	Security and Monitoring Services	9,616	--	9,616
0053	Data Processing Services	139,417	--	139,417
0061	Community Services	20,808	--	20,808
0081	Capital Outlay	405,255	1,600	406,855
6030	Total Expenditures	5,723,473	1,600	5,725,073
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	70,336	(1,600)	68,736
Other Financing Sources and (Uses):				
7915	Transfers In	210,686	1,600	212,286
8911	Transfers Out	(210,686)	(30)	(210,716)
7080	Total Other Financing Sources and (Uses)	--	1,570	1,570
1200	Net Change in Fund Balances	70,336	(30)	70,306
0100	Fund Balances - Beginning	690,377	30	690,407
3000	Fund Balances - Ending	\$ 760,713	\$ --	\$ 760,713

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		204 ESEA Title IV SDFSC	206 ESEA Title X Part C Homeless	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ (3,500)	\$ (69,706)	\$ (53,410)
1240	Due from Other Governments	--	--	103,701	83,904
1260	Due from Other Funds	--	--	--	1
1290	Other Receivables	--	3,500	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 33,995</u>	<u>\$ 30,495</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 8,049
2160	Accrued Wages Payable	--	--	33,995	22,446
2170	Due to Other Funds	--	--	--	--
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>33,995</u>	<u>30,495</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 33,995</u>	<u>\$ 30,495</u>

225 IDEA-B Preschool Grant	226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Vo Ed Basic Grant
\$ --	\$ (9,405)	\$ 487,325	\$ 15,804	\$ (4,298)
1,440	9,405	--	15,929	4,297
--	--	31,733	--	1
--	--	--	--	91
--	--	42,023	--	--
<u>\$ 1,440</u>	<u>\$ --</u>	<u>\$ 561,081</u>	<u>\$ 31,733</u>	<u>\$ 91</u>
\$ --	\$ --	\$ 63,946	\$ --	\$ --
1,440	--	--	--	--
--	--	--	31,733	--
<u>1,440</u>	<u>--</u>	<u>63,946</u>	<u>31,733</u>	<u>--</u>
--	--	497,135	--	91
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>497,135</u>	<u>--</u>	<u>91</u>
<u>\$ 1,440</u>	<u>\$ --</u>	<u>\$ 561,081</u>	<u>\$ 31,733</u>	<u>\$ 91</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		255 ESEA Title II Training & Recruiting	263 English Lang Acquisition and Enhancement	266 ARRA of 2009 Title XIV State Fiscal Stabilization	272 MAC Program
ASSETS:					
1110	Cash and Cash Equivalents	\$ (530)	\$ (144)	\$ --	\$ --
1240	Due from Other Governments	8,389	90	--	--
1260	Due from Other Funds	--	75	--	--
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	<u>\$ 7,859</u>	<u>\$ 21</u>	<u>\$ --</u>	<u>\$ --</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	7,859	--	--	--
2170	Due to Other Funds	--	75	--	--
2000	Total Liabilities	<u>7,859</u>	<u>75</u>	<u>--</u>	<u>--</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	(54)	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>(54)</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,859</u>	<u>\$ 21</u>	<u>\$ --</u>	<u>\$ --</u>

279 Enhancing Education through Technology-ARRA	283 IDEA - Part B Formula - ARRA	284 IDEA - Part B Preschool - ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	289 Summer School LEP
\$ --	\$ (92,822)	\$ --	\$ (2,853)	\$ (2,150)
--	134,091	--	2,853	2,274
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 41,269</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 124</u>
\$ --	\$ 10,021	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>10,021</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	31,248	--	--	124
--	--	--	--	--
<u>--</u>	<u>31,248</u>	<u>--</u>	<u>--</u>	<u>124</u>
<u>\$ --</u>	<u>\$ 41,269</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 124</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2011

