

MARBLE FALLS  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED JUNE 30, 2016*

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Marble Falls Independent School District  
Annual Financial Report  
For The Year Ended June 30, 2016

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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 June 30, 2016, at a meeting of the board of trustees of such school district on the 14 day of November, 2016.

  
Signature of Board Secretary

  
Signature of Board President

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

*Financial Section*

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

**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marble Falls Independent School District ("the District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

**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 June 30, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in 2016, Marble Falls Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Marble Falls Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 76, *Hierarchy of GAAP*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2016, Marble Falls Independent School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 79, *Investment Pools*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marble Falls Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

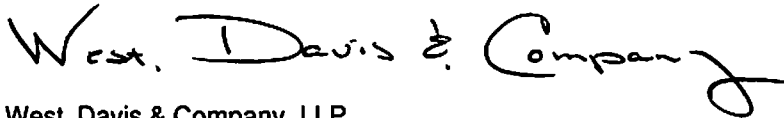
The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic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



The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marble Falls Independent School District's internal control over financial reporting and compliance.

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

West, Davis & Company, LLP  
Austin, Texas  
November 10, 2016

## 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 year ended June 30, 2016. 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 Position 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 18) 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 Position 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 Position 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 year or future years.

These two statements report the District's net position and changes in it. The District's net position (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 position is 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 Position 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 Position 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 Position 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 Position and Changes in Fiduciary Net Position on pages 16 and 17. 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 position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the District's governmental activities decreased from \$33.3 million to \$29.2 million. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$8.2 million at June 30, 2016. This decrease in governmental net position was the result of increases in instructional expenses of \$3.1 million and student support services of \$0.7 million.

**Table I**  
**Marble Falls Independent School District**

	NET POSITION	
	in thousands	
	Governmental Activities	
	2016	2015
Current and other assets	29,140	31,008
Capital assets	92,043	94,124
Total assets	<u>121,183</u>	<u>125,132</u>
Deferred Outflow Related to Pensions	<u>3,809</u>	<u>1,012</u>
Long-term liabilities	89,850	85,754
Other liabilities	5,261	5,634
Total liabilities	<u>95,111</u>	<u>91,388</u>
Deferred Inflow Related to Pensions	<u>667</u>	<u>1,456</u>
Net position:		
Invested in capital assets, net of related debt	12,108	16,960
Restricted	8,925	11,612
Unrestricted	8,181	4,728
Total net position	<u>29,214</u>	<u>33,300</u>

**Table II**  
**Marble Falls Independent School District**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	858	766
Operating grants and contributions	5,388	5,161
General revenues:		
Maintenance and operations taxes	33,464	32,082
Debt service taxes	7,344	6,903
State aid - formula grants	5,780	4,551
Investment earnings	102	66
Miscellaneous	434	1,804
Total Revenues	<u>53,370</u>	<u>51,333</u>
Expenses:		
Instruction, curriculum and media services	25,936	22,789
Instructional and school leadership	3,433	2,801
Student support services	3,781	3,083
Child nutrition	2,477	2,188
Extra curricular activities	1,724	1,404
General administration	1,574	1,175
Plant maintenance, security and data processing	6,855	6,278
Community services	122	98
Debt services	8,056	2,987
Contracted Inst. Services between School	2,107	3,237
Payments related to SSA	759	667
Other intergovernmental charges	631	637
Total Expenses	<u>57,455</u>	<u>47,344</u>
Change in Net Position	<u>-4,085</u>	<u>3,989</u>

**NET PENSION LIABILITY (GASB 68)**

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System. The District's net pension liability at year end totaled \$9 million.

## **THE DISTRICT'S FUNDS**

As the District completed this year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$22.8 million, which is \$1.6 million less than last year's total of \$24.4 million. Included in this year's total change in fund balance is an increase of \$1 million in the District's General Fund, \$0.5 million in the Debt Service Fund and a decrease of \$1.8 million in Other Governmental Funds (primarily Capital Projects Funds). The reason for the increases in General Fund and Debt Service Fund is a slight increase in property values. Another factor is a slight increase in enrollment. The primary reason for this decrease was due to the spending down of the Capital Projects 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 June 2015). 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 year-end of 2016, the District had \$92 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

The District added some \$1.6 million 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 of 2016, the District had \$67.5 million in bonds outstanding versus \$70.9 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 2016-17 budget cycle, the District is seeing a slight increase in revenue due to increasing property values and a slight increase in enrollment. As a result, the District is increasing the current staffing ratio while maintaining the operating budget structure. The District continues to explore methods to decrease cost 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 POSITION

JUNE 30, 2016

Data Control Codes	1
ASSETS:	Governmental Activities
1110 <i>Cash and Cash Equivalents</i>	\$ 3,152,749
1120 <i>Current Investments</i>	22,311,321
1225 <i>Property Taxes Receivable (Net)</i>	2,007,199
1240 <i>Due from Other Governments</i>	1,515,438
1250 <i>Accrued Interest</i>	2,624
1290 <i>Other Receivables (Net)</i>	20,375
1300 <i>Inventories</i>	120,377
1410 <i>Unrealized Expenses</i>	9,567
Capital Assets:	
1510 <i>Land</i>	3,827,748
1520 <i>Buildings and Improvements, Net</i>	84,708,703
1530 <i>Furniture and Equipment, Net</i>	3,449,641
1580 <i>Construction in Progress</i>	57,035
1000 <b>Total Assets</b>	<u>121,182,777</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
1705 <i>Deferred Outflow Related to Pensions</i>	3,809,054
1700 <b>Total Deferred Outflows of Resources</b>	<u>3,809,054</u>
<b>LIABILITIES:</b>	
2110 <i>Accounts Payable</i>	250,861
2140 <i>Interest Payable</i>	882,501
2165 <i>Accrued Liabilities</i>	3,454,609
2180 <i>Due to Other Governments</i>	421,328
2300 <i>Unearned Revenue</i>	251,267
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	3,018,390
2502 <i>Due in More Than One Year</i>	77,871,787
2540 <i>Net Pension Liability</i>	8,960,181
2000 <b>Total Liabilities</b>	<u>95,110,924</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
2605 <i>Deferred Inflow Related to Pensions</i>	666,870
2600 <b>Total Deferred Inflows of Resources</b>	<u>666,870</u>
<b>NET POSITION:</b>	
3200 <b>Net Investment in Capital Assets</b>	12,108,311
Restricted For:	
3820 <i>Federal and State Programs</i>	486,443
3850 <i>Debt Service</i>	7,359,086
3860 <i>Capital Projects</i>	868,184
3870 <i>Campus Activities</i>	205,864
3890 <i>Other Purposes</i>	4,735
3900 <b>Unrestricted</b>	8,181,414
3000 <b>Total Net Position</b>	<u>\$ 29,214,037</u>

The accompanying notes are an integral part of this statement.



## MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 24,573,219	\$ 56,944	\$ 2,307,730	\$ (22,208,545)	
12	Instructional Resources and Media Services	505,761	--	--	(505,761)	
13	Curriculum and Staff Development	857,138	--	291,774	(565,364)	
21	Instructional Leadership	1,085,578	--	179,973	(905,605)	
23	School Leadership	2,347,355	--	1,948	(2,345,407)	
31	Guidance, Counseling, & Evaluation Services	1,254,477	--	--	(1,254,477)	
32	Social Work Services	49,526	--	--	(49,526)	
33	Health Services	464,727	--	--	(464,727)	
34	Student Transportation	2,012,171	--	74,927	(1,937,244)	
35	Food Service	2,476,715	632,412	1,649,637	(194,666)	
36	Cocurricular/Extracurricular Activities	1,723,982	129,516	13,788	(1,580,678)	
41	General Administration	1,573,542	--	70,521	(1,503,021)	
51	Facilities Maintenance and Operations	4,898,293	39,176	25,781	(4,833,336)	
52	Security and Monitoring Services	122,258	--	--	(122,258)	
53	Data Processing Services	1,834,303	--	--	(1,834,303)	
61	Community Services	122,039	--	12,972	(109,067)	
72	Interest on Long-term Debt	7,858,899	--	--	(7,858,899)	
73	Bond Issuance Costs and Fees	197,400	--	--	(197,400)	
91	Contracted Instructional Services between Schools	2,107,398	--	--	(2,107,398)	
93	Payments Related to Shared Services Arrangements	758,592	--	758,592	--	
99	Other Intergovernmental Charges	631,384	--	--	(631,384)	
TG	Total Governmental Activities	57,454,757	858,048	5,387,643	(51,209,066)	
TP	Total Primary Government	\$ 57,454,757	\$ 858,048	\$ 5,387,643	(51,209,066)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				33,463,577	
DT	Property Taxes, Levied for Debt Service				7,344,224	
IE	Investment Earnings				102,255	
GC	Grants and Contributions Not Restricted to Specific Programs				5,779,904	
MI	Miscellaneous				433,661	
TR	Total General Revenues				47,123,621	
CN	Change in Net Position				(4,085,445)	
NB	Net Position - Beginning				33,299,482	
NE	Net Position - Ending				\$ 29,214,037	

The accompanying notes are an integral part of this statement.

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

JUNE 30, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 1,267,777	\$ 457,533	\$ 1,427,439	\$ 3,152,749
1120	Current Investments	15,453,249	6,858,072	--	22,311,321
1225	Taxes Receivable, Net	1,651,631	355,568	--	2,007,199
1240	Due from Other Governments	686,528	95,179	733,731	1,515,438
1250	Accrued Interest	1,656	968	--	2,624
1260	Due from Other Funds	49,842	--	113,732	163,574
1290	Other Receivables	--	--	20,375	20,375
1300	Inventories	86,112	--	34,265	120,377
1410	Unrealized Expenditures	9,203	--	368	9,571
1000	<b>Total Assets</b>	<b>19,205,998</b>	<b>7,767,320</b>	<b>2,329,910</b>	<b>29,303,228</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 173,187	\$ --	\$ 77,674	\$ 250,861
2120	Short-Term Debt Payable	--	41,259	--	41,259
2150	Payroll Deductions & Withholdings	165,698	--	25,082	190,780
2160	Accrued Wages Payable	2,911,470	--	311,100	3,222,570
2170	Due to Other Funds	67,140	--	96,434	163,574
2180	Due to Other Governments	421,328	--	--	421,328
2300	Unearned Revenue	1,651,631	386,711	220,125	2,258,467
2000	<b>Total Liabilities</b>	<b>5,390,454</b>	<b>427,970</b>	<b>730,415</b>	<b>6,548,839</b>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	86,112	--	34,265	120,377
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	486,447	486,447
3470	Capital Acquisitions & Contractual Obligations	--	--	868,184	868,184
3480	Retirement of Long-Term Debt	--	7,339,350	--	7,339,350
3490	Other Restrictions of Fund Balance	--	--	210,599	210,599
3600	Unassigned	13,729,432	--	--	13,729,432
3000	<b>Total Fund Balances</b>	<b>13,815,544</b>	<b>7,339,350</b>	<b>1,599,495</b>	<b>22,754,389</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 19,205,998</b>	<b>\$ 7,767,320</b>	<b>\$ 2,329,910</b>	<b>\$ 29,303,228</b>

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 POSITION  
 JUNE 30, 2016*

Total fund balances - governmental funds balance sheet	\$ 22,754,389
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	92,043,127
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,007,200
Payables for bond principal which are not due in the current period are not reported in the funds.	(67,463,009)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(13,339,991)
Payables for bond interest which are not due in the current period are not reported in the funds.	(882,501)
Bond premiums are amortized in the SNP but not in the funds.	(7,038,479)
The accounting loss on refunding is amortized in the SNP but not reported in the funds.	6,951,302
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(8,960,181)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(666,870)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,809,054
Rounding difference	(4)
Net position of governmental activities - Statement of Net Position	<u>\$ 29,214,037</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 JUNE 30, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 33,949,240	\$ 7,348,937	\$ 874,347	\$ 42,172,524
5800 State Program Revenues	3,487,478	129,567	298,521	3,915,566
5900 Federal Program Revenues	930,530	--	5,399,066	6,329,596
5020 Total Revenues	<u>38,367,248</u>	<u>7,478,504</u>	<u>6,571,934</u>	<u>52,417,686</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	18,712,761	--	2,859,170	21,571,931
0012 Instructional Resources and Media Services	391,817	--	56,352	448,169
0013 Curriculum and Staff Development	516,798	--	300,988	817,786
0021 Instructional Leadership	797,200	--	179,907	977,107
0023 School Leadership	2,037,121	--	35,405	2,072,526
0031 Guidance, Counseling, & Evaluation Services	1,066,043	--	16,999	1,083,042
0032 Social Work Services	47,328	--	--	47,328
0033 Health Services	386,651	--	21,912	408,563
0034 Student Transportation	1,562,835	--	549,935	2,112,770
0035 Food Service	--	--	2,476,564	2,476,564
0036 Cocurricular/Extracurricular Activities	1,562,981	--	291,073	1,854,054
0041 General Administration	1,301,186	--	89,586	1,390,772
0051 Facilities Maintenance and Operations	4,259,162	--	238,188	4,497,350
0052 Security and Monitoring Services	118,218	--	191	118,409
0053 Data Processing Services	1,761,543	--	--	1,761,543
0061 Community Services	77,181	--	12,989	90,170
0071 Principal on Long-term Debt	--	3,356,854	--	3,356,854
0072 Interest on Long-term Debt	--	3,433,819	--	3,433,819
0073 Bond Issuance Costs and Fees	--	197,400	--	197,400
0081 Capital Outlay	25,944	--	527,703	553,647
0091 Contracted Instructional Services				
0091 Between Public Schools	2,107,398	--	--	2,107,398
0093 Payments to Shared Service Arrangements	--	--	758,592	758,592
0099 Other Intergovernmental Charges	631,384	--	--	631,384
6030 Total Expenditures	<u>37,363,551</u>	<u>6,988,073</u>	<u>8,415,554</u>	<u>52,767,178</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>1,003,697</u>	<u>490,431</u>	<u>(1,843,620)</u>	<u>(349,492)</u>
Other Financing Sources and (Uses):				
7901 Refunding Bonds Issued	--	13,970,000	--	13,970,000
7916 Premium or Discount on Issuance of Bonds	--	5,321,826	--	5,321,826
8949 Other Uses	(2,000)	(20,598,926)	--	(20,600,926)
7080 Total Other Financing Sources and (Uses)	<u>(2,000)</u>	<u>(1,307,100)</u>	<u>--</u>	<u>(1,309,100)</u>
1200 Net Change in Fund Balances	<u>1,001,697</u>	<u>(816,669)</u>	<u>(1,843,620)</u>	<u>(1,658,592)</u>
0100 Fund Balances - Beginning	12,813,847	8,156,019	3,443,115	24,412,981
3000 Fund Balances - Ending	<u>\$ 13,815,544</u>	<u>\$ 7,339,350</u>	<u>\$ 1,599,495</u>	<u>\$ 22,754,389</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 JUNE 30, 2016*

Net change in fund balances - total governmental funds	\$ (1,658,592)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,627,059
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,707,852)
To reverse fund level accrual of Teacher Retirement of Texas on-behalf contributions.	1,338,579
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	29,241
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,356,854
The accretion of interest on capital appreciation bonds is not reported in the funds.	(4,548,161)
(Increase) decrease in accrued interest from beginning of period to end of period.	134,443
Current year amortization of previous year deferred resource outflows and inflows.	(2,260,968)
To reverse fund level accrual of Teacher Retirement System on-behalf contributions.	(1,338,579)
Bond premiums are reported in the funds but not in the SOA.	(5,321,826)
To record State's total proportionate share of pension expense.	(11,709,032)
Reverse contributions made after the prior year measurement date and before the end of the prior period.	19,970,104
Deferred Outflows for contributions made after the current measurement date & before the year end.	653,911
District contributions must be de-expended for fiscal year 2015.	750,565
The District's proportionate share of Teacher Retirement System plan wide pension expense.	(1,689,251)
The amortization of the accounting loss on refunding is recorded in the SOA but not in the funds..	(403,143)
Bond premiums are amortized in the SOA but not in the funds.	391,781
Current year amortization of previous year deferred resource outflows and inflows.	299,426
Rounding difference	(4)
Change in net position of governmental activities - Statement of Activities	<u>\$ (4,085,445)</u>

The accompanying notes are an integral part of this statement.

