

MARBLE FALLS
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2012

Marble Falls Independent School District
Annual Financial Report
For The Year Ended August 31, 2012

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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, 2012, at a meeting of the board of trustees of such school district on the 22 day of January, 2012.



Signature of Board ~~Secretary~~ Vice-President



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, 2012, 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, 2012, 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 10, 2013, 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 10, 2013

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, 2012. 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 \$26.1 million to \$28.8 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 \$11 million at August 31, 2012. 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	
	2012	2011
Current and other assets	16,315	14,470
Capital assets	93,644	95,419
Total assets	<u>109,959</u>	<u>109,889</u>
Long-term liabilities	79,708	81,887
Other liabilities	1,484	1,919
Total liabilities	<u>81,192</u>	<u>83,806</u>
Net assets:		
Invested in capital assets, net of related debt	14,541	14,176
Restricted	3,167	2,487
Unrestricted	11,059	9,420
Total net assets	<u>28,767</u>	<u>26,083</u>

Table II
Marble Falls Independent School District

CHANGES IN NET ASSETS
in thousands

	Governmental Activities	
	2012	2011
Revenues:		
Program revenues:		
Charges for services	840	896
Operating grants and contributions	6,330	5,620
General revenues:		
Maintenance and operations taxes	30,308	30,238
Debt service taxes	7,339	7,236
State aid - formula grants	7,457	6,431
Investment Earnings	117	99
Miscellaneous	494	457
Total Revenues	<u>52,885</u>	<u>50,977</u>
Expenses:		
Instruction, curriculum and media services	23,087	22,596
Instructional and school leadership	3,038	2,973
Student support services	3,439	3,610
Child nutrition	2,192	2,023
Extracurricular activities	1,557	1,515
General administration	1,250	1,090
Plant maintenance, security and data processing	5,145	5,845
Community services	91	156
Debt services	4,524	3,434
Contracted Inst. Services between School	5,211	3,886
Other Intergovernmental charges	667	670
Total Expenses	<u>50,201</u>	<u>47,798</u>
Increase in net assets	2,684	3,179
Net assets at Beginning	<u>26,083</u>	<u>22,904</u>
Net assets at Ending	<u>28,767</u>	<u>26,083</u>

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 \$12.3 million, which is \$2 million more than last year's total of \$10.3 million. Included in this year's total change in fund balance is an increase of \$1.3 million in the District's General Fund, \$652 thousand in the Debt Service Fund and \$95 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 2011). 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 2012, the District had \$93.6 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

The District added some \$919 thousand in capital assets during the year. 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 \$71.3 million in bonds outstanding versus \$74.5 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 2012-13 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 three 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 the 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 2012-13 school year.

The District continues to look for ways to decrease costs and increase revenues 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, 2012

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 12,056,737
1120	<i>Current Investments</i>	312,503
1225	<i>Property Taxes Receivable (Net)</i>	2,038,905
1240	<i>Due from Other Governments</i>	1,089,587
1290	<i>Other Receivables (Net)</i>	20,977
1300	<i>Inventories</i>	120,605
1410	<i>Deferred Expenses</i>	86,067
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	589,101
Capital Assets:		
1510	<i>Land</i>	3,047,266
1520	<i>Buildings and Improvements, Net</i>	88,748,224
1530	<i>Furniture and Equipment, Net</i>	1,848,698
1000	Total Assets	<u>109,958,670</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	131,349
2140	<i>Interest Payable</i>	125,003
2165	<i>Accrued Liabilities</i>	1,173,120
2180	<i>Due to Other Governments</i>	16,123
2300	<i>Unearned Revenue</i>	37,939
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	3,232,282
2502	<i>Due in More Than One Year</i>	76,475,895
2000	Total Liabilities	<u>81,191,711</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	14,541,189
Restricted For:		
3820	Federal and State Programs	520,707
3850	Debt Service	2,364,103
3870	Campus Activities	281,741
3900	Unrestricted	11,059,219
3000	Total Net Assets	<u>\$ 28,766,959</u>

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 21,675,123	\$ 49,823	\$ 2,599,735	\$ (19,025,565)	
12	<i>Instructional Resources and Media Services</i>	535,825	--	2,471	(533,354)	
13	<i>Curriculum and Staff Development</i>	875,936	--	630,116	(245,820)	
21	<i>Instructional Leadership</i>	782,228	--	110,467	(671,761)	
23	<i>School Leadership</i>	2,255,475	--	12,397	(2,243,078)	
31	<i>Guidance, Counseling, & Evaluation Services</i>	1,249,730	--	56,770	(1,192,960)	
33	<i>Health Services</i>	410,317	--	--	(410,317)	
34	<i>Student Transportation</i>	1,779,194	--	--	(1,779,194)	
35	<i>Food Service</i>	2,192,294	651,476	1,439,083	(101,735)	
36	<i>Cocurricular/Extracurricular Activities</i>	1,557,400	138,491	14,770	(1,404,139)	
41	<i>General Administration</i>	1,250,038	--	2,700	(1,247,338)	
51	<i>Plant Maintenance and Operations</i>	4,070,708	--	--	(4,070,708)	
52	<i>Security and Monitoring Services</i>	74,957	--	--	(74,957)	
53	<i>Data Processing Services</i>	999,244	--	--	(999,244)	
61	<i>Community Services</i>	90,655	--	1,461,851	1,371,196	
72	<i>Interest on Long-term Debt</i>	4,483,339	--	--	(4,483,339)	
73	<i>Bond Issuance Costs and Fees</i>	40,755	--	--	(40,755)	
91	<i>Contracted Instructional Services between Schools</i>	5,210,512	--	--	(5,210,512)	
99	<i>Other Intergovernmental Charges</i>	667,349	--	--	(667,349)	
TG	Total Governmental Activities	50,201,079	839,790	6,330,360	(43,030,929)	
TP	Total Primary Government	\$ 50,201,079	\$ 839,790	\$ 6,330,360	(43,030,929)	
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>				30,308,216	
DT	<i>Property Taxes, Levied for Debt Service</i>				7,338,403	
IE	<i>Investment Earnings</i>				117,369	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				7,456,517	
MI	<i>Miscellaneous</i>				494,323	
TR	Total General Revenues				45,714,828	
CN	Change in Net Assets				2,683,899	
NB	Net Assets - Beginning				26,083,060	
NE	Net Assets - Ending				\$ 28,766,959	