Data Control Codes		394 Life Skills Program	397 Advanced Placement Incentives	404 Student Success Initiative
ASSETS:				
1110	Cash and Cash Equivalents	\$ (3,761)	\$ 8,136	\$ (2,255)
1240	Due from Other Governments	3,840	--	2,255
1260	Due from Other Funds	--	--	--
1290	Other Receivables	--	--	--
1300	Inventories	--	--	--
1000	Total Assets	\$ 79	\$ 8,136	\$ --
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	--	--	--
2170	Due to Other Funds	--	--	--
2000	Total Liabilities	--	--	--
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	79	8,136	--
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	--	--
3000	Total Fund Balances	79	8,136	--
4000	Total Liabilities and Fund Balances	\$ 79	\$ 8,136	\$ --

411 Technology Allotment	429 State Funded Special Revenue Fund	461 Campus Activity Funds	481 LCRA Grants	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 707	\$ --	\$ 223,246	\$ 1	\$ 490,385
--	--	--	--	372,468
--	--	--	--	31,810
--	--	--	--	3,591
--	--	--	--	42,023
<u>\$ 707</u>	<u>\$ --</u>	<u>\$ 223,246</u>	<u>\$ 1</u>	<u>\$ 940,277</u>
\$ --	\$ --	\$ --	\$ --	\$ 82,016
--	--	--	--	65,740
--	--	--	--	31,808
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>179,564</u>
707	--	--	1	537,467
--	--	223,246	--	223,246
<u>707</u>	<u>--</u>	<u>223,246</u>	<u>1</u>	<u>760,713</u>
<u>\$ 707</u>	<u>\$ --</u>	<u>\$ 223,246</u>	<u>\$ 1</u>	<u>\$ 940,277</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		204 ESEA Title IV SDFSC	206 ESEA Title X Part C Homeless	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	10,444	3,500	799,801	642,053
5020	Total Revenues	10,444	3,500	799,801	642,053
EXPENDITURES:					
Current:					
0011	Instruction	828	3,500	780,990	587,101
0012	Instructional Resources and Media Services	--	--	12,596	--
0013	Curriculum and Staff Development	--	--	1,762	--
0021	Instructional Leadership	--	--	4,403	16,029
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	28,701
0033	Health Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	10,222
0041	General Administration	--	--	50	--
0052	Security and Monitoring Services	9,616	--	--	--
0053	Data Processing Services	--	--	--	--
0061	Community Services	--	--	--	--
0081	Capital Outlay	--	--	--	--
6030	Total Expenditures	10,444	3,500	799,801	642,053
1100	Excess (Deficiency) of Revenues Over (Under)	--	--	--	--
1100	Expenditures	--	--	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
8911	Transfers Out	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ --

225 IDEA-B Preschool Grant	226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Vo Ed Basic Grant
\$ --	\$ --	\$ 636,745	\$ --	\$ --
--	--	12,109	31,733	--
16,267	31,753	1,300,135	--	46,049
<u>16,267</u>	<u>31,753</u>	<u>1,948,989</u>	<u>31,733</u>	<u>46,049</u>
16,267	31,753	--	--	38,040
--	--	--	--	--
--	--	--	--	--
--	--	--	--	4,876
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	1,939,363	31,733	--
--	--	--	--	3,042
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>16,267</u>	<u>31,753</u>	<u>1,939,363</u>	<u>31,733</u>	<u>45,958</u>
--	--	9,626	--	91
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	9,626	--	91
--	--	487,509	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 497,135</u>	<u>\$ --</u>	<u>\$ 91</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		255 ESEA Title II Training & Recruiting	263 English Lang Acquisition and Enhancement	266 ARRA of 2009 Title XIV State Fiscal Stabilization	272 MAC Program
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	181,391	53,212	1,134,423	6,962
5020	Total Revenues	181,391	53,212	1,134,423	6,962
EXPENDITURES:					
Current:					
0011	Instruction	180,630	42,192	937,608	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	423	11,074	--	--
0021	Instructional Leadership	--	--	--	--
0023	School Leadership	--	--	75,993	--
0031	Guidance, Counseling, & Evaluation Services	--	--	56,571	5,060
0033	Health Services	--	--	--	1,902
0034	Student Transportation	--	--	251	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	33,771	--
0041	General Administration	338	--	--	--
0052	Security and Monitoring Services	--	--	--	--
0053	Data Processing Services	--	--	30,229	--
0061	Community Services	--	--	--	--
0081	Capital Outlay	--	--	--	--
6030	Total Expenditures	181,391	53,266	1,134,423	6,962
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(54)	--	--
Other Financing Sources and (Uses):					
7915	Transfers In	--	--	--	--
8911	Transfers Out	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	(54)	--	--
0100	Fund Balances - Beginning	--	--	--	--
3000	Fund Balances - Ending	\$ --	\$ (54)	\$ --	\$ --

