

# **Marlin Independent School District**

Annual Financial Report

For the Fiscal Year Ended June 30, 2018

**Marlin Independent School District**  
 Annual Financial Report  
 For the Fiscal Year Ended June 30, 2017  
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Certificate of the Board

Marlin Independent School District

Name of School District

Falls

County

073-903

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and  approved \_\_\_\_\_ disapproved for the fiscal year ended June 30, 2018 at a meeting of the Board of Managers of such school district on the 13<sup>th</sup> day of November, 2018.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Managers disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

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# Financial Section

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## Independent Auditor's Report

To the Board of Managers of  
Marlin Independent School District  
Marlin, 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 Marlin Independent School District (the District), as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Marlin Independent School District as of June 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.



**Emphasis of Matter**

*Change in Accounting Principle*

As discussed in Note 1.E. and Note 4.D. to the basic financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Beginning net position has been restated to reflect the change in accounting principle resulting from this statement. Our opinions are not modified with respect to this matter.

*Going Concern*

As discussed in Note 4.I. to the basic financial statements, the District has been identified as “Not Accredited-Revoked” until it receives an acceptable academic and financial rating. These basic financial statements and other data as presented in the table of contents do not include any adjustments that might result from the outcome of this going concern uncertainty. Our opinions are 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 and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The Supplementary Information and the Schedule of Required Responses to Selected School First Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit 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), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Board of Managers of  
Marlin Independent School District

The Supplementary Information and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 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 Schedule of Required Responses to Selected School First Indicators 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 13, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
November 13, 2018

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## Management's Discussion and Analysis

As management of the Marlin Independent School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

### Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,634,244 (net position). The District's unrestricted net position is a deficit as a result of implementing GASB 75 for OPEB.
- The District's net position decreased \$9,022,420, which includes an increase of \$1,811,609 from current operations and a decrease of \$10,834,029 from a prior period adjustment to implement GASB 75 for OPEB.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,356,051, a decrease of \$528,178 from current operations.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,053,832, or 48% of total general fund expenditures.
- The District's total bonded debt decreased by \$605,000 (100%) due to final scheduled debt payments.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is changing.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Payments Related to Shared Services Arrangements, and Other Intergovernmental Charges, as applicable.*

The government-wide financial statements can be found as noted in the table of contents of this report.

In fiscal year 2018, the District implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)* – which superseded GASB Statement No. 45.

Statement No. 75 establishes financial reporting standards and/or accounting standards for state and local government defined benefit OPEB plans and defined contribution OPEB plans. Statement No. 75 requires that, at transition, a government recognizes a beginning deferred outflow of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. The effects of the implementation of this statement has no impact on the District's governmental fund financial statements. However, implementation has resulted in certain changes to the presentation of the financial statements of the District's government-wide financial statements. More information on the implementation of this statement and the District's OPEB plan is available in Note 1. E. and Note 4.D., respectively.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eighteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, and the Special Education Cooperative fund which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for the government-wide financial statements.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary and other information, which includes schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,634,224 at the close of the most recent fiscal year.

### Marlin Independent School District's Net Position

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 7,651,595	42	\$ 8,247,230	43	\$ (595,635)	(7)
Capital assets	10,559,531	58	10,889,597	57	(330,066)	(3)
Total assets	18,211,126	100	19,136,827	100	(925,701)	
Total deferred outflows of resources	1,717,332	100	1,448,506	100	268,826	19
Long-term liabilities outstanding	9,043,568	88	3,425,530	72	5,618,038	164
Other liabilities	1,266,871	12	1,358,597	28	(91,726)	(7)
Total liabilities	10,310,439	100	4,784,127	100	5,526,312	
Total deferred inflows of resources	2,983,795	100	144,562	100	2,839,233	1,964
Net position:						
Net investment in capital assets	10,481,008	158	9,972,468	64	508,540	5
Restricted	158,363	2	99,881	-	58,482	59
Unrestricted	(4,005,147)	(60)	5,584,295	36	(9,589,442)	(172)
<b>Total net position</b>	<b>\$ 6,634,224</b>	<b>100</b>	<b>\$ 15,656,644</b>	<b>100</b>	<b>\$ (9,022,420)</b>	

The decrease in net position results primarily from the District implementing GASB 75 for OPEB. The reduction in individual line items for revenue and expense were a result of implementing the standard.

The largest portion of the District's net position \$10,481,008 (158%) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of \$158,363 (2%) is restricted for grants.

The deficit *unrestricted net position* (\$4,005,147) of District is the result of implementing GASB 75. The State's OPEB plan is primarily a pay as you go plan; therefore, net position is affected by recording a significant liability that is less than 1% funded by the State and District.