The accompanying notes are an integral part of this statement.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 9,208,884	\$ 2,260,055	\$ 587,798	\$ 12,056,737
1120	Current Investments	256,465	56,038	--	312,503
1225	Taxes Receivable, Net	1,690,005	348,900	--	2,038,905
1240	Due from Other Governments	626,706	7,168	455,713	1,089,587
1260	Due from Other Funds	77,824	--	44,542	122,366
1290	Other Receivables	20,868	--	109	20,977
1300	Inventories	70,567	--	50,038	120,605
1410	Deferred Expenditures	86,067	--	--	86,067
1000	Total Assets	\$ 12,037,386	\$ 2,672,161	\$ 1,138,200	\$ 15,847,747
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 87,234	\$ --	\$ 44,115	\$ 131,349
2150	Payroll Deductions & Withholdings	1,326	--	--	1,326
2160	Accrued Wages Payable	1,055,687	--	116,107	1,171,794
2170	Due to Other Funds	--	--	122,366	122,366
2180	Due to Other Governments	16,123	--	--	16,123
2300	Deferred Revenue	1,727,944	348,900	--	2,076,844
2000	Total Liabilities	2,888,314	348,900	282,588	3,519,802
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	70,567	--	50,038	120,605
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	520,707	520,707
3480	Retirement of Long-Term Debt	--	2,323,261	--	2,323,261
3490	Other Restrictions of Fund Balance	--	--	3,126	3,126
Committed Fund Balances:					
3510	Construction	59,000	--	--	59,000
3545	Other Committed Fund Balance	--	--	281,741	281,741
3600	Unassigned	9,019,505	--	--	9,019,505
3000	Total Fund Balances	9,149,072	2,323,261	855,612	12,327,945
4000	Total Liabilities and Fund Balances	\$ 12,037,386	\$ 2,672,161	\$ 1,138,200	\$ 15,847,747

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, 2012

Total fund balances - governmental funds balance sheet	\$ 12,327,945
<p>Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:</p>	
Capital assets used in governmental activities are not reported in the funds.	93,644,186
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,038,905
Payables for bond principal which are not due in the current period are not reported in the funds.	(71,274,340)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(7,828,659)
Payables for bond interest which are not due in the current period are not reported in the funds.	(125,004)
Bond premiums are reported in the SNA but not in the funds.	(605,178)
Bond issuance costs and similar items are capitalized in the SNA but not in the funds.	589,101
Rounding difference	<u>3</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 28,766,959</u>

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, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 30,594,554	\$ 7,320,139	\$ 935,937	\$ 38,850,630
5800 State Program Revenues	7,015,092	--	372,290	7,387,382
5900 Federal Program Revenues	625,401	--	5,774,094	6,399,495
5020 Total Revenues	<u>38,235,047</u>	<u>7,320,139</u>	<u>7,082,321</u>	<u>52,637,507</u>
EXPENDITURES:				
Current:				
0011 Instruction	16,680,675	--	3,796,540	20,477,215
0012 Instructional Resources and Media Services	470,235	--	34,526	504,761
0013 Curriculum and Staff Development	156,853	--	709,040	865,893
0021 Instructional Leadership	570,771	--	162,150	732,921
0023 School Leadership	2,082,482	--	40,418	2,122,900
0031 Guidance, Counseling, & Evaluation Services	1,093,255	--	66,688	1,159,943
0033 Health Services	361,236	--	21,159	382,395
0034 Student Transportation	1,884,192	--	--	1,884,192
0035 Food Service	--	--	1,958,014	1,958,014
0036 Cocurricular/Extracurricular Activities	1,414,493	--	68,738	1,483,231
0041 General Administration	1,142,305	--	2,700	1,145,005
0051 Plant Maintenance and Operations	3,993,447	--	--	3,993,447
0052 Security and Monitoring Services	73,755	--	--	73,755
0053 Data Processing Services	971,753	--	--	971,753
0061 Community Services	52,609	--	16,658	69,267
0071 Principal on Long-term Debt	--	3,224,524	--	3,224,524
0072 Interest on Long-term Debt	--	3,441,837	--	3,441,837
0073 Bond Issuance Costs and Fees	--	2,300	--	2,300
0081 Capital Outlay	88,914	--	5,934	94,848
0091 Contracted Instructional Services				
0091 Between Public Schools	5,210,512	--	--	5,210,512
0099 Other Intergovernmental Charges	667,349	--	--	667,349
6030 Total Expenditures	<u>36,914,836</u>	<u>6,668,661</u>	<u>6,882,565</u>	<u>50,466,062</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>1,320,211</u>	<u>651,478</u>	<u>199,756</u>	<u>2,171,445</u>
Other Financing Sources and (Uses):				
7912 Sale of Real or Personal Property	7,226	--	--	7,226
8949 Other Uses	--	--	(104,859)	(104,859)
7080 Total Other Financing Sources and (Uses)	<u>7,226</u>	<u>--</u>	<u>(104,859)</u>	<u>(97,633)</u>
1200 Net Change in Fund Balances	<u>1,327,437</u>	<u>651,478</u>	<u>94,897</u>	<u>2,073,812</u>
0100 Fund Balances - Beginning	7,821,635	1,671,783	760,715	10,254,133
3000 Fund Balances - Ending	<u>\$ 9,149,072</u>	<u>\$ 2,323,261</u>	<u>\$ 855,612</u>	<u>\$ 12,327,945</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, 2012*