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT***STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**JUNE 30, 2016*

Data Control Codes		Private-purpose Trust Funds	Agency Funds
		<u>          </u>	<u>          </u>
		Student Activity	<u>          </u>
<b>ASSETS:</b>			
1110	<i>Cash and Cash Equivalents</i>	\$ 25,895	\$ 216,308
1000	Total Assets	<u>25,895</u>	<u>216,308</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	<i>Accounts Payable</i>	\$ --	\$ 5,198
2190	<i>Due to Student Groups</i>	--	211,110
2000	Total Liabilities	<u>--</u>	<u>216,308</u>
<b>NET POSITION:</b>			
3800	<i>Held in Trust</i>	25,895	--
3000	Total Net Position	<u>\$ 25,895</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ --
Contributions	--
Total Additions	<u>          --</u>
<b>Deductions:</b>	
Scholarship Awards	1,488
Return of trust funds	17,000
Total Deductions	<u>          18,488</u>
<b>Change in Net Position</b>	<b>(18,488)</b>
Net Position-Beginning of the Year	44,383
Net Position-End of the Year	<u>\$ <u>          25,895</u></u>

The accompanying notes are an integral part of this statement.

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### 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 and there are no component units included within the District's reporting entity.

#### 2. Basis of Presentation, Basis of Accounting

##### a. Basis of Presentation

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



# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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 JUNE 30, 2016

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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. Deferred Outflows and Inflows of Resources

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

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

e. 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.

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

f. 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 position.

g. Use of Estimates

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

h. Data Control Codes

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

i. 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 Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 Board of Trustees. 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 Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

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

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

j. Net Position Flow Assumption

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

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2016, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 72, *Fair Value Measurement and Application*

-- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*

-- Statement No. 77, *Tax Abatement Disclosures*

a. Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.

b. The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.

c. Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED JUNE 30, 2016*

**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 Position of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Deposits and Investments**

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

1. Cash Deposits:

At June 30, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,152,749 and the bank balance was \$3,358,900. The District's cash deposits at June 30, 2016 and during the year ended June 30, 2016, 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.

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

\* Not all assets meeting the definition of an investment are required to be reported at fair value. Including among excepted investments are certain investments held by 2a7 like external investment pools. As detailed below, the District has invested funds in specific 2a7 like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

\*\* Certificates of deposits ("CD's") at FDIC insured banks are not subject to the fair value hierarchy levels.

The District's investments at June 30, 2016 are shown below.

Investment	Fair Value			Fair Value	Percentage
	Using Level	Rating	Maturity		
Lone Star	*	AAAm	25 days weighted average	\$ 21,069,321	94.43%
CD's	**	AAA		1,242,000	5.57%
Total Investments				<u>\$ 22,311,321</u>	<u>100%</u>

### 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 was not significantly exposed to credit risk.

At June 30, 2016, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

#### 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 was not exposed to concentration of credit risk.

## MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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 was not exposed to interest rate risk.

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.

#### Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### D. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,525,687	\$ 302,061	\$ --	\$ 3,827,748
Construction in progress	--	57,035	--	57,035
Total capital assets not being depreciated	<u>3,525,687</u>	<u>359,096</u>	<u>--</u>	<u>3,884,783</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	119,297,314	491,138	--	119,788,452
Equipment	8,341,101	776,826	263,632	8,854,295
Total capital assets being depreciated	<u>127,638,415</u>	<u>1,267,964</u>	<u>263,632</u>	<u>128,642,747</u>
Less accumulated depreciation for:				
Buildings and improvements	(32,140,750)	(2,938,998)	--	(35,079,748)
Equipment	(4,899,433)	(768,854)	(263,632)	(5,404,655)
Total accumulated depreciation	<u>(37,040,183)</u>	<u>(3,707,852)</u>	<u>(263,632)</u>	<u>(40,484,403)</u>
Total capital assets being depreciated, net	<u>90,598,232</u>	<u>(2,439,888)</u>	<u>--</u>	<u>88,158,344</u>
Governmental activities capital assets, net	<u>\$ 94,123,919</u>	<u>\$ (2,080,792)</u>	<u>\$ --</u>	<u>\$ 92,043,127</u>

Depreciation was charged to functions as follows:

Instruction	\$ 2,071,091
Instructional Resources and Media Services	42,756
Curriculum and Staff Development	13,825
Instructional Leadership	67,871
School Leadership	182,492
Guidance, Counseling, & Evaluation Services	123,594
Health Services	38,435
Student Transportation	310,435
Food Services	194,506
Extracurricular Activities	102,095
General Administration	144,580
Plant Maintenance and Operations	333,472
Security and Monitoring Services	1,654
Data Processing Services	51,606
Community Services	29,440
	<u>\$ 3,707,852</u>



# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### E. Interfund Balances and Activities

#### 1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2016, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 49,842	Temporary advances
Other Governmental Funds	General Fund	67,140	Temporary advances
Other Governmental Funds	Other Governmental Funds	46,592	Temporary advances
	Total	\$ 163,574	

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

#### 2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2016, consisted of the following:

None.

### F. Long-Term Obligations

#### 1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 70,881,595	\$ 13,970,000	\$ 17,388,585	\$ 67,463,010	\$ 3,018,390
Premium on bonds	2,108,435	5,321,826	391,781	7,038,480	--
Accretion on CAB's	8,791,829	5,316,308	768,147	13,339,990	--
Loss on refunding	(787,251)	(6,567,194)	(403,143)	(6,951,302)	--
	80,994,608	18,040,940	18,145,370	80,890,178	3,018,390
Net Pension Liability *	4,759,648	4,951,098	750,565	8,960,181	--
Total governmental activities	\$ 85,754,256	\$ 22,992,038	\$ 18,895,935	\$ 89,850,359	\$ 3,018,390
		Due Within One Year		\$ 3,018,390	
		Due in More Than One Year		77,871,788	
				\$ 80,890,178	

\* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

The following table displays total principal debt outstanding by issuance at year end.