**Governmental Activities.** Governmental activities decreased the District's net position by \$9,022,420. Although current operations increased \$1,811,609, net position decreased \$10,834,029 from implementing GASB 75. Key elements of this change are as follows:

**Marlin Independent School District's Changes in Net Position**

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 1,741,096	14	\$ 59,574	1	\$ 1,681,522	2,823
Operating grants and contributions	800,834	7	2,451,528	20	(1,650,694)	(67)
General revenues:						
Property taxes, levied for general purposes	2,767,459	23	2,846,086	23	(78,627)	(3)
Property taxes, levied for debt service	-	-	2,274	-	(2,274)	(100)
Grants and contributions not restricted to specific programs	6,517,689	54	6,618,894	54	(101,205)	(2)
Investment earnings	29,722	-	12,516	-	17,206	137
Miscellaneous	198,863	2	168,226	2	30,637	18
Total revenues	<u>12,055,663</u>	<u>100</u>	<u>12,159,098</u>	<u>100</u>	<u>(103,435)</u>	
Expenses:						
Instruction	5,135,823	50	7,143,242	57	(2,007,419)	(28)
Instructional resources and media services	101,270	1	99,465	1	1,805	2
Curriculum and instructional staff development	29,210	-	86,896	1	(57,686)	(66)
Instructional leadership	399,495	4	270,171	2	129,324	48
School leadership	462,323	5	782,832	6	(320,509)	(41)
Guidance, counseling, and evaluation services	267,072	3	219,729	2	47,343	22
Social work services	142,611	1	150,997	1	(8,386)	(6)
Health services	76,704	1	100,835	1	(24,131)	(24)
Student transportation	372,615	4	340,986	3	31,629	9
Food services	516,378	5	608,106	5	(91,728)	(15)
Extracurricular activities	395,959	4	374,195	3	21,764	6
General administration	523,757	5	762,707	6	(238,950)	(31)
Plant maintenance and operations	1,019,287	10	1,181,199	9	(161,912)	(14)
Security monitoring services	9,831	-	20,466	-	(10,635)	(52)
Data processing services	237,143	2	273,350	2	(36,207)	(13)
Community services	7,280	-	1,920	-	5,360	279
Interest on long-term debt	25,918	-	57,841	-	(31,923)	(55)
Issuance costs and fees	500	-	500	-	-	-
Payments related to shared service arrangements	386,483	4	3,850	-	382,633	9,939
Other intergovernmental charges	134,395	1	146,185	1	(11,790)	(8)
Total expenses	<u>10,244,054</u>	<u>100</u>	<u>12,625,472</u>	<u>100</u>	<u>(2,381,418)</u>	
Change in net position	1,811,609		(466,374)		2,277,983	
Net position - beginning	15,656,644		15,867,733		(211,089)	
Prior period adjustment - implement GASB 75 for OPEB (a)	(10,834,029)		255,285		(11,089,314)	
Net position - beginning, as restated	<u>4,822,615</u>		<u>16,123,018</u>		<u>(11,300,403)</u>	
<b>Net position - ending</b>	<u>\$ 6,634,224</u>		<u>\$ 15,656,644</u>		<u>\$ (9,022,420)</u>	

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018. The implementation is discussed previously in MD&A.



Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling (\$7,318,523) represent 61% of total revenues and property taxes (\$2,767,459) represent 23% of total revenues. The remaining 16% is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$5,135,823) which represents 50% of total expenses. The remaining functional categories of expenses are individually 10% or less of total expenditures.

### **Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,356,051 a decrease of \$528,178 in comparison with the prior year.

The general fund is the primary operating fund of the District. At year-end, unassigned fund balance of the general fund was \$5,053,832. To evaluate the general fund's liquidity, it may be helpful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 48% of total general fund expenditures. The fund balance of the general fund decreased \$423,135 during the fiscal year, due to the increase in payments related to shared service arrangements and the reclassification of debt payments from a special revenue fund to the general fund.

The debt service fund balance increased \$10,398 as the transfers in exceeded the debt requirement reduced by current year revenue.

The capital projects fund balance decreased for the expenditures for security and monitoring costs.

The Special Ed COOP fund balance increased \$3,727 as funding from participants exceeded expenditures.

Governmental funds financial statements may be found by referring to the table of contents.

### **General Fund Budgetary Highlights**

The District amends the budget as needed throughout the year. There were no significant differences between the originally-adopted budget and the final amended budget of the general fund. Expenditures exceeded appropriation \$277,994.

### **Capital Assets and Long-term Liabilities**

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of June 30, 2018, amounts to \$10,559,531 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 3%, which is primarily depreciation.

Major capital asset events during the current fiscal year included the following:

- \$60,000 – Playground equipment
- \$21,075 – Equipment which included server and metal fabrication machine.

**Marlin Independent School District's Capital Assets**  
(net of depreciation)

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 229,129	2	\$ 229,129	2	\$ -	-
Buildings and improvements	10,194,396	97	10,501,161	97	(306,765)	(3)
Furniture and equipment	136,006	1	159,307	1	(23,301)	(15)
<b>Totals</b>	<b>\$ 10,559,531</b>	<b>100</b>	<b>\$ 10,889,597</b>	<b>100</b>	<b>\$ (330,066)</b>	

Additional information on the District's capital assets can be found in Notes 3. D. to the financial statements as noted in the table of contents of this report.

**Commitments.** At the end of the current fiscal year, the District had no commitments outstanding.

**Long-term Liabilities.** At year-end, the District had the following long-term liabilities:

**Marlin Independent School District's Long-term Liabilities Outstanding**

	Governmental Activities					
	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Bonds payable (net)	\$ -	-	\$ 605,000	18	\$ (605,000)	(100)
Notes payable (net)	241,884	3	312,129	9	(70,245)	(23)
Net pension liability	2,630,063	29	2,508,401	73	121,662	5
Net OPEB liability	6,171,621	68	-	-	6,171,621	100
<b>Totals</b>	<b>\$ 9,043,568</b>	<b>100</b>	<b>\$ 3,425,530</b>	<b>100</b>	<b>\$ 5,618,038</b>	

The District's bonded debt decreased by \$605,000 during the current fiscal year primarily due to scheduled debt payments.