Net change in fund balances - total governmental funds	\$ 2,073,812
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	918,934
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,693,659)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	240,245
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,224,524
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.	(1,084,984)
(Increase) decrease in accrued interest from beginning of period to end of period.	4,236
Bond premiums are reported in the funds but not in the SOA.	<u>39,246</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 2,683,899</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, 2012

Data Control Codes	Private-purpose Trust Funds	Agency Funds Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 27,177	\$ 87,251
1800 <i>Restricted Assets</i>	19,765	--
1000 Total Assets	<u>\$ 46,942</u>	<u>\$ 87,251</u>
LIABILITIES:		
Current Liabilities:		
2110 <i>Accounts Payable</i>	\$ --	\$ 3,866
2190 <i>Due to Student Groups</i>	--	83,385
2000 Total Liabilities	<u>--</u>	<u>87,251</u>
NET ASSETS		
3800 <i>Held in Trust</i>	46,942	--
3000 Total Net Assets	<u>\$ 46,942</u>	<u>\$ --</u>

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, 2012

	Private- Purpose Trusts
Additions:	
Investment Income	\$ 860
Contributions	225
Total Additions	<u>1,085</u>
Deductions:	
Scholarship Awards	2,000
Other Expenses	146
Total Deductions	<u>2,146</u>
Change in Net Assets	(1,061)
Net Assets-Beginning of the Year	48,003
Net Assets-End of the Year	<u>\$ 46,942</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, 2012

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, 2012

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, 2012

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, 2012

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 conveys 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>
None reported	Not applicable

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

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$12,051,736 and the bank balance was \$12,051,736. The District's cash deposits at August 31, 2012 and during the period ended August 31, 2012, 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, 2012 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>312,503</u>	100%

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.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

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 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.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012*

D. Capital Assets

Capital asset activity for the year ended August 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<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	112,944,990	214,908	--	113,159,898
Furniture and Equipment	4,273,236	704,025	--	4,977,261
Total capital assets being depreciated	<u>117,218,226</u>	<u>918,933</u>	<u>--</u>	<u>118,137,159</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,127,570)	(2,284,106)	--	(24,411,676)
Furniture and Equipment	(2,719,011)	(409,553)	--	(3,128,564)
Total accumulated depreciation	<u>(24,846,581)</u>	<u>(2,693,659)</u>	<u>--</u>	<u>(27,540,240)</u>
Total capital assets being depreciated, net	<u>92,371,645</u>	<u>(1,774,726)</u>	<u>--</u>	<u>90,596,919</u>
Governmental activities capital assets, net	<u>\$ 95,418,911</u>	<u>\$ (1,774,726)</u>	<u>\$ --</u>	<u>\$ 93,644,185</u>

Depreciation was charged to functions as follows:

Instruction	\$ 1,504,592
Instructional Resources and Media Services	31,064
Curriculum and Staff Development	10,043
Instructional Leadership	49,307
School Leadership	132,575
Guidance, Counseling, & Evaluation Services	89,787
Health Services	27,922
Student Transportation	225,522
Food Services	141,304
Extracurricular Activities	74,169
General Administration	105,033
Plant Maintenance and Operations	242,260
Security and Monitoring Services	1,202
Data Processing Services	37,491
Community Services	21,388
	<u>\$ 2,693,659</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 77,824	Short-term loans
Other Governmental Funds	Other Governmental Funds	44,542	For payroll clearing
	Total	<u>\$ 122,366</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, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
None	None	\$ --	Not Applicable
	Total	<u>\$ --</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, 2012, are as follows:

Series	Original Issue (millions)	Interest Rate	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:							
2002	12.325	3.0-4.5%	\$ 1,955,272	\$ --	\$ 694,524	\$ 1,260,748	652,528
2002A	8.940	2.5-5.0%	5,805,000	--	1,055,000	4,750,000	1,100,000
2006	6.967	4.2-4.61%	6,966,778	--	--	6,966,778	--
2007A	25.000	3.67-4.51%	24,025,000	--	525,000	23,500,000	550,000
2008	28.000	3.0-5.0%	26,520,443	--	590,000	25,930,443	610,000
2009B	9.342	2.0-5.0%	214,754	--	205,000	9,754	109,754
2009A	0.570	2.0%	9,011,617	--	155,000	8,856,617	210,000
			<u>74,498,864</u>	<u>--</u>	<u>3,224,524</u>	<u>71,274,340</u>	<u>3,232,282</u>
Premium on Bonds			644,424	--	39,246	605,178	--
Accumulated Accretion on CAB's			6,743,675	2,205,925	1,120,941	7,828,659	--
Total governmental activities			<u>\$ 81,886,963</u>	<u>\$ 2,205,925</u>	<u>\$ 4,384,711</u>	<u>\$ 79,708,177</u>	<u>\$ 3,232,282</u>
Due Within One Year						<u>\$ 3,232,282</u>	
Due in More Than One Year						<u>76,475,895</u>	
						<u>\$ 79,708,177</u>	

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2012, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
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	2,659,620	3,836,816	6,496,436
2018-2022	13,166,732	19,270,312	32,437,044
2023-2027	10,545,000	9,346,588	19,891,588
2021-2022	13,195,000	6,722,611	19,917,611
2033-2037	16,725,000	3,183,519	19,908,519
2038-2042	2,840,000	171,500	3,011,500
Totals	\$ 71,274,340	\$ 56,757,279	\$ 128,031,619

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, 2012, 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 2012, 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, 2012

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 2012, 2011, and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$1,611,875, \$1,584,830 and \$1,643,613 respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011, and 2010 in the amount of \$278,611, \$292,763, and \$300,502 respectively, on portion of the employees' salaries that exceeded the statutory minimum.