Date of Issue	Description	Interest Rates	Original Issue	Final Maturity Date	Debt Principal	CAB Accretion
7/15/2002	Series 2002A	5.0%	\$ 8,940,000	8/15/2026	\$ 1,275,000	\$ --
6/1/2006	Series 2006	4.2 to 4.61	6,966,778	8/15/2022	1,327,697	7,835,891
3/1/2007	Series 2007A	4.0 to 5.0	25,000,000	8/15/2037	625,000	--
6/1/2008	Series 2008	3.50 to 5.00	27,995,443	8/15/2038	24,045,443	504,557
7/1/2009	Series 2009A	4.00 to 5.00	9,341,617	8/15/2039	8,454,870	185,130
7/15/2014	Series 2014	2.00 to 4.00	9,290,000	8/15/2034	9,115,000	183,165
2/15/2015	Series 2015	4.00 to 5.00	8,685,000	8/15/2037	8,650,000	--
4/15/2016	Series 2016A	2.00 to 3.00	9,025,000	8/15/2037	9,025,000	--
5/1/2016	Series 2016B	4.00	4,945,000	8/15/2022	4,945,000	4,631,247
					<u>\$ 67,463,010</u>	<u>\$ 13,339,990</u>

### 2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2016, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 3,018,390	\$ 3,838,082	\$ 6,856,472
2018	3,064,620	3,392,598	6,457,218
2019	4,095,000	2,378,905	6,473,905
2020	4,250,000	2,220,230	6,470,230
2021	1,965,000	3,748,131	5,713,131
2022-2026	15,045,000	12,373,162	27,418,162
2027-2031	11,680,000	6,863,713	18,543,713
2032-2036	14,715,000	3,753,974	18,468,974
2037-2041	9,630,000	675,119	10,305,119
Totals	<u>\$ 67,463,010</u>	<u>\$ 39,243,914</u>	<u>\$ 106,706,924</u>

### 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 June 30, 2016, 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	\$ 180,000
Series 2002	5,969,640
Series 2007A	3,000,000
Series 2007A	9,065,000
Series 2007A	9,085,000
Series 2006	4,946,732
Total	<u>\$ 32,246,372</u>

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

The District issued Unlimited Tax Refunding Bonds to refund a portion of outstanding debt as follows:

<u>Bond Issue</u>	<u>Proceeds</u> <u>(in millions)</u>	<u>Bonds</u> <u>Refunded</u>	<u>Amount</u> <u>Refunded</u> <u>(in millions)</u>	<u>Decreased in</u> <u>Aggregate</u> <u>Debt Service</u>	<u>Economic</u> <u>Gain</u> <u>(in millions)</u>	<u>Accounting</u> <u>Loss</u> <u>(in millions)</u>
Series 2016A	9.0250	Series 2007A	9.0650	2.6300	2.1480	0
Series 2016B	4.9450	Series 2006	4.9450	2.9720	2.8110	6

The accounting loss and the combined premium of \$5.3 million will be amortized over the life of the bonds issued.

### 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 2016, 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 participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

#### 2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.trs.state.tx.us/about/documents/cafr.pdf#CAFR](http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR); by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

#### 3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### 4. Contributions

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

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

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
2016 Employer Contributions	\$ 775,653	
2016 Member Contributions	\$ 1,865,266	
NECE 2015 On-Behalf Contributions to District	\$ 1,329,625	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the TRS pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

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

### 5. Actuarial Assumptions

The total pension liability in the August 31, 2015 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

### 6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Real Rate of Return</b>			
<b>As of August 31, 2015</b>			
	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflat. Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 net pension liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 14,038,911	\$ 8,960,181	\$ 4,729,910

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### 8. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability of \$8,960,181 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 8,960,181
State's proportionate share of the net pension liability associated with the District	<u>15,868,236</u>
Total	<u>\$ 24,828,417</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 through August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0253480%. which was an increase (decrease) of 0.0075292% from its proportion measured as of August 31, 2014.

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

#### *Economic Assumptions*

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

#### *Mortality Assumptions*

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

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### Other Demographic Assumptions

- h. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- i. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- j. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- k. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- l. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

### Actuarial Methods and Policies

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$2,260,968 and revenue of \$2,260,968 for support provided by the State.

At June 30, 2016, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 61,218	\$ 344,348
Changes in actuarial assumptions	257,303	319,660
Difference between projected and actual investment earnings	1,115,636	--
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	<u>1,720,986</u>	<u>2,862</u>
Total as of August 31, 2015 measurement date	3,155,143	666,870
District contributions paid to TRS subsequent to the measurement date	<u>653,911</u>	<u>--</u>
Total	<u>\$ 3,809,054</u>	<u>\$ 666,870</u>



# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

Year Ended June 30	Pension Expense Amount
2017	\$ 430,999
2018	\$ 430,999
2019	\$ 431,000
2020	\$ 794,686
2021	\$ 239,195
Thereafter	\$ 161,394

### I. Retiree Health Care Plans

#### 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). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://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 coverage. The State of Texas contribution rate was 1% for fiscal years 2016, 2015, and 2014. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. For the years ended June 30, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$219,247, \$214,255, and \$229,988, respectively, the active member contributions were \$133,972, \$117,841, and \$149,492, respectively, and the District's contributions were \$120,586, \$117,730, and \$126,494, 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 June 30, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on behalf of the District were \$103,081, \$106,493, and \$70,084, respectively.

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

### J. Employee Health Care Coverage

During the current fiscal period, employees of the District were covered by a statewide health insurance plan, TRS Active Care. The District paid premiums of \$250 per month per employee to the Plan with the State providing an additional \$75. Employees at their option, 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 Aetna.

The latest financial information on the statewide plan is available from TRS (see note on pension plan).

### 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 June 30, 2016.

### L. Shared Services Arrangements

#### Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Burnet CISD	\$ <u>758,592</u>
Total	\$ <u><u>758,592</u></u>

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2016

**EXHIBIT G-1**

Page 1 of 2

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 33,296,352	\$ 33,629,084	\$ 33,949,240	\$ 320,156
5800	State Program Revenues	3,761,443	3,376,443	3,487,478	111,035
5900	Federal Program Revenues	700,000	925,000	930,530	5,530
5020	Total Revenues	<u>37,757,795</u>	<u>37,930,527</u>	<u>38,367,248</u>	<u>436,721</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	18,537,129	18,784,862	18,712,761	72,101
0012	Instructional Resources and Media Services	445,253	419,262	391,817	27,445
0013	Curriculum and Staff Development	454,598	544,853	516,798	28,055
	Total Instruction & Instr. Related Services	<u>19,436,980</u>	<u>19,748,976</u>	<u>19,621,376</u>	<u>127,600</u>
Instructional and School Leadership:					
0021	Instructional Leadership	742,477	810,321	797,200	13,121
0023	School Leadership	2,075,511	2,085,254	2,037,121	48,133
	Total Instructional & School Leadership	<u>2,817,988</u>	<u>2,895,575</u>	<u>2,834,321</u>	<u>61,254</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	1,069,374	1,070,999	1,066,043	4,956
0032	Social Work Services	50,404	57,956	47,328	10,628
0033	Health Services	380,244	420,667	386,651	34,016
0034	Student (Pupil) Transportation	1,613,090	2,081,916	1,562,835	519,081
0036	Cocurricular/Extracurricular Activities	1,409,283	1,621,967	1,562,981	58,986
	Total Support Services - Student (Pupil)	<u>4,522,395</u>	<u>5,253,505</u>	<u>4,625,838</u>	<u>627,667</u>
Administrative Support Services:					
0041	General Administration	1,267,419	1,330,572	1,301,186	29,386
	Total Administrative Support Services	<u>1,267,419</u>	<u>1,330,572</u>	<u>1,301,186</u>	<u>29,386</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	4,263,594	4,300,312	4,259,162	41,150
0052	Security and Monitoring Services	110,504	135,556	118,218	17,338
0053	Data Processing Services	1,084,665	1,783,971	1,761,543	22,428
	Total Support Services - Nonstudent Based	<u>5,458,763</u>	<u>6,219,839</u>	<u>6,138,923</u>	<u>80,916</u>
Ancillary Services:					
0061	Community Services	56,689	95,078	77,181	17,897
	Total Ancillary Services	<u>56,689</u>	<u>95,078</u>	<u>77,181</u>	<u>17,897</u>
Capital Outlay:					
0081	Capital Outlay	--	75,944	25,944	50,000
	Total Capital Outlay	<u>--</u>	<u>75,944</u>	<u>25,944</u>	<u>50,000</u>
Intergovernmental Charges:					
0091	Contracted Instr. Services Between Public Schools	3,547,561	2,175,561	2,107,398	68,163
0099	Other Intergovernmental Charges	650,000	650,000	631,384	18,616
	Total Intergovernmental Charges	<u>4,197,561</u>	<u>2,825,561</u>	<u>2,738,782</u>	<u>86,779</u>
6030	Total Expenditures	<u>37,757,795</u>	<u>38,445,051</u>	<u>37,363,551</u>	<u>1,081,500</u>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2016