Notes payable decreased due to scheduled debt payments.

Additional information on the District's long-term debt can be found in Note 3.E. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's net pension liability can be found in Note 4.C. to the financial statements as indicated in the table of contents of this report.

Additional information on the District's OPEB liability can be found in Note 4.D. to the financial statements as indicated in the table of contents of this report.

## **Economic Factors and Next Year's Budget and Rates**

- Current enrollment totals 803 students, which is a decrease from 845 a year ago.
- District staff totals 178 employees, which consist of 105 teachers and 73 aides and secretaries.
- The District maintains three campuses for instruction.
- The unemployment rate for the County is currently 4.4%. This compares unfavorably to the state's average unemployment rate of 4.2%.
- Property values of the District are expected to approximate \$244,102,000 for the 2018-2019 fiscal year.
- A tax rate for maintenance and operations, of \$1.155 was adopted for 2018-2019.

All of these factors were considered in preparing the District's budget for the 2019 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Marlin Independent School District, 130 Coleman Street, Marlin, Texas, 76661.

# Basic Financial Statements

**Marlin Independent School District**  
Statement of Net Position  
June 30, 2018

**Exhibit A-1**

1

<u>Data Control Codes</u>		<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 3,776,922
1120	Current investments	74,562
1220	Property taxes receivable	1,096,142
1230	Allowances for uncollectible taxes	(66,000)
1240	Due from other governments	2,762,590
1300	Inventories	7,379
	Capital assets:	
1510	Land and improvements	229,129
1520	Buildings and improvements (net)	10,194,396
1530	Furniture and equipment (net)	<u>136,006</u>
1000	Total assets	18,211,126
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
1705	Deferred outflows - pension	1,639,575
1706	Deferred outflows - OPEB	<u>77,757</u>
1700	Total deferred outflows of resources	1,717,332
<b>LIABILITIES</b>		
2110	Accounts payable	154,823
2140	Interest payable	1,469
2160	Accrued wages payable	975,082
2180	Due to other governments	45,360
2200	Accrued liabilities	65,454
2300	Unearned revenue	24,683
	Noncurrent liabilities:	
2501	Due within one year	72,762
2502	Due in more than one year	169,122
2540	Net pension liabilities	2,630,063
2545	Net OPEB liability	<u>6,171,621</u>
2000	Total liabilities	10,310,439
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2605	Deferred inflows - pension	402,194
2606	Deferred inflows - OPEB	<u>2,581,601</u>
2600	Total deferred inflows of resources	2,983,795
<b>NET POSITION</b>		
3200	Net investment in capital assets	10,481,008
3820	Restricted for grants	85,608
3850	Restricted for debt service	72,755
3900	Unrestricted	<u>(4,005,147)</u>
3000	<b>TOTAL NET POSITION</b>	<u><u>\$ 6,634,224</u></u>

The Notes to the Financial Statements are an integral part of this statement.

**Marlin Independent School District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

**Exhibit B-1**

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Governmental Activities
			Charges for Services			
<b>PRIMARY GOVERNMENT</b>						
Governmental activities:						
0011	Instruction	\$ 5,135,823	\$ 1,157,957	\$ 183,967	\$ (3,793,899)	
0012	Intructional resources and media services	101,270	-	16,076	(85,194)	
0013	Curriculum and instructional staff development	29,210	2,592	13,472	(13,146)	
0021	Instructional leadership	399,495	269,900	(28,939)	(158,534)	
0023	School leadership	462,323	36,215	(74,537)	(500,645)	
0031	Guidance, counseling, and evaluation services	267,072	26,560	269,517	29,005	
0032	Social work services	142,611	-	(5,544)	(148,155)	
0033	Health services	76,704	-	(8,355)	(85,059)	
0034	Student transportation	372,615	87,507	(16,479)	(301,587)	
0035	Food services	516,378	18,612	567,681	69,915	
0036	Extracurricular activities	395,959	67,156	(23,994)	(352,797)	
0041	General administration	523,757	8,236	(60,372)	(575,893)	
0051	Plant maintenance and operations	1,019,287	66,361	(50,132)	(1,003,058)	
0052	Security and monitoring services	9,831	-	-	(9,831)	
0053	Data processing services	237,143	-	9,164	(227,979)	
0061	Community services	7,280	-	5,438	(1,842)	
0072	Interest on long-term debt	25,918	-	3,871	(22,047)	
0073	Issuance costs and fees	500	-	-	(500)	
0093	Payments related to shared services arrangements	386,483	-	-	(386,483)	
0099	Other intergovernmental charges	134,395	-	-	(134,395)	
TG	Total governmental activities	<u>10,244,054</u>	<u>1,741,096</u>	<u>800,834</u>	<u>(7,702,124)</u>	
TP	<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 10,244,054</u>	<u>\$ 1,741,096</u>	<u>\$ 800,834</u>	<u>(7,702,124)</u>	
General revenues:						
MT	Property taxes, levied for general purposes				2,767,459	
GC	Grants and contributions not restricted to specific programs				6,517,689	
IE	Investment earnings				29,722	
MI	Miscellaneous				198,863	
TR	Total general revenues				<u>9,513,733</u>	
CN	Change in net position				1,811,609	
NB	Net position - beginning				15,656,644	
PA	Prior period adjustment - implement GASB 75 for OPEB				<u>(10,834,029)</u>	
	Net position - beginning, as restated				<u>4,822,615</u>	
NE	<b>NET POSITION - ENDING</b>				<u>\$ 6,634,224</u>	

The Notes to the Financial Statements are an integral part of this statement.