I. Health Care Coverage

During the period ended August 31, 2012, 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. TRS-Care

a) 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 dependants) 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 under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b) Funding Policy

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

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2012

coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of the public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011, and 2010. For the fiscal years ended 2012, 2011, and 2010, the State's contributions to TRS-Care were \$227,202, \$228,255 and \$235,592 respectively, the active member contributions were \$147,681, \$148,366 and \$153,135 respectively, and the District's contributions were \$124,961, \$125,540 and \$129,576 respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

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 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$68,106, \$58,437 and \$66,184, respectively.

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2012, the amount received by TRS-CARE on behalf of the District was \$64,406.

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, 2012.

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

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			Actual	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 30,402,849	\$ 30,591,065	\$ 30,594,554	\$ 3,489
5800	State Program Revenues	7,640,504	7,657,504	7,015,092	(642,412)
5900	Federal Program Revenues	210,000	628,000	625,401	(2,599)
5020	Total Revenues	<u>38,253,353</u>	<u>38,876,569</u>	<u>38,235,047</u>	<u>(641,522)</u>
EXPENDITURES:					
Current:					
Instructional & Instructional Related Services:					
0011	Instruction	18,291,995	17,756,569	16,680,675	1,075,894
0012	Instructional Resources and Media Services	481,185	502,143	470,235	31,908
0013	Curriculum and Staff Development	157,828	177,828	156,853	20,975
	Total Instruction & Instr. Related Services	<u>18,931,008</u>	<u>18,436,540</u>	<u>17,307,763</u>	<u>1,128,777</u>
Instructional and School Leadership:					
0021	Instructional Leadership	594,595	590,330	570,771	19,559
0023	School Leadership	2,149,216	2,165,227	2,082,482	82,745
	Total Instructional & School Leadership	<u>2,743,811</u>	<u>2,755,557</u>	<u>2,653,253</u>	<u>102,304</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,104,464	1,132,519	1,093,255	39,264
0033	Health Services	391,701	401,009	361,236	39,773
0034	Student (Pupil) Transportation	1,221,779	1,993,686	1,884,192	109,494
0036	Cocurricular/Extracurricular Activities	1,332,452	1,485,954	1,414,493	71,461
	Total Support Services - Student (Pupil)	<u>4,050,396</u>	<u>5,013,168</u>	<u>4,753,176</u>	<u>259,992</u>
Administrative Support Services:					
0041	General Administration	1,103,630	1,188,880	1,142,305	46,575
	Total Administrative Support Services	<u>1,103,630</u>	<u>1,188,880</u>	<u>1,142,305</u>	<u>46,575</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	4,199,368	4,355,764	3,993,447	362,317
0052	Security and Monitoring Services	83,082	83,082	73,755	9,327
0053	Data Processing Services	853,583	1,007,053	971,753	35,300
	Total Support Services - Nonstudent Based	<u>5,136,033</u>	<u>5,445,899</u>	<u>5,038,955</u>	<u>406,944</u>
Ancillary Services:					
0061	Community Services	53,341	63,341	52,609	10,732
	Total Ancillary Services	<u>53,341</u>	<u>63,341</u>	<u>52,609</u>	<u>10,732</u>
Capital Outlay:					
0081	Capital Outlay	--	110,050	88,914	21,136
	Total Capital Outlay	<u>--</u>	<u>110,050</u>	<u>88,914</u>	<u>21,136</u>
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	5,567,564	5,222,514	5,210,512	12,002
0099	Other Intergovernmental Charges	667,570	669,570	667,349	2,221
	Total Intergovernmental Charges	<u>6,235,134</u>	<u>5,892,084</u>	<u>5,877,861</u>	<u>14,223</u>
6030	Total Expenditures	<u>38,253,353</u>	<u>38,905,519</u>	<u>36,914,836</u>	<u>1,990,683</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	(28,950)	1,320,211	1,349,161
Other Financing Sources (Uses):				
7912 Sale of Real or Personal Property	--	--	7,226	7,226
7080 Total Other Financing Sources and (Uses)	--	--	7,226	7,226
1200 Net Change in Fund Balance	--	(28,950)	1,327,437	1,356,387
0100 Fund Balance - Beginning	7,821,635	7,821,635	7,821,635	--
3000 Fund Balance - Ending	\$ 7,821,635	\$ 7,792,685	\$ 9,149,072	\$ 1,356,387

*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 SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes	206 ESEA Title X Part C Homeless	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	
ASSETS:					
1110	Cash and Cash Equivalents	\$ (3,500)	\$ (36,180)	\$ (31,116)	\$ (7,384)
1240	Due from Other Governments	--	87,814	41,294	1,564
1260	Due from Other Funds	3,500	--	1,103	(1,471)
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	\$ --	\$ 51,634	\$ 11,281	\$ (7,291)
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 511	\$ --
2160	Accrued Wages Payable	--	41,278	27,497	1,336
2170	Due to Other Funds	--	10,356	(16,727)	(8,627)
2000	Total Liabilities	--	51,634	11,281	(7,291)
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	--	--	--	--
4000	Total Liabilities and Fund Balances	\$ --	\$ 51,634	\$ 11,281	\$ (7,291)