279 Enhancing Education through Technology-ARRA	283 IDEA - Part B Formula - ARRA	284 IDEA - Part B Preschool - ARRA	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	289 Summer School LEP
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	2,220
1,570	458,890	14,426	38,972	6,768
1,570	458,890	14,426	38,972	8,988
1,570	22,387	14,426	38,972	8,864
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	405,255	--	--	--
1,570	427,642	14,426	38,972	8,864
--	31,248	--	--	124
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	31,248	--	--	124
--	--	--	--	--
\$ --	\$ 31,248	\$ --	\$ --	\$ 124

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		394 Life Skills Program	397 Advanced Placement Incentives	404 Student Success Initiative
REVENUES:				
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --
5800	State Program Revenues	20,887	900	22,552
5900	Federal Program Revenues	--	--	--
5020	Total Revenues	20,887	900	22,552
EXPENDITURES:				
Current:				
0011	Instruction	--	--	22,552
0012	Instructional Resources and Media Services	--	--	--
0013	Curriculum and Staff Development	--	197	--
0021	Instructional Leadership	--	--	--
0023	School Leadership	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--
0033	Health Services	--	--	--
0034	Student Transportation	--	--	--
0035	Food Service	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--
0041	General Administration	--	--	--
0052	Security and Monitoring Services	--	--	--
0053	Data Processing Services	--	--	--
0061	Community Services	20,808	--	--
0081	Capital Outlay	--	--	--
6030	Total Expenditures	20,808	197	22,552
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	79	703	--
Other Financing Sources and (Uses):				
7915	Transfers In	--	--	--
8911	Transfers Out	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--
1200	Net Change in Fund Balances	79	703	--
0100	Fund Balances - Beginning	--	7,433	--
3000	Fund Balances - Ending	\$ 79	\$ 8,136	\$ --

411 Technology Allotment	429 State Funded Special Revenue Fund	461 Campus Activity Funds	481 LCRA Grants	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ 210,088	\$ --	\$ 846,833
109,895	64	--	--	200,360
--	--	--	--	4,746,616
109,895	64	210,088	--	5,793,809
--	--	96,521	--	2,824,201
--	64	39,140	--	51,800
--	--	786	--	14,242
--	--	--	--	25,308
--	--	16,702	--	92,695
--	--	4,771	--	95,103
--	--	204	--	2,106
--	--	--	--	251
--	--	--	--	1,971,096
--	--	24,152	--	71,187
--	--	--	--	388
--	--	--	--	9,616
109,188	--	--	--	139,417
--	--	--	--	20,808
--	--	--	--	405,255
109,188	64	182,276	--	5,723,473
707	--	27,812	--	70,336
--	--	210,686	--	210,686
--	--	(210,686)	--	(210,686)
--	--	--	--	--
707	--	27,812	--	70,336
--	--	195,434	1	690,377
\$ 707	\$ --	\$ 223,246	\$ 1	\$ 760,713

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

PRIVATE-PURPOSE TRUST FUNDS

AUGUST 31, 2011

Data Control Codes		806 Harold Horne Scholarship	821 Designated Gifts & Bequests
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ --	\$ 26,655
1800	<i>Restricted Assets</i>	20,905	--
1000	Total Assets	<u>\$ 20,905</u>	<u>\$ 26,655</u>
	LIABILITIES:		
2000	Total Liabilities	<u>--</u>	<u>--</u>
	NET ASSETS		
3800	<i>Held in Trust</i>	\$ 20,905	\$ 26,655
3000	Total Net Assets	<u>\$ 20,905</u>	<u>\$ 26,655</u>