**Marlin Independent School District**  
 Balance Sheet – Governmental Funds  
 June 30, 2018

Data Control Codes		199	599
		General Fund	Debt Service Fund
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 3,472,252	\$ 61,180
1120	Current investments	74,562	-
1220	Property taxes receivable	1,029,785	66,357
1230	Allowance for uncollectible taxes	(62,000)	(4,000)
1240	Due from other governments	2,120,976	183
1260	Due from other funds	277,071	-
1300	Inventories	7,379	-
1000	Total assets	<u>6,920,025</u>	<u>123,720</u>
1000a	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 6,920,025</u>	<u>\$ 123,720</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 146,667	\$ -
2160	Accrued wages payable	672,565	-
2170	Due to other funds	27,813	5,605
2180	Due to other governments	-	45,360
2200	Accrued liabilities	43,984	-
2300	Unearned revenue	-	-
2000	Total liabilities	<u>891,029</u>	<u>50,965</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2600	Unavailable revenue - property taxes	<u>967,785</u>	<u>62,357</u>
	Total deferred inflows of resources	967,785	62,357
<b>FUND BALANCES</b>			
3410	Nonspendable - inventories	7,379	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	10,398
3545	Committed - campus activity	-	-
3600	Unassigned	<u>5,053,832</u>	<u>-</u>
3000	Total fund balances	<u>5,061,211</u>	<u>10,398</u>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 6,920,025</u>	<u>\$ 123,720</u>

The Notes to the Financial Statements are an integral part of this statement.

699	437	Total	98
Capital Projects Fund	Special Education COOP	Nonmajor Funds	Total Governmental Funds
\$ 163,361	\$ 17,795	\$ 62,334	\$ 3,776,922
-	-	-	74,562
-	-	-	1,096,142
-	-	-	(66,000)
-	29,147	612,284	2,762,590
-	153,186	24,804	455,061
-	-	-	7,379
<u>163,361</u>	<u>200,128</u>	<u>699,422</u>	<u>8,106,656</u>
<u>\$ 163,361</u>	<u>\$ 200,128</u>	<u>\$ 699,422</u>	<u>\$ 8,106,656</u>
\$ -	\$ 5,813	\$ 2,343	\$ 154,823
-	106,529	195,988	975,082
-	-	421,643	455,061
-	-	-	45,360
-	2,182	19,288	65,454
-	-	24,683	24,683
-	114,524	663,945	1,720,463
-	-	-	1,030,142
-	-	-	1,030,142
-	-	-	7,379
-	85,604	4	85,608
163,361	-	-	163,361
-	-	-	10,398
-	-	36,760	36,760
-	-	(1,287)	5,052,545
<u>163,361</u>	<u>85,604</u>	<u>35,477</u>	<u>5,356,051</u>
<u>\$ 163,361</u>	<u>\$ 200,128</u>	<u>\$ 699,422</u>	<u>\$ 8,106,656</u>



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**Marlin Independent School District**  
 Reconciliation of the Governmental Funds Balance  
 Sheet to the Statement of Net Position  
 June 30, 2018

**Exhibit C-1R**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 5,356,051

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 21,526,042	
Accumulated depreciation of governmental capital assets	<u>(10,966,511)</u>	10,559,531

Property taxes receivable, which will be collected subsequent to year-end, are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		1,030,142
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Long-term liabilities, including bonds payable, notes payable, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Notes payable	\$ (241,884)	
Accrued interest on the notes payable	(1,469)	
Net pension liability	(2,630,063)	
Net OPEB liability	<u>(6,171,621)</u>	(9,045,037)

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		1,639,575
--	--	-----------

Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(402,194)
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Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then.		77,757
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Deferred inflows for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		<u>(2,581,601)</u>
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**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ 6,634,224