226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Vo Ed Basic Grant	255 ESEA Title II Training & Recruiting
\$ --	\$ 447,651	\$ 39,894	\$ (3,777)	\$ (39,248)
--	36,768	--	4,371	45,108
--	39,894	--	49	--
--	109	--	--	--
--	50,038	--	--	--
<u>\$ --</u>	<u>\$ 574,460</u>	<u>\$ 39,894</u>	<u>\$ 643</u>	<u>\$ 5,860</u>
\$ --	\$ 1,108	\$ --	\$ --	\$ --
--	10,746	--	--	6,317
--	46	39,894	552	(457)
<u>--</u>	<u>11,900</u>	<u>39,894</u>	<u>552</u>	<u>5,860</u>
--	50,038	--	--	--
--	512,522	--	91	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>562,560</u>	<u>--</u>	<u>91</u>	<u>--</u>
<u>\$ --</u>	<u>\$ 574,460</u>	<u>\$ 39,894</u>	<u>\$ 643</u>	<u>\$ 5,860</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes	263 English Lang Acquisition and Enhancement	270 ESEA, Title VI Part B, Subpart 2 Rural School	272 MAC Program	276 Title I SIP Academy Grant	
ASSETS:					
1110	Cash and Cash Equivalents	\$ (1,000)	\$ 17,075	\$ 19,878	\$ (25,144)
1240	Due from Other Governments	2,323	11,235	--	142,385
1260	Due from Other Funds	893	--	--	(972)
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	\$ 2,216	\$ 28,310	\$ 19,878	\$ 116,269
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 42,365
2160	Accrued Wages Payable	--	4,168	--	24,765
2170	Due to Other Funds	2,270	24,142	19,878	49,139
2000	Total Liabilities	2,270	28,310	19,878	116,269
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	(54)	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	(54)	--	--	--
4000	Total Liabilities and Fund Balances	\$ 2,216	\$ 28,310	\$ 19,878	\$ 116,269

283 IDEA - Part B Formula - ARRA	287 Education Jobs Fund	289 Summer School LEP	394 Life Skills Program	397 Advanced Placement Incentives
\$ --	\$ (82,774)	\$ 70	\$ 79	\$ 7,999
--	82,851	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ 77</u>	<u>\$ 70</u>	<u>\$ 79</u>	<u>\$ 7,999</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	77	--	--	--
<u>--</u>	<u>77</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	--	70	79	7,999
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>70</u>	<u>79</u>	<u>7,999</u>
<u>\$ --</u>	<u>\$ 77</u>	<u>\$ 70</u>	<u>\$ 79</u>	<u>\$ 7,999</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes		404 Student Success Initiative	410 State Textbook Fund	411 Technology Allotment
ASSETS:				
1110	Cash and Cash Equivalents	\$ (2,172)	\$ --	\$ --
1240	Due from Other Governments	--	--	--
1260	Due from Other Funds	2,172	--	--
1290	Other Receivables	--	--	--
1300	Inventories	--	--	--
1000	Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2160	Accrued Wages Payable	--	--	--
2170	Due to Other Funds	--	--	--
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	--	--	--
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--
Committed Fund Balances:				
3545	Other Committed Fund Balance	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

429 State Funded Special Revenue Fund	461 Campus Activity Funds	481 LCRA Grants	482 City of Marble Falls Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ --	\$ 284,321	\$ 1	\$ 3,125	\$ 587,798
--	--	--	--	455,713
--	(626)	--	--	44,542
--	--	--	--	109
--	--	--	--	50,038
<u>\$ --</u>	<u>\$ 283,695</u>	<u>\$ 1</u>	<u>\$ 3,125</u>	<u>\$ 1,138,200</u>
\$ --	\$ 131	\$ --	\$ --	\$ 44,115
--	--	--	--	116,107
--	1,823	--	--	122,366
<u>--</u>	<u>1,954</u>	<u>--</u>	<u>--</u>	<u>282,588</u>
--	--	--	--	50,038
--	--	--	--	520,707
--	--	1	3,125	3,126
--	281,741	--	--	281,741
<u>--</u>	<u>281,741</u>	<u>1</u>	<u>3,125</u>	<u>855,612</u>
<u>\$ --</u>	<u>\$ 283,695</u>	<u>\$ 1</u>	<u>\$ 3,125</u>	<u>\$ 1,138,200</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, 2012