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	--	(514,524)	1,003,697	1,518,221
Other Financing Sources (Uses):				
8949 Other Uses	--	--	(2,000)	(2,000)
7080 Total Other Financing Sources and (Uses)	--	--	(2,000)	(2,000)
1200 Net Change in Fund Balance	--	(514,524)	1,001,697	1,516,221
0100 Fund Balance - Beginning	12,813,847	12,813,847	12,813,847	--
3000 Fund Balance - Ending	\$ 12,813,847	\$ 12,299,323	\$ 13,815,544	\$ 1,516,221

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \**

	Fiscal Year				
	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.0253480%	0.0178188%	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 8,960,181	\$ 4,759,648	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	15,868,236	13,550,181	--	--	--
<b>Total</b>	<b>\$ 24,828,417</b>	<b>\$ 18,309,829</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered-employee payroll	\$ 25,704,661	\$ 25,320,041	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.86%	18.80%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

EXHIBIT G-2

		Fiscal Year				
		2011	2010	2009	2008	2007
		--	--	--	--	--
\$		--	--	--	--	--
		--	--	--	--	--
\$		--	--	--	--	--
\$		--	--	--	--	--
		--	--	--	--	--
		--	--	--	--	--

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
LAST TEN FISCAL YEARS \**

	Fiscal Year				
	2016	2015	2014	2013	2012
Contractually required contribution	\$ 775,653	\$ 695,924	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(775,653)	(695,924)	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 26,203,818	\$ 25,618,009	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.96%	2.72%	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Note: GASB 68, Paragraph 81.2b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014 - August 31, 2015.



EXHIBIT G-3

		Fiscal Year					
		2011	2010	2009	2008	2007	
\$	--	\$	--	\$	--	\$	--
	--		--		--		--
\$	--	\$	--	\$	--	\$	--
	--		--		--		--
\$	--	\$	--	\$	--	\$	--
	--		--		--		--

# MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

## Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

## Defined Benefit Pension Plan

### *Changes of benefit terms*

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

### *Changes of assumptions*

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

*Combining Statements and Budget Comparisons  
as Supplementary Information*

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

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2016

Data Control Codes	Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 554,971	\$ 872,468	\$ 1,427,439
1240	Due from Other Governments	733,731	--	733,731
1260	Due from Other Funds	113,732	--	113,732
1290	Other Receivables	20,375	--	20,375
1300	Inventories	34,265	--	34,265
1410	Unrealized Expenditures	368	--	368
1000	<b>Total Assets</b>	<b>1,457,442</b>	<b>872,468</b>	<b>2,329,910</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 73,390	\$ 4,284	\$ 77,674
2150	Payroll Deductions & Withholdings	25,082	--	25,082
2160	Accrued Wages Payable	311,100	--	311,100
2170	Due to Other Funds	96,434	--	96,434
2300	Unearned Revenue	220,125	--	220,125
2000	<b>Total Liabilities</b>	<b>726,131</b>	<b>4,284</b>	<b>730,415</b>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3410	Inventories	34,265	--	34,265
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	486,447	--	486,447
3470	Capital Acquisitions & Contractual Obligations	--	868,184	868,184
3490	Other Restrictions of Fund Balance	210,599	--	210,599
3000	<b>Total Fund Balances</b>	<b>731,311</b>	<b>868,184</b>	<b>1,599,495</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,457,442</b>	<b>\$ 872,468</b>	<b>\$ 2,329,910</b>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		Special Revenue Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>				
5700	<i>Local and Intermediate Sources</i>	\$ 869,312	\$ 5,035	\$ 874,347
5800	<i>State Program Revenues</i>	298,521	--	298,521
5900	<i>Federal Program Revenues</i>	5,399,066	--	5,399,066
5020	Total Revenues	<u>6,566,899</u>	<u>5,035</u>	<u>6,571,934</u>
<b>EXPENDITURES:</b>				
Current:				
0011	<i>Instruction</i>	2,701,628	157,542	2,859,170
0012	<i>Instructional Resources and Media Services</i>	56,352	--	56,352
0013	<i>Curriculum and Staff Development</i>	300,988	--	300,988
0021	<i>Instructional Leadership</i>	179,907	--	179,907
0023	<i>School Leadership</i>	35,405	--	35,405
0031	<i>Guidance, Counseling, &amp; Evaluation Services</i>	16,999	--	16,999
0033	<i>Health Services</i>	21,912	--	21,912
0034	<i>Student Transportation</i>	74,941	474,994	549,935
0035	<i>Food Service</i>	2,476,564	--	2,476,564
0036	<i>Cocurricular/Extracurricular Activities</i>	16,775	274,298	291,073
0041	<i>General Administration</i>	89,586	--	89,586
0051	<i>Facilities Maintenance and Operations</i>	25,776	212,412	238,188
0052	<i>Security and Monitoring Services</i>	191	--	191
0061	<i>Community Services</i>	12,989	--	12,989
0081	<i>Capital Outlay</i>	1,000	526,703	527,703
0093	<i>Payments to Shared Service Arrangements</i>	758,592	--	758,592
6030	Total Expenditures	<u>6,769,605</u>	<u>1,645,949</u>	<u>8,415,554</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(202,706)	(1,640,914)	(1,843,620)
1200	Net Change in Fund Balances	<u>(202,706)</u>	<u>(1,640,914)</u>	<u>(1,843,620)</u>
0100	Fund Balances - Beginning	934,017	2,509,098	3,443,115
3000	Fund Balances - Ending	<u>\$ 731,311</u>	<u>\$ 868,184</u>	<u>\$ 1,599,495</u>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	226 IDEA-B Discretionary	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ (81,404)	\$ (77,775)	\$ (7,500)	\$ --
1240	Due from Other Governments	216,749	138,328	--	--
1260	Due from Other Funds	--	21,398	8,574	--
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1410	Unrealized Expenditures	--	--	22	--
1000	<b>Total Assets</b>	<b>135,345</b>	<b>81,951</b>	<b>1,096</b>	<b>--</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 816	\$ 872	\$ --	\$ --
2150	Payroll Deductions & Withholdings	9,557	7,085	(322)	--
2160	Accrued Wages Payable	114,616	70,426	--	--
2170	Due to Other Funds	10,356	3,568	1,418	--
2300	Unearned Revenue	--	--	--	--
2000	<b>Total Liabilities</b>	<b>135,345</b>	<b>81,951</b>	<b>1,096</b>	<b>--</b>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	<b>Total Fund Balances</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 135,345</b>	<b>\$ 81,951</b>	<b>\$ 1,096</b>	<b>\$ --</b>

240 National School Breakfast/Lunch Program	242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
\$ 389,711	\$ 48,885	\$ (3,127)	\$ (10,319)	\$ 4,166
73,007	--	3,630	26,534	8,248
92,435	(8,991)	49	--	893
5,123	--	--	--	--
34,265	--	--	--	--
--	--	--	--	--
<u>594,541</u>	<u>39,894</u>	<u>552</u>	<u>16,215</u>	<u>13,307</u>
\$ 3,991	\$ --	\$ --	\$ 112	\$ 61
6,553	--	--	797	642
88,793	--	--	15,763	8,445
(8,945)	39,894	552	(457)	4,159
--	--	--	--	--
<u>90,392</u>	<u>39,894</u>	<u>552</u>	<u>16,215</u>	<u>13,307</u>
34,265	--	--	--	--
469,884	--	--	--	--
--	--	--	--	--
<u>504,149</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>594,541</u>	\$ <u>39,894</u>	\$ <u>552</u>	\$ <u>16,215</u>	\$ <u>13,307</u>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2016