**Marlin Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds  
For the Fiscal Year Ended June 30, 2018

Data Control Codes		199	599
		General Fund	Debt Service Fund
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 3,081,289	\$ 6,527
5800	State program revenues	6,720,628	3,871
5900	Federal program revenues	759,877	-
5020	Total revenues	10,561,794	10,398
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	5,169,304	-
0012	Instructional resources and media services	99,305	-
0013	Curriculum and instructional staff development	13,090	-
0021	Instructional leadership	198,661	-
0023	School leadership	593,214	-
0031	Guidance, counseling, and evaluation services	146,002	-
0032	Social work services	158,203	-
0033	Health services	98,299	-
0034	Student transportation	295,918	-
0035	Food services	573,430	-
0036	Extracurricular activities	427,442	-
0041	General administration	651,592	-
0051	Plant maintenance and operations	1,043,005	-
0052	Security and monitoring services	9,831	-
0053	Data processing services	272,919	-
0061	Community services	2,116	-
Debt service:			
0071	Principal on long-term debt	325,245	350,000
0072	Interest on long-term debt	25,475	10,500
0073	Issuance costs and fees	-	500
Intergovernmental:			
0093	Payments related to shared services arrangements	386,483	-
0099	Other intergovernmental charges	134,395	-
6030	Total expenditures	10,623,929	361,000
1100	Excess (deficiency) of revenues over (under) expenditures	(62,135)	(350,602)
<b>OTHER FINANCING SOURCES (USES)</b>			
7915	Transfers in	-	361,000
8911	Transfers out	(361,000)	-
7080	Total other financing sources (uses)	(361,000)	361,000
1200	Net change in fund balances	(423,135)	10,398
0100	Fund balances - beginning	5,484,346	-
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ 5,061,211</b>	<b>\$ 10,398</b>

The Notes to the Financial Statements are an integral part of this statement.

699 Capital Projects Fund	437 Special Education COOP	Total Nonmajor Funds	98 Total Governmental Funds
\$ -	\$ 1,452,572	\$ 228,838	\$ 4,769,226
-	35,273	130,811	6,890,583
-	-	1,668,646	2,428,523
-	1,487,845	2,028,295	14,088,332
-	1,012,861	1,487,784	7,669,949
-	-	25,487	124,792
-	2,648	13,472	29,210
-	275,761	-	474,422
-	-	41,461	634,675
-	27,137	409,345	582,484
-	-	-	158,203
-	-	-	98,299
-	89,407	-	385,325
-	-	-	573,430
-	240	21,639	449,321
-	8,415	-	660,007
102,080	67,649	-	1,212,734
-	-	-	9,831
-	-	40,616	313,535
-	-	5,579	7,695
-	-	-	675,245
-	-	-	35,975
-	-	-	500
-	-	-	386,483
-	-	-	134,395
<u>102,080</u>	<u>1,484,118</u>	<u>2,045,383</u>	<u>14,616,510</u>
(102,080)	3,727	(17,088)	(528,178)
-	-	-	361,000
-	-	-	(361,000)
-	-	-	-
(102,080)	3,727	(17,088)	(528,178)
<u>265,441</u>	<u>81,877</u>	<u>52,565</u>	<u>5,884,229</u>
<u>\$ 163,361</u>	<u>\$ 85,604</u>	<u>\$ 35,477</u>	<u>\$ 5,356,051</u>

**Marlin 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 Fiscal Year Ended June 30, 2018

**Exhibit C-3**

**TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ (528,178)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital assets <i>increased</i>	\$ 81,075	
Depreciation expense	<u>(411,141)</u>	(330,066)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 14,212

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Bond payable principal payment	\$ 605,000	
Notes payable principal payment	<u>70,245</u>	675,245

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:

Accrued interest on notes payable ( <i>increased</i> ) decreased	\$ 630	
Accrued interest on current interest bonds payable ( <i>increased</i> ) decreased	<u>9,427</u>	10,057

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 191,069	
Deferred inflows (increased) decreased	(257,632)	
Net pension liability (increased) decreased	<u>(121,662)</u>	(188,225)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 16,100	
Deferred inflows (increased) decreased	(2,581,601)	
Net OPEB liability (increased) decreased	<u>4,724,065</u>	<u>2,158,564</u>

**CHANGE IN NET POSITION FOR GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 1,811,609

The Notes to the Financial Statements are an integral part of this statement.

**Marlin Independent School District**  
 Statement of Net Position  
 Fiduciary Funds  
 June 30, 2018

**Exhibit E-1**

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Funds</u>	<u>865 Agency Fund Student Activity</u>
	<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 704	\$ 39,811
1000	<b>TOTAL ASSETS</b>	704	<u>\$ 39,811</u>
	<b>LIABILITIES</b>		
2110	Accounts payable	-	\$ 1,369
2190	Due to student groups	-	38,442
2000	<b>TOTAL LIABILITIES</b>	-	<u>\$ 39,811</u>
	<b>NET POSITION</b>		
3800	Held in Trust	704	
3000	<b>TOTAL NET POSITION</b>	<u>\$ 704</u>	

The Notes to the Financial Statements are an integral part of this statement.

**Marlin Independent School District**  
Statement of Changes in Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2018

**Exhibit E-2**

<u>Data Control Codes</u>		<u>810 Private-Purpose Trust Fund Scholarship Funds</u>
<b>ADDITIONS</b>		
5700	Increase in fair value of investments	\$ -
	Total additions	-
<b>DEDUCTIONS</b>		
6400	Scholarship awards	-
	Total deductions	-
	Change in net position	-
	Net position-beginning of the year	704
	<b>NET POSITION-END OF THE YEAR</b>	<u>\$ 704</u>

The Notes to the Financial Statements are an integral part of this statement.

# Marlin Independent School District

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

#### B. Reporting Entity

The Marlin Independent School District (the District) is governed by a five-member board of managers (the Board) appointed by Texas Education Agency, which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District.

#### C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

#### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities.