824	825	Total Private- Purpose Trust Funds (See Exhibit E-1)
DEIC	Technology Gifts	
\$ 293	\$ 150	\$ 27,098
--	--	20,905
\$ 293	\$ 150	\$ 48,003
--	--	--
\$ 293	\$ 150	\$ 48,003
\$ 293	\$ 150	\$ 48,003

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ALL PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED AUGUST 31, 2011

	806 Harold Horne Scholarship	821 Designated Gifts & Bequests	824 DEIC
Additions:			
Investment Income	\$ 864	\$ --	\$ --
Net (Decrease) in Fair Value of Investments	--	--	--
Employer Contributions	--	--	--
Plan Member Contributions	--	--	--
Total Additions	864	--	--
Deductions:			
Scholarship Awards	--	--	--
Benefits	--	--	--
Refunds of Contributions	--	--	--
Administrative Expenses	--	--	--
Total Deductions	--	--	--
Change in Net Assets	864	--	--
Net Assets-Beginning of the Year	20,041	26,655	293
Net Assets-End of the Year	<u>\$ 20,905</u>	<u>\$ 26,655</u>	<u>\$ 293</u>

EXHIBIT H-6

825 Technology Gifts	Total Private-Purpose Trust Funds (See Exhibit E-2)
\$ --	\$ 864
--	--
--	--
--	--
--	864
--	--
--	--
--	--
--	--
--	864
150	47,139
\$ 150	\$ 48,003

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.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2011*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2002 and Prior Years	\$	Various	\$	Various	\$	Various
2003		1.473		.1692		1,450,227,551
2004		1.467		.175		1,573,214,710
2005		1.49		.165		1,614,903,867
2006		1.49		.15		1,782,184,878
2007		1.341		.1306		2,010,430,891
2008		1.04		.195		2,215,553,847
2009		1.04		.215		2,643,333,785
2010		1.04		.245		2,865,855,749
2011 (School Year Under Audit)		1.04		.25		2,855,639,845

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

10 Beginning Balance 9/1/10	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/11
\$ 222,374	\$ --	\$ 12,859	\$ 2,147	\$ (4,922)	\$ 202,446
50,800	--	9,346	1,073	1,512	41,893
54,555	--	12,036	1,436	(774)	40,309
71,680	--	13,453	1,490	(890)	55,847
102,016	--	15,397	1,548	(699)	84,372
117,229	--	21,783	2,117	737	94,066
129,515	--	25,028	4,678	8,335	108,144
339,939	--	100,968	20,860	15,096	233,207
826,089	--	340,258	79,802	9,400	415,429
--	36,837,754	28,961,828	6,960,511	(35,492)	879,923
<u>\$ 1,914,197</u>	<u>\$ 36,837,754</u>	<u>\$ 29,512,956</u>	<u>\$ 7,075,662</u>	<u>\$ (7,697)</u>	<u>\$ 2,155,636</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2012-2013 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2011

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION AND FUNCTION 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 277,718	\$ 495,353	\$ --	\$ 2,461	\$ 775,532
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	20,110	--	--	--	20,110
6212	Audit Services	--	--	--	14,950	--	--	14,950
6213	Tax Appraisal and Collection	--	670,380	--	--	--	--	670,380
621X	Other Prof. Services	30,420	--	3,747	30,647	--	388	65,202
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	2,375	--	--	2,375
6240	Contr. Maint. and Repair	--	--	--	--	31,515	--	31,515
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	8,611	553	--	--	9,164
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	2,201	264	--	--	2,465
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	132	--	8,769	9,852	--	180	18,933
6410	Travel, Subsistence, Stipends	4,148	--	5,440	8,210	--	--	17,798
6420	Ins. and Bonding Costs	16,698	--	--	--	--	--	16,698
6430	Election Costs	7,297	--	--	--	--	--	7,297
6490	Miscellaneous Operating	1,343	--	15,822	4,010	--	--	21,175
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 60,038 \$ 670,380 \$ 342,418 \$ 566,214 \$ 31,515 \$ 3,029 \$ 1,673,594