Data Control Codes	206 ESEA Title X Part C Homeless	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--	--
5900 Federal Program Revenues	2,100	873,157	611,673	15,758
5020 Total Revenues	<u>2,100</u>	<u>873,157</u>	<u>611,673</u>	<u>15,758</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,100	827,928	589,426	15,758
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	--	18,791	1,721	--
0021 Instructional Leadership	--	26,438	9,989	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	(2,067)	--
0033 Health Services	--	--	--	--
0035 Food Service	--	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	12,604	--
0041 General Administration	--	--	--	--
0061 Community Services	--	--	--	--
0081 Capital Outlay	--	--	--	--
6030 Total Expenditures	<u>2,100</u>	<u>873,157</u>	<u>611,673</u>	<u>15,758</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Other Financing Sources and (Uses):				
8949 Other Uses	--	--	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	--	--	--	--
0100 Fund Balances - Beginning	--	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Vo Ed Basic Grant	255 ESEA Title II Training & Recruiting	263 English Lang Acquisition and Enhancement
\$ 654,331	\$ --	\$ --	\$ --	\$ --
12,134	--	--	--	--
1,439,083	22,749	44,213	115,538	35,311
<u>2,105,548</u>	<u>22,749</u>	<u>44,213</u>	<u>115,538</u>	<u>35,311</u>
--	--	40,504	100,220	27,530
--	--	--	--	--
--	--	--	12,618	7,781
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
1,935,265	22,749	--	--	--
--	--	3,709	--	--
--	--	--	2,700	--
--	--	--	--	--
--	--	--	--	--
<u>1,935,265</u>	<u>22,749</u>	<u>44,213</u>	<u>115,538</u>	<u>35,311</u>
<u>170,283</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
(104,859)	--	--	--	--
<u>(104,859)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
65,424	--	--	--	--
497,136	--	91	--	(54)
<u>\$ 562,560</u>	<u>\$ --</u>	<u>\$ 91</u>	<u>\$ --</u>	<u>\$ (54)</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, 2012

Data Control Codes	270 ESEA, Title VI Part B, Subpart 2 Rural School	272 MAC Program	276 Title I SIP Academy Grant	283 IDEA - Part B Formula - ARRA
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	--	--
5900 Federal Program Revenues	71,468	19,878	1,860,602	--
5020 Total Revenues	<u>71,468</u>	<u>19,878</u>	<u>1,860,602</u>	<u>--</u>
EXPENDITURES:				
Current:				
0011 Instruction	71,196	--	997,370	18,164
0012 Instructional Resources and Media Services	--	--	2,471	--
0013 Curriculum and Staff Development	272	--	665,644	--
0021 Instructional Leadership	--	--	118,573	7,150
0023 School Leadership	--	--	12,397	--
0031 Guidance, Counseling, & Evaluation Services	--	--	64,147	--
0033 Health Services	--	19,878	--	--
0035 Food Service	--	--	--	--
0036 Cocurricular/Extracurricular Activities	--	--	--	--
0041 General Administration	--	--	--	--
0061 Community Services	--	--	--	--
0081 Capital Outlay	--	--	--	5,934
6030 Total Expenditures	<u>71,468</u>	<u>19,878</u>	<u>1,860,602</u>	<u>31,248</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>(31,248)</u>
Other Financing Sources and (Uses):				
8949 Other Uses	--	--	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	--	--	--	(31,248)
0100 Fund Balances - Beginning	--	--	--	31,248
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

287 Education Jobs Fund	289 Summer School LEP	394 Life Skills Program	397 Advanced Placement Incentives	410 State Textbook Fund
\$ --	\$ --	\$ --	\$ --	\$ --
33,094	--	--	2,076	324,986
662,618	(54)	--	--	--
<u>695,712</u>	<u>(54)</u>	<u>--</u>	<u>2,076</u>	<u>324,986</u>
695,712	--	--	--	324,986
--	--	--	--	--
--	--	--	2,213	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>695,712</u>	<u>--</u>	<u>--</u>	<u>2,213</u>	<u>324,986</u>
--	(54)	--	(137)	--
--	--	--	--	--
--	--	--	--	--
--	(54)	--	(137)	--
--	124	79	8,136	--
<u>\$ --</u>	<u>\$ 70</u>	<u>\$ 79</u>	<u>\$ 7,999</u>	<u>\$ --</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, 2012

Data Control Codes	411 Technology Allotment	461 Campus Activity Funds
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 268,756
5800 <i>State Program Revenues</i>	--	--
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>--</u>	<u>268,756</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	707	84,939
0012 <i>Instructional Resources and Media Services</i>	--	32,055
0013 <i>Curriculum and Staff Development</i>	--	--
0021 <i>Instructional Leadership</i>	--	--
0023 <i>School Leadership</i>	--	28,021
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	4,608
0033 <i>Health Services</i>	--	1,281
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	52,425
0041 <i>General Administration</i>	--	--
0061 <i>Community Services</i>	--	6,933
0081 <i>Capital Outlay</i>	--	--
6030 Total Expenditures	<u>707</u>	<u>210,262</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(707)</u>	<u>58,494</u>
Other Financing Sources and (Uses):		
8949 <i>Other Uses</i>	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>(707)</u>	<u>58,494</u>
0100 Fund Balances - Beginning	<u>707</u>	<u>223,247</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 281,741</u>

481 LCRA Grants	482 City of Marble Falls Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ 12,850	\$ 935,937
--	--	372,290
--	--	5,774,094
<u> </u>	<u> </u>	<u> </u>
--	12,850	7,082,321
--	--	3,796,540
--	--	34,526
--	--	709,040
--	--	162,150
--	--	40,418
--	--	66,688
--	--	21,159
--	--	1,958,014
--	--	68,738
--	--	2,700
--	9,725	16,658
--	--	5,934
<u> </u>	<u> </u>	<u> </u>
--	9,725	6,882,565
--	--	--
<u> </u>	<u> </u>	<u> </u>
--	3,125	199,756
--	--	(104,859)
<u> </u>	<u> </u>	<u> </u>
--	--	(104,859)
<u> </u>	<u> </u>	<u> </u>
--	3,125	94,897
1	--	760,715
<u>\$ 1</u>	<u>\$ 3,125</u>	<u>\$ 855,612</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

PRIVATE-PURPOSE TRUST FUNDS

AUGUST 31, 2012

Data Control Codes	806 Harold Horne Scholarship	821 Designated Gifts & Bequests
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 26,509
1800 <i>Restricted Assets</i>	19,765	--
1000 Total Assets	<u>\$ 19,765</u>	<u>\$ 26,509</u>
LIABILITIES:		
2000 Total Liabilities	<u>--</u>	<u>--</u>
NET ASSETS		
3800 <i>Held in Trust</i>	\$ 19,765	\$ 26,509
3000 Total Net Assets	<u>\$ 19,765</u>	<u>\$ 26,509</u>