The *special education co-op fund* is used to account for the Falls Education Cooperative shared services arrangement for which the District is the fiscal agent.



## Marlin Independent School District

### Notes to the Financial Statements

Additionally, the District reports the following fund types:

The *private-purpose trust fund* is used to account for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in the governmental activities.

#### **E. Change in Accounting Principle**

In fiscal year 2018, the District implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – which supersedes GASB Statement No. 45*.

The requirements of Statement No. 75 apply to the financial statements of all state and local government employers whose employees are provided postemployment benefits other than pensions that are administered through trusts or equivalent arrangements, and to the financial statements of state and local government in which the non-employer contributing entity (State) and District have a legal obligation to make contributions directly to such OPEB plan. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to the OPEB plan. Note disclosure and RSI requirements about the OPEB plan also are addressed. The implementation of Statement No. 75 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively. The calculation of OPEB contributions is unaffected by the change. However, the implementation has resulted in the restatement of the District's beginning net position for the fiscal year 2018 government-wide financial statements to reflect the reporting of net OPEB liability and deferred inflows of resources and deferred outflows of resources for its qualified OPEB plan and the recognition of OPEB expense in accordance with the provisions of the Statement. Net position as of July 1, 2017 was decreased by \$10,834,029 to reflect the cumulative effect of implementation. An aggregate net OPEB liability of \$10,895,686 offset by aggregate deferred outflows of resources of \$61,657 at June 30, 2017 were reported as a prior period adjustment to the net position on July 1, 2017. Refer to Note 4.D. for more information regarding the District's OPEB plan. At transition, a government recognizes a beginning deferred outflows of resources for its OPEB contributions, if any, made subsequent to the measurement date of the beginning net OPEB liability. Since the measurement date of the OPEB plan was different than the District's fiscal year-end, the District reported contributions to the plan subsequent to the respective measurement date as an increase in deferred outflows of resources and a decrease in net position. The beginning deferred outflows for OPEB includes contributions from September 1, 2016 through June 30, 2017, totaling \$61,657.

## Marlin Independent School District

### Notes to the Financial Statements

#### **F. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues, excluding property taxes, to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to notes payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

#### **G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand and, bank demand or time deposits.

##### **2. Deposit and Investments**

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

##### **3. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

# Marlin Independent School District

## Notes to the Financial Statements

### 4. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Class</u>	<u>Lives</u>
Buildings and improvements	10-50
Furniture and equipment	5-10

### 5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Property taxes are recognized in the period the amount becomes available, when collected.

### 6. 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 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.

## Marlin Independent School District

### Notes to the Financial Statements

#### **7. 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.

#### **8. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Managers (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board, or their designee, may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **9. Pension**

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

#### **10. Other Post-Employment Benefits**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

# Marlin Independent School District

## Notes to the Financial Statements

### H. Revenues and Expenditures/Expenses

#### 1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

#### 2. Property Taxes

Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

#### 3. Compensated Absences

Compensated absences – District employees are entitled to sick leave days earned by them for services performed. Vacation days are non-duty days, lapse at the end of each year and have not been accrued. Sick days do accumulate, but employees are not paid the benefits upon termination. As a result, there is no liability for unpaid accumulated sick leave.

#### 4. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### 5. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

### Note 2. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, *National School Breakfast and Lunch Program* special revenue fund, and debt service fund. All other governmental funds adopt project-length budgets. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to June 30 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

## Marlin Independent School District

### Notes to the Financial Statements

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

For the year ended June 30, 2018, expenditures exceeded appropriations in the function (the legal level of budgetary control) of the following fund:

Fund	Function	Final Budget	Actual	Variance
General fund	11	\$ 5,041,942	\$ 5,169,304	\$ (127,362)
General fund	12	97,764	99,305	(1,541)
General fund	13	5,000	13,090	(8,090)
General fund	23	583,393	593,214	(9,821)
General fund	31	144,303	146,002	(1,699)
General fund	34	291,207	295,918	(4,711)
General fund	35	556,708	573,430	(16,722)
General fund	41	624,474	651,592	(27,118)
General fund	53	269,463	272,919	(3,456)
General fund	71	83,457	350,720	(267,263)
General fund	93	361,000	386,483	(25,483)
Special revenue fund - National school breakfast lunch program	35	556,708	573,430	(16,722)
Special revenue fund - National school breakfast lunch program	61	61,200	36,299	24,901
Debt service	71	359,500	361,000	(1,500)

These excess expenditures were funded by excess funds available in other functions or revenues.

#### B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. The District did not have any outstanding encumbrances at August 31, 2018.

### Note 3. Detailed Notes on All Funds

#### A. Deposits and Investments

##### Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be 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.

**Marlin Independent School District**

Notes to the Financial Statements

**Investments**

The District’s investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment if it has stated maturity of 271 days or fewer from the date of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program permitted by Government Code 2256.0015.

The District’s governmental fund investment balance and the weighted average maturity of such investment follows:

	June 30, 2018	Percent of Total Investments	Weighted Average Maturity (Days)	Weighted Average Credit Risk
Investment pool measured at amortized cost:				
TexPool	\$ 74,562	100%	24	AAAm*
<b>Total value</b>	<u>\$ 74,562</u>	<u>100%</u>		
<b>Portfolio weighted average maturity</b>			24	

\* Standard & Poor's Rating

The TexPool investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and no maximum transaction amounts. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools’ liquidity.