Total Expenditures for General and Special Revenue Funds (9) \$ 42,625,718

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 901,609
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 4,288,981
Food (Function 35, 6341 and 6499)	(13)	\$ 47,717
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 566,214

Subtotal 5,804,521

Net Allowed Direct Cost \$ 36,821,197

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 112,944,990
Historical Cost of Buildings over 50 years old	(16)	2,261,931
Amount of Federal Money in Building Cost (Net of #16)	(17)	381,064
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	4,355,206
Historical Cost of Furniture & Equipment over 16 years old	(19)	20,000
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 135,022

(8) Note A - \$15,786 in Function 53 expenditures and \$670,380 in Function 99 expenditures are included in this report on administrative costs.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 808,043	\$ 636,745	\$ (171,298)
5800	State Program Revenues	12,058	12,109	51
5900	Federal Program Revenues	1,427,620	1,300,135	(127,485)
5020	Total Revenues	2,247,721	1,948,989	(298,732)
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	2,436,893	1,939,363	497,530
	Total Support Services - Student (Pupil)	2,436,893	1,939,363	497,530
6030	Total Expenditures	2,436,893	1,939,363	497,530
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(189,172)	9,626	198,798
1200	Net Change in Fund Balance	(189,172)	9,626	198,798
0100	Fund Balance - Beginning	487,509	487,509	--
3000	Fund Balance - Ending	\$ 298,337	\$ 497,135	\$ 198,798

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 6,670,188	\$ 7,194,074	\$ 523,886
5020	Total Revenues	6,670,188	7,194,074	523,886
	EXPENDITURES:			
	Debt Service:			
0071	<i>Principal on Long-Term Debt</i>	3,165,234	3,165,234	--
0072	<i>Interest on Long-Term Debt</i>	3,494,954	3,494,952	2
0073	<i>Bond Issuance Costs and Fees</i>	10,000	3,600	6,400
	Total Debt Service	6,670,188	6,663,786	6,402
6030	Total Expenditures	6,670,188	6,663,786	6,402
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	530,288	530,288
	Other Financing Sources (Uses):			
7915	<i>Transfers In</i>	--	30	30
7080	Total Other Financing Sources and (Uses)	--	30	30
1200	Net Change in Fund Balance	--	530,318	530,318
0100	Fund Balance - Beginning	1,141,465	1,141,465	--
3000	Fund Balance - Ending	\$ 1,141,465	\$ 1,671,783	\$ 530,318

WEST, DAVIS & COMPANY, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759

Independent Auditors' Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Board of Trustees
Marble Falls Independent School District
Marble Falls, Texas

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marble Falls Independent School District as of and for the year ended August 31, 2011, which collectively comprise the Marble Falls Independent School District's basic financial statements and have issued our report thereon dated January 16, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marble Falls Independent School District's internal control over financial reporting as a basis for designing our auditing procedures 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 Marble Falls Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marble Falls Independent School District's internal control over financial reporting.

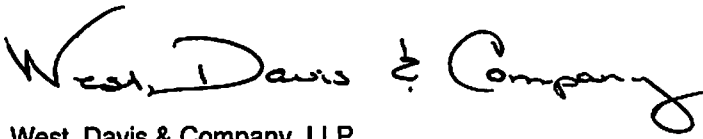
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marble Falls Independent School District's financial statements are free of 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*.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "West, Davis & Company". The signature is written in a cursive, flowing style.

West, Davis & Company, LLP
January 16, 2012

WEST, DAVIS & COMPANY, LLP
11824 Jollyville Road, Suite 100
Austin, Texas 78759

Independent Auditors' Report

Report on Compliance with Requirements That Could Have a Direct and
Material Effect on each Major Program and on Internal Control Over Compliance
In Accordance With OMB Circular A-133

Board of Trustees
Marble Falls Independent School District
Marble Falls, Texas

Members of the Board of Trustees:

Compliance

We have audited Marble Falls Independent School District's 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 Marble Falls Independent School District's major federal programs for the year ended August 31, 2011. Marble Falls Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marble Falls Independent School District's management. Our responsibility is to express an opinion on Marble Falls Independent School District's compliance based on our audit.