824	825	876	Total Private- Purpose Trust Funds (See Exhibit E-1)
DEIC	Technology Gifts		
\$ 293	\$ 150	\$ 225	\$ 27,177
--	--	--	19,765
<u>\$ 293</u>	<u>\$ 150</u>	<u>\$ 225</u>	<u>\$ 46,942</u>
--	--	--	--
\$ 293	\$ 150	\$ 225	\$ 46,942
<u>\$ 293</u>	<u>\$ 150</u>	<u>\$ 225</u>	<u>\$ 46,942</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ALL PRIVATE-PURPOSE TRUST FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

	806 Harold Horne Scholarship	821 Designated Gifts & Bequests	824 DEIC
Additions:			
Investment Income	\$ 860	\$ --	\$ --
Net (Decrease) in Fair Value of Investments	--	--	--
Contributions	--	--	--
Plan Member Contributions	--	--	--
Total Additions	<u>860</u>	<u>--</u>	<u>--</u>
Deductions:			
Scholarship Awards	2,000	--	--
Benefits	--	146	--
Refunds of Contributions	--	--	--
Administrative Expenses	--	--	--
Total Deductions	<u>2,000</u>	<u>146</u>	<u>--</u>
Change in Net Assets	(1,140)	(146)	--
Net Assets-Beginning of the Year	20,905	26,655	293
Net Assets-End of the Year	<u>\$ 19,765</u>	<u>\$ 26,509</u>	<u>\$ 293</u>

EXHIBIT H-4

825 Technology Gifts	876 Ebbie Neptune Memorial	Total Private-Purpose Trust Funds (See Exhibit E-2)
\$ --	\$ --	\$ 860
--	--	--
--	225	225
--	--	--
<u> --</u>	<u> 225</u>	<u> 1,085</u>
--	--	2,000
--	--	146
--	--	--
--	--	--
<u> --</u>	<u> --</u>	<u> 2,146</u>
--	225	(1,061)
150	--	48,003
<u>\$ 150</u>	<u>\$ 225</u>	<u>\$ 46,942</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2012*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2003 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.04	.25	2,855,639,845
2012 (School Year Under Audit)	1.04	.25	2,857,119,070

1000 Totals

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

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 244,339	\$ --	\$ 8,673	\$ 1,293	\$ (3,621)	\$ 230,752
40,309	--	3,678	439	(292)	35,900
55,847	--	6,735	746	(351)	48,015
84,372	--	18,281	1,828	(497)	63,766
94,066	--	10,722	1,042	939	83,241
108,144	--	19,569	3,666	16,803	101,712
233,207	--	53,411	11,032	23,971	192,735
415,429	--	150,494	35,389	63,760	293,306
879,923	--	364,177	87,167	2,605	431,184
--	36,856,836	29,081,110	6,987,677	22,244	810,293
<u>\$ 2,155,636</u>	<u>\$ 36,856,836</u>	<u>\$ 29,716,850</u>	<u>\$ 7,130,279</u>	<u>\$ 125,561</u>	<u>\$ 2,290,904</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012*

FUNCTION 41 - 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	\$ --	\$ --	\$ 261,033	\$ 670,187	\$ --	\$ --	\$ 931,220
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	--	--	9,168	--	--	--	9,168
6212	Audit Services	--	--	--	14,950	--	--	14,950
6213	Tax Appraisal and Collection	--	667,349	--	--	--	--	667,349
621X	Other Prof. Services	480	--	--	11,379	--	--	11,859
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	2,875	--	--	2,875
6240	Contr. Maint. and Repair	--	--	--	--	20,114	--	20,114
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	7,194	635	--	--	7,829
6290	Miscellaneous Contr.	1,066	--	23,472	13,931	--	--	38,469
6310	Operational Supplies, Materials	--	--	82	--	--	--	82
6320	Textbooks and Reading	--	--	2,361	409	--	--	2,770
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	510	--	11,416	15,609	--	75	27,610
6410	Travel, Subsistence, Stipends	912	--	8,750	7,610	--	--	17,272
6420	Ins. and Bonding Costs	25,669	--	--	--	--	--	25,669
6430	Election Costs	4,389	--	--	--	--	--	4,389
6490	Miscellaneous Operating	1,936	--	23,889	4,904	--	--	30,729
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 34,962 \$ 667,349 \$ 347,365 \$ 742,489 \$ 20,114 \$ 75 \$ 1,812,354

Total Expenditures for General and Special Revenue Funds (9) \$ 43,797,401

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 918,979
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 3,828,448
Food (Function 35, 6341 and 6499)	(13)	\$ 743,100
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 742,489</u>

Subtotal 6,233,016

Net Allowed Direct Cost \$ 37,564,385

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 113,159,898
Historical Cost of Buildings over 50 years old	(16)	2,261,931
Amount of Federal Money in Building Cost (Net of #16)	(17)	386,998
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	4,977,262
Historical Cost of Furniture & Equipment over 16 years old	(19)	--
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 387,588

(8) Note A - No Function 53 expenditures and \$667,349 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, 2012