**Marlin Independent School District**

Notes to the Financial Statements

**Credit Risk**

For fiscal year 2018, the District invested in TexPool investment pool. TexPool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by the State Comptroller’s Office. As of June 30, 2018, the District’s investments were rated as noted in the table above.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any other individual investment not to exceed one year from the time of purchase, unless specifically authorized by the Board of Managers.

**Concentration of Credit Risk**

The District’s investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

**Custodial Credit Risk – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of June 30, 2018, District’s bank balance of \$4,170,943 was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District’s agent and in the District’s name.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk as the investments are insured or registered in the District’s name or the investments are held by the District or its agent.

**B. Receivables**

Tax revenues of the general and debt service fund are reported net of uncollectible amounts. Total change in uncollectible amounts increasing (decreasing) revenues of the current period were as follows:

Change in uncollectibles related to general fund property taxes	\$ (11,729)
Change in uncollectibles related to debt service property taxes	<u>(284)</u>
<b>Total change in uncollectibles of the current fiscal year</b>	<u><u>\$ (12,013)</u></u>

Approximately 80% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.



# Marlin Independent School District

## Notes to the Financial Statements

### C. Interfund Receivables, Payables, and Transfers

#### 1. Receivables/Payables

The composition of interfund receivable/payable balances as of June 30, 2018, is as follows:

Fund	Interfund Receivables	Interfund Payables
General fund	\$ 277,071	\$ 27,813
Debt service fund	-	5,605
Special education COOP	153,186	-
Nonmajor governmental funds	24,804	421,643
<b>Totals</b>	<b>\$ 455,061</b>	<b>\$ 455,061</b>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

#### 2. Transfers

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the District’s interfund transfers for the fiscal year ended June 30, 2018.

Transfer Out	Transfer In	Amount
General fund	Debt service fund	\$ 361,000
<b>Total</b>		<b>\$ 361,000</b>

The transfers from the general fund to the debt service fund and the nonmajor governmental funds were made to supplement debt payment for outstanding bond obligations.

# Marlin Independent School District

## Notes to the Financial Statements

### D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 229,129	\$ -	\$ -	\$ 229,129
Construction in progress	-	-	-	-
<b>Total capital assets, not being depreciated</b>	<b>229,129</b>	<b>-</b>	<b>-</b>	<b>229,129</b>
Capital assets, being depreciated:				
Buildings and improvements	17,605,409	60,000	-	17,665,409
Furniture and equipment	3,610,429	21,075	-	3,631,504
<b>Total capital assets, being depreciated</b>	<b>21,215,838</b>	<b>81,075</b>	<b>-</b>	<b>21,296,913</b>
Less accumulated depreciation for:				
Buildings and improvements	(7,104,248)	(366,765)	-	(7,471,013)
Furniture and equipment	(3,451,122)	(44,376)	-	(3,495,498)
<b>Total accumulated depreciation</b>	<b>(10,555,370)</b>	<b>(411,141)</b>	<b>-</b>	<b>(10,966,511)</b>
<b>Total capital assets, being depreciated, net</b>	<b>10,660,468</b>	<b>(330,066)</b>	<b>-</b>	<b>10,330,402</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 10,889,597</b>	<b>\$ (330,066)</b>	<b>\$ -</b>	<b>\$ 10,559,531</b>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
11 Instruction	\$ 239,419
12 Instructional resources and media services	3,700
21 Instructional leadership	10,404
23 School leadership	29,670
31 Guidance, counseling, and evaluation services	7,366
32 Social work services	3,382
33 Health services	3,901
34 Student transportation	39,186
35 Food services	13,074
36 Extracurricular activities	9,035
41 General administration	20,733
51 Plant maintenance and operations	24,730
53 Data processing services	6,491
61 Community services	50
<b>Total depreciation expense-governmental activities</b>	<b>\$ 411,141</b>

# Marlin Independent School District

## Notes to the Financial Statements

### E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, notes payable, and net pension and OPEB liability. The current requirements for notes payable and general obligation and revenue bonds principal and interest expenditures are accounted for in the general fund and debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

#### Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions and (Provision Adjustment)	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation and revenue bonds	\$ 605,000	\$ -	\$ (605,000)	\$ -	\$ -
Total bonds payable, net	605,000	-	(605,000)	-	-
Notes payable	312,129	-	(70,245)	241,884	72,762
Net pension liability	2,508,401	887,461	(765,799)	2,630,063	-
Net OPEB liability	10,895,686	1,043	(4,725,108)	6,171,621	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 14,321,216</b>	<b>\$ 888,504</b>	<b>\$ (6,166,152)</b>	<b>\$ 9,043,568</b>	<b>\$ 72,762</b>

\*Per GASB 75, beginning balance for net OPEB liability includes the restatement of net OPEB liability July 1, 2017.

#### General Obligation and Revenue Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District.

Revenue bonds (REV) were issued by the District to provide funds for the construction and equipment of school buildings.