Data Control Codes	270 ESEA, Title VI Part B, Subpart 2 Rural School	272 MAC Program	289 Summer School LEP	352 21st Century Community Learning Center	
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 17,779	\$ 19,878	\$ 8,975	\$ (185,280)
1240	Due from Other Governments	18,237	--	--	248,998
1260	Due from Other Funds	--	--	--	--
1290	Other Receivables	--	--	--	--
1300	Inventories	--	--	--	--
1410	Unrealized Expenditures	--	--	--	346
1000	<b>Total Assets</b>	<b>36,016</b>	<b>19,878</b>	<b>8,975</b>	<b>64,064</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 79	\$ --	\$ --	\$ 61,878
2150	Payroll Deductions & Withholdings	563	--	--	207
2160	Accrued Wages Payable	11,186	--	--	1,871
2170	Due to Other Funds	24,188	19,878	--	108
2300	Unearned Revenue	--	--	--	--
2000	<b>Total Liabilities</b>	<b>36,016</b>	<b>19,878</b>	<b>--</b>	<b>64,064</b>
<b>FUND BALANCES:</b>					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	8,975	--
3490	Other Restrictions of Fund Balance	--	--	--	--
3000	<b>Total Fund Balances</b>	<b>--</b>	<b>--</b>	<b>8,975</b>	<b>--</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 36,016</b>	<b>\$ 19,878</b>	<b>\$ 8,975</b>	<b>\$ 64,064</b>



s	385 Supplemental Visually Impaired	397 Advanced Placement Incentives	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds
	\$ --	\$ 7,588	\$ 221,325	\$ 925	\$ 197,624
	--	--	--	--	--
	--	--	--	--	(626)
	--	--	--	--	15,252
	--	--	--	--	--
	<u>    </u>	<u>7,588</u>	<u>221,325</u>	<u>925</u>	<u>212,250</u>
	\$ --	\$ --	\$ --	\$ --	\$ 5,581
	--	--	--	--	--
	--	--	--	--	--
	--	--	--	--	1,715
	<u>    </u>	<u>    </u>	<u>220,101</u>	<u>24</u>	<u>    </u>
	<u>    </u>	<u>    </u>	<u>220,101</u>	<u>24</u>	<u>7,296</u>
	--	--	--	--	--
	--	7,588	--	--	--
	<u>    </u>	<u>    </u>	<u>1,224</u>	<u>901</u>	<u>204,954</u>
	<u>    </u>	<u>7,588</u>	<u>1,224</u>	<u>901</u>	<u>204,954</u>
	<u>\$ --</u>	<u>\$ 7,588</u>	<u>\$ 221,325</u>	<u>\$ 925</u>	<u>\$ 212,250</u>

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2016

Table with 5 columns: Data Control Codes, 472 Central Office Activity Fund, 482 City of Marble Falls Grant, 483 Rainwater System Local Grant, Total Nonmajor Special Revenue Funds. Rows include ASSETS (Cash, Due from Other Governments, etc.), LIABILITIES (Accounts Payable, Payroll Deductions, etc.), and FUND BALANCES (Inventories, Federal/State Funds Grant Restrictions, etc.).

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 633,772
5800 State Program Revenues	--	--	--	11,656
5900 Federal Program Revenues	951,112	727,938	13,459	1,600,069
5020 Total Revenues	<u>951,112</u>	<u>727,938</u>	<u>13,459</u>	<u>2,245,497</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	864,292	676,446	13,459	--
0012 Instructional Resources and Media Services	--	--	--	--
0013 Curriculum and Staff Development	53,617	3,816	--	--
0021 Instructional Leadership	5,365	13,890	--	--
0023 School Leadership	1,965	--	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	--	--
0033 Health Services	--	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	--	--	--	2,438,652
0036 Cocurricular/Extracurricular Activities	--	13,068	--	--
0041 General Administration	25,873	20,718	--	--
0051 Facilities Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0061 Community Services	--	--	--	--
0081 Capital Outlay	--	--	--	--
0093 Payments to Shared Service Arrangements	--	--	--	--
6030 Total Expenditures	<u>951,112</u>	<u>727,938</u>	<u>13,459</u>	<u>2,438,652</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--	(193,155)
1100 Expenditures	--	--	--	(193,155)
1200 Net Change in Fund Balances	--	--	--	(193,155)
0100 Fund Balances - Beginning	--	--	--	697,304
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 504,149</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 ESEA, Title VI Part B, Subpart 2 Rural School
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
37,912	52,679	133,667	53,794	80,048
<u>37,912</u>	<u>52,679</u>	<u>133,667</u>	<u>53,794</u>	<u>80,048</u>
--	48,706	116,440	52,853	78,058
--	--	--	--	--
--	2,554	--	--	--
--	731	7,603	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
37,912	--	--	--	--
--	688	--	--	--
--	--	9,624	941	1,990
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>37,912</u>	<u>52,679</u>	<u>133,667</u>	<u>53,794</u>	<u>80,048</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</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 JUNE 30, 2016

Data Control Codes	272 MAC Program	289 Summer School LEP	352 21st Century Community Learning Center
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	20,849	2,226	1,725,313
5020 <b>Total Revenues</b>	<u>20,849</u>	<u>2,226</u>	<u>1,725,313</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	--	--	457,504
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	231,810
0021 <i>Instructional Leadership</i>	--	--	152,318
0023 <i>School Leadership</i>	--	--	--
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	--	--	--
0033 <i>Health Services</i>	20,849	--	--
0034 <i>Student Transportation</i>	--	--	74,941
0035 <i>Food Service</i>	--	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--
0041 <i>General Administration</i>	--	--	11,383
0051 <i>Facilities Maintenance and Operations</i>	--	--	25,776
0052 <i>Security and Monitoring Services</i>	--	--	--
0061 <i>Community Services</i>	--	--	12,989
0081 <i>Capital Outlay</i>	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	758,592
6030 <b>Total Expenditures</b>	<u>20,849</u>	<u>--</u>	<u>1,725,313</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	--	2,226	--
1200 <b>Net Change in Fund Balances</b>	--	2,226	--
0100 <b>Fund Balances - Beginning</b>	--	6,749	--
3000 <b>Fund Balances - Ending</b>	<u>\$ --</u>	<u>\$ 6,975</u>	<u>\$ --</u>