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 902,562	\$ 654,331	\$ (248,231)
5800 <i>State Program Revenues</i>	12,110	12,134	24
5900 <i>Federal Program Revenues</i>	1,457,334	1,439,083	(18,251)
5020 Total Revenues	<u>2,372,006</u>	<u>2,105,548</u>	<u>(266,458)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	2,372,006	1,935,265	436,741
Total Support Services - Student (Pupil)	<u>2,372,006</u>	<u>1,935,265</u>	<u>436,741</u>
6030 Total Expenditures	<u>2,372,006</u>	<u>1,935,265</u>	<u>436,741</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	170,283	170,283
Other Financing Sources (Uses):			
8949 <i>Other Uses</i>	(104,860)	(104,859)	1
7080 Total Other Financing Sources and (Uses)	<u>(104,860)</u>	<u>(104,859)</u>	<u>1</u>
1200 Net Change in Fund Balance	<u>(104,860)</u>	65,424	170,284
0100 Fund Balance - Beginning	497,136	497,136	--
3000 Fund Balance - Ending	<u>\$ 392,276</u>	<u>\$ 562,560</u>	<u>\$ 170,284</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 7,050,710	\$ 7,320,139	\$ 269,429
5020 <i>Total Revenues</i>	<u>7,050,710</u>	<u>7,320,139</u>	<u>269,429</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	3,224,524	3,224,524	--
0072 <i>Interest on Long-Term Debt</i>	3,441,837	3,441,837	--
0073 <i>Bond Issuance Costs and Fees</i>	--	2,300	(2,300)
<i>Total Debt Service</i>	<u>6,666,361</u>	<u>6,668,661</u>	<u>(2,300)</u>
6030 <i>Total Expenditures</i>	<u>6,666,361</u>	<u>6,668,661</u>	<u>(2,300)</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	384,349	651,478	267,129
1200 <i>Net Change in Fund Balance</i>	<u>384,349</u>	<u>651,478</u>	<u>267,129</u>
0100 <i>Fund Balance - Beginning</i>	1,671,783	1,671,783	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 2,056,132</u>	<u>\$ 2,323,261</u>	<u>\$ 267,129</u>

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, 2012, which collectively comprise the Marble Falls Independent School District's basic financial statements and have issued our report thereon dated January 10, 2013. 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

Management of Marble Falls Independent School District is responsible for establishing and maintaining effective 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.

West, Davis & Company

West, Davis & Company, LLP
January 10, 2013

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, 2012. 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, 2012.

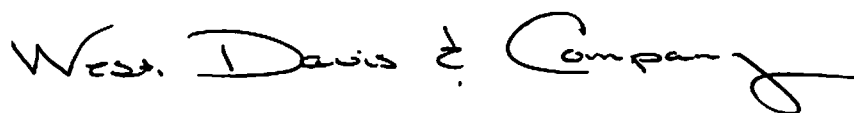
Internal Control Over Compliance

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.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Marble Falls Independent School District's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Marble Falls Independent School District's compliance but not to provide an opinion on the effectiveness of Marble Falls Independent School District's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marble Falls Independent School District's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "West, Davis & Company". The signature is written in a cursive, flowing style with a long horizontal flourish at the end.

West, Davis & Company, LLP
January 10, 2013

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

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>
10.553	School Breakfast Program
10.555	National School Lunch Program
84.377	Title I SIP Academy Grant
84.410	Education Jobs 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, 2012

EXHIBIT K-1

(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	\$ 19,878
Total Passed Through State Department of Education			<u>19,878</u>
Total U. S. Department of Health and Human Services			<u>\$ 19,878</u>
U. S. DEPARTMENT OF EDUCATION			
Direct Programs:			
<i>ESEA Title X Part C - Education for Homeless Children and Youth *</i>	84.196	027-904	\$ 2,100
Total Direct Programs			<u>2,100</u>
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	12610101027904	780,260
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010A	13610101027904	103,253
Total CFDA Number 84.010A			<u>883,513</u>
<i>IDEA-B Formula *</i>	84.027A	126600010279046600	591,787
<i>IDEA-B Formula *</i>	84.027A	136600010279046600	27,645
Total CFDA Number 84.027A			<u>619,432</u>
<i>Career and Technical - Basic Grant</i>	84.048A	12420006027904	41,037
<i>Career and Technical - Basic Grant</i>	84.048A	13420006027904	3,728
Total CFDA Number 84.048A			<u>44,765</u>
<i>IDEA-B Preschool *</i>	84.173A	126610010279046610	14,618
<i>IDEA-B Preschool *</i>	84.173A	136610010279046610	1,336
Total CFDA Number 84.173A			<u>15,954</u>
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358B	12696001027904	72,363
Total CFDA Number 84.358B			<u>72,363</u>
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365A	12671001027904	35,776
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	12694501027904	110,703
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367A	13694501027904	6,317
Total CFDA Number 84.367A			<u>117,020</u>
<i>Title I SIP Academy Grant *</i>	84.377A	126107047110028	1,750,891
<i>Title I SIP Academy Grant *</i>	84.377A	136107047110028	116,727
Total CFDA Number 84.377A			<u>1,867,618</u>
<i>ARRA - IDEA-Part B Formula *</i>	84.391A	10554001027904	31,248
<i>Education Jobs Fund</i>	84.410A	11550101027904	662,618
Total Passed Through State Department of Education			<u>4,350,307</u>
Total U. S. Department of Education			<u>\$ 4,352,407</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
Food Distribution	10.550	027-904	\$ 101,324
School Breakfast Program *	10.553	71401201	335,819
National School Lunch Program *	10.555	71301201	1,001,940
Total Passed Through State Department of Education			<u>1,439,083</u>
Total U. S. Department of Agriculture			<u>\$ 1,439,083</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 5,811,368</u></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, 2012

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, 2012*

<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?	\$ 7,828,659