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 Non-Profit 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 Marble Falls Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Marble Falls Independent School District's compliance with those requirements.

In our opinion, Marble Falls Independent School District complied, in all material respects, with the 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, 2011.

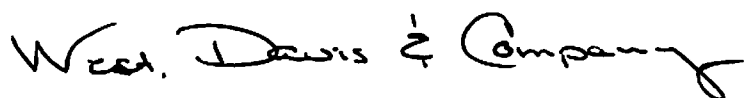
Internal Control Over Compliance

Management of Marble Falls Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marble Falls Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Marble Falls Independent School District's internal control over compliance.

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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "West, Davis & Company". The signature is written in a cursive, flowing style.

West, Davis & Company, LLP
January 16, 2012

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027A	IDEA-B Formula
84.173A	IDEA-B, Preschool
84.391A	ARRA - IDEA-Part B Formula
84.392A	ARRA - IDEA Part B, Preschool
84.394A	ARRA of 2009 Title XIV State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1

Page 1 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education:			
<i>Medicaid Administrative Claiming Program (MAC) *</i>	93.778	027-904	\$ 6,962
Total U. S. Department of Health and Human Services			6,962
U. S. DEPARTMENT OF EDUCATION			
Direct Programs:			
<i>ESEA Title X Part C - Education for Homeless Children and Youth *</i>	84.196	027-904	3,500
Total Direct Programs			3,500
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	11610101027904	773,744
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	12610101027904	34,729
Total CFDA Number 84.010A			808,473
<i>IDEA-B Formula *</i>	84.027A	106600010279046600	37
<i>IDEA-B Formula *</i>	84.027A	116600010279046600	610,831
<i>IDEA-B Formula *</i>	84.027A	116600010279046600	38,642
<i>IDEA-B Formula *</i>	84.027A	106600010279046600	(37)
<i>IDEA-B Discretionary *</i>	84.027A	116600010279046600	32,111
Total CFDA Number 84.027A			681,584
<i>Career and Technical - Basic Grant</i>	84.048A	11420006027904	42,260
<i>Career and Technical - Basic Grant</i>	84.048A	12420006027904	4,206
Total CFDA Number 84.048A			46,466
<i>IDEA-B Preschool *</i>	84.173A	116610010279046610	14,827
<i>IDEA-B Preschool *</i>	84.173A	126610010279046610	1,440
Total CFDA Number 84.173A			16,267
<i>ESEA Title IV Part A-Safe & Drug-Free Schools & Communities Act</i>	84.186A	11691001227950	10,444
Total CFDA Number 84.186A			10,444
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365A	11671001027904	53,212
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365A	10671001027904	54
Total CFDA Number 84.365A			53,266
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	11694501027904	175,457
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	12694501027904	7,859
Total CFDA Number 84.367A			183,316
<i>Summer School LEP</i>	84.369A	69551002	8,864
Total CFDA Number 84.369A			\$ 8,864
<i>ARRA - Title II Part D Subpart 1-Enhancing Education Through Technology *</i>	84.386A	10553001027904	\$ 1,570
<i>ARRA - ESEA, Title I, Part A - Improving Basic Programs *</i>	84.389A	10551001027904	41,825

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1

Page 2 of 2

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
ARRA - IDEA-Part B Formula *	84.391A	10554001027904	431,664
ARRA - IDEA Part B, Preschool *	84.392A	10555001027904	14,426
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394A	11557001027904	1,134,423
Total CFDA Number 84.394A			<u>1,134,423</u>
Total Passed Through State Department of Education			<u>3,432,586</u>
Total U. S. Department of Education			<u>3,436,086</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Food Distribution	10.550	027-904	46,790
School Breakfast Program *	10.553	71401101	327,040
National School Lunch Program *	10.555	71301101	926,305
Total Passed Through State Department of Education			<u>1,300,135</u>
Total U. S. Department of Agriculture			<u>1,300,135</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>4,743,183</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marble Falls 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.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2011*

<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 default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 6,743,675