	385 Supplemental Visually Impaired	397 Advanced Placement Incentives	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds
	\$ 1,925	\$ --	\$ --	\$ --	\$ 212,648
	--	1,800	285,065	--	--
	--	--	--	--	--
	<u>1,925</u>	<u>1,800</u>	<u>285,065</u>	<u>--</u>	<u>212,648</u>
	1,925	--	277,407	--	114,538
	--	--	--	--	56,352
	--	240	8,526	--	425
	--	--	--	--	--
	--	--	--	--	33,440
	--	--	--	--	16,999
	--	--	--	--	1,063
	--	--	--	--	--
	--	--	--	--	3,019
	--	--	--	--	--
	--	--	--	--	191
	--	--	--	--	--
	<u>1,925</u>	<u>240</u>	<u>285,933</u>	<u>--</u>	<u>226,027</u>
	--	1,560	(868)	--	(13,379)
	--	<u>1,560</u>	<u>(868)</u>	--	<u>(13,379)</u>
	--	6,028	2,092	901	218,333
\$	<u>1,925</u>	<u>7,588</u>	<u>1,224</u>	<u>901</u>	<u>204,954</u>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	472 Central Office Activity Fund	483 Rainwater System Local Grant	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 19,967	\$ 1,000	\$ 869,312
5800 State Program Revenues	--	--	298,521
5900 Federal Program Revenues	--	--	5,399,066
5020 Total Revenues	<u>19,967</u>	<u>1,000</u>	<u>6,566,899</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	--	--	2,701,628
0012 Instructional Resources and Media Services	--	--	56,352
0013 Curriculum and Staff Development	--	--	300,988
0021 Instructional Leadership	--	--	179,907
0023 School Leadership	--	--	35,405
0031 Guidance, Counseling, & Evaluation Services	--	--	16,999
0033 Health Services	--	--	21,912
0034 Student Transportation	--	--	74,941
0035 Food Service	--	--	2,476,564
0036 Cocurricular/Extracurricular Activities	--	--	16,775
0041 General Administration	19,057	--	89,586
0051 Facilities Maintenance and Operations	--	--	25,776
0052 Security and Monitoring Services	--	--	191
0061 Community Services	--	--	12,989
0081 Capital Outlay	--	1,000	1,000
0093 Payments to Shared Service Arrangements	--	--	758,592
6030 Total Expenditures	<u>19,057</u>	<u>1,000</u>	<u>6,769,605</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	910	--	(202,706)
1200 Net Change in Fund Balances	910	--	(202,706)
0100 Fund Balances - Beginning	2,610	--	934,017
3000 Fund Balances - Ending	<u>\$ 3,520</u>	<u>\$ --</u>	<u>\$ 731,311</u>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

JUNE 30, 2016

Data Control Codes		622 Capital Projects Fund-CATE	634 Capital Projects Fund- Transportation	636 Capital Projects Fund-Band
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 229,908	\$ (165,206)	\$ 34,211
1000	Total Assets	<u>229,908</u>	<u>(165,206)</u>	<u>34,211</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ --
2000	Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3470	Capital Acquisitions & Contractual Obligations	229,908	(165,206)	34,211
3000	Total Fund Balances	<u>229,908</u>	<u>(165,206)</u>	<u>34,211</u>
4000	Total Liabilities and Fund Balances	<u>\$ 229,908</u>	<u>\$ (165,206)</u>	<u>\$ 34,211</u>



651 Capital Projects Fund Maintenance	653 Capital Projects Fund Technology	699 Capital Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit H-1)
\$ 692,667	\$ 64,743	\$ 16,145	\$ 872,468
<del>692,667</del>	<del>64,743</del>	<del>16,145</del>	<del>872,468</del>
<u>4,284</u>	<u>--</u>	<u>--</u>	<u>4,284</u>
<u>4,284</u>	<u>--</u>	<u>--</u>	<u>4,284</u>
<u>688,383</u>	<u>64,743</u>	<u>16,145</u>	<u>868,184</u>
<u>688,383</u>	<u>64,743</u>	<u>16,145</u>	<u>868,184</u>
<del>692,667</del>	<del>64,743</del>	<del>16,145</del>	<del>872,468</del>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	622 Capital Projects Fund-CATE	634 Capital Projects Fund- Transportation	636 Capital Projects Fund-Band
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5020 <i>Total Revenues</i>	<u>--</u>	<u>--</u>	<u>--</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	133,944	--	20,728
0034 <i>Student Transportation</i>	--	474,994	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	251,909
0051 <i>Facilities Maintenance and Operations</i>	--	--	--
0081 <i>Capital Outlay</i>	144,481	--	--
6030 <i>Total Expenditures</i>	<u>278,425</u>	<u>474,994</u>	<u>272,637</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(278,425)</u>	<u>(474,994)</u>	<u>(272,637)</u>
1200 <i>Net Change in Fund Balances</i>	<u>(278,425)</u>	<u>(474,994)</u>	<u>(272,637)</u>
0100 <i>Fund Balances - Beginning</i>	508,333	309,788	306,848
3000 <i>Fund Balances - Ending</i>	<u>\$ 229,908</u>	<u>\$ (165,206)</u>	<u>\$ 34,211</u>

651 Capital Projects Fund Maintenance	653 Capital Projects Fund Technology	699 Capital Projects Fund	Total Nonmajor Capital Projects Funds (See Exhibit H-2)
\$ --	\$ --	\$ 5,035	\$ 5,035
<u>    --</u>	<u>    --</u>	<u>    5,035</u>	<u>    5,035</u>
2,870	--	--	157,542
--	--	--	474,994
22,389	--	--	274,298
212,412	--	--	212,412
382,222	--	--	526,703
<u>619,893</u>	<u>    --</u>	<u>    --</u>	<u>1,645,949</u>
(619,893)	--	5,035	(1,640,914)
<u>(619,893)</u>	<u>    --</u>	<u>    5,035</u>	<u>(1,640,914)</u>
1,308,276	64,743	11,110	2,509,098
<u>\$ 688,383</u>	<u>\$ 64,743</u>	<u>\$ 16,145</u>	<u>\$ 868,184</u>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF FIDUCIARY NET POSITION

PRIVATE-PURPOSE TRUST FUNDS

JUNE 30, 2016

Data Control Codes	806 Harold Horne Scholarship	821 Designated Gifts & Bequests	Total Private- Purpose Trust Funds (See Exhibit E-1)
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 25,895	\$ 25,895
1000 Total Assets	--	25,895	25,895
<b>LIABILITIES:</b>			
2000 Total Liabilities	--	--	--
<b>NET POSITION:</b>			
3800 <i>Held in Trust</i>	\$ --	\$ 25,895	\$ 25,895
3000 Total Net Position	\$ --	\$ 25,895	\$ 25,895

MARBLE FALLS INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 ALL PRIVATE-PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2016

	806 Harold Horne Scholarship	821 Designated Gifts & Bequests	Total Private-Purpose Trust Funds (See Exhibit E-2)
<b>Additions:</b>			
Investment Income	\$ --	\$ --	\$ --
Net (Decrease) in Fair Value of Investments	--	--	--
Contributions	--	--	--
Plan Member Contributions	--	--	--
Total Additions	<u>    --</u>	<u>    --</u>	<u>    --</u>
<b>Deductions:</b>			
Scholarship Awards	1,488	--	1,488
Benefits	--	--	--
Return of trust funds	17,000	--	17,000
Administrative Expenses	--	--	--
Total Deductions	<u>18,488</u>	<u>    --</u>	<u>18,488</u>
<b>Change in Net Position</b>	(18,488)	--	(18,488)
Net Position-Beginning of the Year	18,488	25,895	44,383
Net Position-End of the Year	<u>\$ --</u>	<u>\$ 25,895</u>	<u>\$ 25,895</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 JUNE 30, 2016*

Year Ended June 30	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2007 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.04	.25	2,857,119,070
2013	1.0533	.2267	2,940,462,613
2014	1.0533	.2267	2,945,172,530
2015	1.0533	.2267	3,026,438,979
2016 (School Year Under Audit)	1.0533	.2267	3,147,882,146

1000 Totals

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

10 Beginning Balance 7/1/15	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/16
\$ 247,127	\$ --	\$ 12,357	\$ 1,558	\$ (2,190)	\$ 231,022
52,494	--	7,115	1,334	(252)	43,793
84,807	--	11,795	2,438	(605)	69,969
121,310	--	14,359	3,383	(815)	102,753
140,217	--	32,409	7,783	13,101	113,126
184,519	--	42,908	10,289	17,825	149,147
250,381	--	68,397	14,709	18,787	186,062
268,992	--	77,879	16,754	8,309	182,668
872,578	--	507,556	108,980	16,344	272,386
--	40,292,891	32,313,099	6,951,482	(123,956)	904,354
<u>\$ 2,222,425</u>	<u>\$ 40,292,891</u>	<u>\$ 33,087,874</u>	<u>\$ 7,118,710</u>	<u>\$ (53,452)</u>	<u>\$ 2,255,280</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --



**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2016

EXHIBIT J-2

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 631,606	\$ 633,772	\$ 2,166
5800 <i>State Program Revenues</i>	12,000	11,656	(344)
5900 <i>Federal Program Revenues</i>	1,463,706	1,600,069	136,363
5020 Total Revenues	<u>2,107,312</u>	<u>2,245,497</u>	<u>138,185</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	2,458,860	2,438,652	20,208
Total Support Services - Student (Pupil)	<u>2,458,860</u>	<u>2,438,652</u>	<u>20,208</u>
6030 Total Expenditures	<u>2,458,860</u>	<u>2,438,652</u>	<u>20,208</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(351,548)	(193,155)	158,393
1200 Net Change in Fund Balance	(351,548)	(193,155)	158,393
0100 Fund Balance - Beginning	697,304	697,304	--
3000 Fund Balance - Ending	<u>\$ 345,756</u>	<u>\$ 504,149</u>	<u>\$ 158,393</u>

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 7,304,587	\$ 7,348,937	\$ 44,350
5800 State Program Revenues	129,567	129,567	--
5020 Total Revenues	<u>7,434,154</u>	<u>7,478,504</u>	<u>44,350</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 Principal on Long-Term Debt	4,125,000	3,356,854	768,146
0072 Interest on Long-Term Debt	2,665,673	3,433,819	(768,146)
0073 Bond Issuance Costs and Fees	197,401	197,400	1
Total Debt Service	<u>6,988,074</u>	<u>6,988,073</u>	<u>1</u>
6030 Total Expenditures	<u>6,988,074</u>	<u>6,988,073</u>	<u>1</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>446,080</u>	<u>490,431</u>	<u>44,351</u>
Other Financing Sources (Uses):			
7901 Refunding Bonds Issued	13,970,000	13,970,000	--
7916 Premium or Discount on Issuance of Bonds	5,321,826	5,321,826	--
8949 Other Uses	(20,598,926)	(20,598,926)	--
7080 Total Other Financing Sources and (Uses)	<u>(1,307,100)</u>	<u>(1,307,100)</u>	<u>--</u>
1200 Net Change in Fund Balance	(861,020)	(816,669)	44,351
0100 Fund Balance - Beginning	8,156,019	8,156,019	--
3000 Fund Balance - Ending	<u>\$ 7,294,999</u>	<u>\$ 7,339,350</u>	<u>\$ 44,351</u>

**WEST, DAVIS & COMPANY, LLP**

11824 Jollyville Road, Suite 100

Austin, Texas 78759

Independent Auditors' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marble Falls Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Marble Falls Independent School District's basic financial statements, and have issued our report thereon dated November 10, 2016.

**Internal Control Over Financial Reporting**

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

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

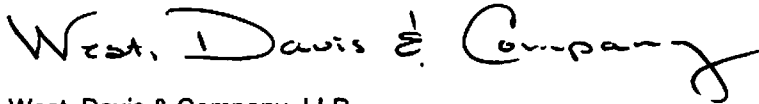
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

## Purpose of this Report

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

West, Davis & Company, LLP  
Austin, Texas  
November 10, 2016

**WEST, DAVIS & COMPANY, LLP**

11824 Jollyville Road, Suite 100

Austin, Texas 78759

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

**Report on Compliance for Each Major Federal Program**

We have audited the Marble Falls Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Marble Falls Independent School District's major federal program for the year ended June 30, 2016. Marble Falls Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Marble Falls Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Marble Falls Independent School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Marble Falls Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

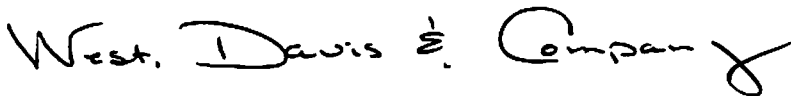
## Report on Internal Control Over Compliance

Management of the Marble Falls Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Marble Falls Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



West, Davis & Company, LLP  
Austin, Texas  
November 10, 2016

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED JUNE 30, 2016*

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA Title I Part A - Improving Basic Programs
84.287C	SSA Title IV Part B 21st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs: \$750,000

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**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

(1)	(2)	(2A) Pass- Through Entity Identifying Number	Passed Through to Subrecipients	(3) Federal Expenditures
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Direct Programs:				
<i>Medicaid Administrative Claiming Program - MAC *</i>	93.778	027-904	\$ --	\$ 20,849
Total Direct Programs			--	20,849
Total U. S. Department of Health and Human Services			--	20,849
<b>U. S. DEPARTMENT OF EDUCATION</b>				
Passed Through State Department of Education:				
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	1561010102790	--	65,643
<i>ESEA Title I Part A - Improving Basic Programs</i>	84.010A	1661010102790	--	911,342
Total CFDA Number 84.010A			--	976,985
SPECIAL EDUCATION CLUSTER (IDEA)				
<i>IDEA-B Formula *</i>	84.027A	1566000102790	--	36,703
<i>IDEA-B Formula *</i>	84.027A	1666000102790	--	711,953
Total CFDA Number 84.027A			--	748,656
<i>IDEA-B Preschool *</i>	84.173A	1666100102790	--	13,459
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			--	762,115
<i>Career and Technical - Basic Grant</i>	84.048A	1642000602790	--	52,679
<i>SSA Title IV Part B 21st Century Community Learning Centers</i>	84.287C	1569501971100	--	199,250
<i>SSA Title IV Part B 21st Century Community Learning Centers</i>	84.287C	1669501971100	--	1,537,446
Total CFDA Number 84.287C			--	1,736,696
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358B	1569600102790	--	4,143
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358B	1669600102790	--	77,895
Total CFDA Number 84.358B			--	82,038
<i>Title III Part A English Language Acquisition &amp; Language Enhancem€</i>	84.365A	1567100102790	--	1,406
<i>Title III Part A English Language Acquisition &amp; Language Enhancem€</i>	84.365A	1667100102790	--	53,329
Total CFDA Number 84.365A			--	54,735
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367A	1569450102790	--	12,217
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367A	1669450102790	--	125,359
Total CFDA Number 84.367A			--	137,576
Total Passed Through State Department of Education			--	3,802,823
Total U. S. Department of Education			\$ --	\$ 3,802,823
<b>U. S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through State Department of Education:				
CHILD NUTRITION CLUSTER				
School Breakfast Program *	10.553	714016	\$ --	\$ 355,456
National School Lunch Program *	10.555	713016	--	1,116,484
National School Lunch Program (Non-cash) *	10.555	027-904	--	128,129
Total CFDA Number 10.555			--	1,244,613
Total Passed Through State Department of Education			--	1,600,069
Summer Food Service Program *	10.559	027-904	--	37,912
TOTAL CHILD NUTRITION CLUSTER			--	1,637,981
Total U. S. Department of Agriculture			--	1,637,981
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 5,461,653

\* Indicates clustered program under OMB Uniform Guidance (2.CFR.200)

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 JUNE 30, 2016*

Basis of Presentation

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award grant activity of the District under programs of the federal government for the year. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

C. Subrecipients

The District has no subrecipients.

D. Child Nutrition Cluster

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

E. Food Donation Program

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program(s) [National School Lunch Program (Non-Cash)] that benefitted from the use of those donated food commodities.

F. Matching Requirements

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**MARBLE FALLS INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF JUNE 30, 2016

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 13,339,991
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 8,960,181
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 614,171