The following is a summary of changes in the general obligation and revenue bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
1998 REV	5.85%	\$ 4,500,000	2/15/2018	\$ 255,000	\$ -	\$ (255,000)	\$ -
2010 REF	.65-3.00%	2,560,000	2/15/2018	350,000	-	(350,000)	-
<b>Totals</b>				<b>\$ 605,000</b>	<b>\$ -</b>	<b>\$ (605,000)</b>	<b>\$ -</b>

As of June 30, 2018, the District did not have any authorized but unissued bonds.

# Marlin Independent School District

## Notes to the Financial Statements

### Notes Payable

The District issues notes to provide funds for operations, equipment, and capital improvements. The notes are secured by the related capital assets.

The following is a summary of changes in the notes payable during the fiscal year:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Bus loan	3.69%	\$ 90,601	2019	\$ 54,313	\$ -	\$ (17,452)	\$ 36,861
Energy efficient equipment	3.49%	276,558	2022	257,816	-	(52,793)	205,023
<b>Total notes payable</b>				<b>\$ 312,129</b>	<b>\$ -</b>	<b>\$ (70,245)</b>	<b>\$ 241,884</b>

Annual debt service requirements to maturity of the notes payable are as follows:

Year Ending June 30,	Principal Value	Interest	Total Requirements
2019	\$ 72,762	\$ 7,646	\$ 80,408
2020	75,367	5,040	80,407
2021	58,611	2,340	60,951
2022	35,144	410	35,554
<b>Totals</b>	<b>\$ 241,884</b>	<b>\$ 15,436</b>	<b>\$ 257,320</b>

### F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Nonmajor governmental fund - special revenue:	
Campus activity funds	\$ 36,760
<b>Total other committed fund balance</b>	<b>\$ 36,760</b>

### G. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General	Debt Service	Special Education COOP	Other Governmental Funds	Totals
Property taxes	\$ 2,747,224	\$ 6,023	\$ -	\$ -	\$ 2,753,247
Investment income	29,218	504	-	-	29,722
Food sales	18,612	-	-	-	18,612
Other	286,235	-	1,452,572	228,838	1,967,645
<b>Totals</b>	<b>\$ 3,081,289</b>	<b>\$ 6,527</b>	<b>\$ 1,452,572</b>	<b>\$ 228,838</b>	<b>\$ 4,769,226</b>

# Marlin Independent School District

## Notes to the Financial Statements

### Note 4. Other Information

#### A. Risk Management

##### Health Insurance

During the year ended June 30, 2018, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$225 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

##### Property/Liability

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District's risk management program protects the District against loss by obtaining property, casualty and liability coverage through a risk pool, Property Casualty Alliance of Texas (PCAT). As a member of PCAT, the District pays contributions to the fund and transfers such risk to the fund for its property and liability. All members participating in the pool execute a PCAT Interlocal Agreement which was formed under the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The agreement defines the responsibilities of the parties. Settled claims have not exceeded insurance coverage in any of the three previous fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

##### Workers' Compensation

The District participates in a self-funded workers' compensation pool, Workers' Compensation Solutions (the Program), a cooperative established by school districts. The Program was created to formulate, develop and administer a program of modified self-funding for the Program's membership, obtain competitive costs for workers' compensation coverage and develop a comprehensive loss control program. The District pays fixed benefit cost and a claims deposit annually to the Program for its workers' compensation coverage. The District's agreement with the Program provides that the Program will pay claims, administrative costs, and purchase stop-loss insurance. The Program has purchased specific excess and aggregate excess workers' compensation insurance. In addition, 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.

#### B. Litigation and Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2018, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

## **Marlin Independent School District**

### Notes to the Financial Statements

#### **C. Defined Benefit Pension Plan**

##### **Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Managers 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.

##### **Pension Plan Fiduciary Net Position**

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

##### **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% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

##### **Contributions**

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

## Marlin Independent School District

### Notes to the Financial Statements

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2016 through 2018. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for Plan fiscal years 2016 and 2017. The 85<sup>th</sup> Texas Legislature, GAA established the employer contribution rates for Plan fiscal years 2018 and 2019. Rates for such plan fiscal years are as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Member	7.7%	7.7%	7.2%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/District	6.8%	6.8%	6.8%

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 333,245
Member contributions	626,484
NECE On-behalf contributions (state)	327,987

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding 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.

## Marlin Independent School District

### Notes to the Financial Statements

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

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

#### Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	8.00%
Long-term expected rate	8.00%
Municipal bond rate*	N/A*
Last year ending August 31 in the 2017 to 2116 projection period (100 years)	2116
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Ad hoc post-employment benefit changes	None

\* If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement Date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."

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.



## Marlin Independent School District

### Notes to the Financial Statements

#### Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global equity:			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value:			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real return:			
Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity:			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
<b>Totals</b>	<b>100.0%</b>		<b>8.7%</b>

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

## Marlin Independent School District

### Notes to the Financial Statements

#### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 8.0%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
\$ 4,433,767	\$ 2,630,063	\$ 1,128,187

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

At June 30, 2018, the District reported a liability of \$2,630,063 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 are as follows:

District's proportionate share of the net pension liability	\$ 2,630,063
State's proportionate share of the net pension liability associated with the District	<u>3,150,990</u>
<b>Total</b>	<b><u>\$ 5,781,053</u></b>

The net pension liability was measured as of August 31, 2017 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, 2016 through August 31, 2017.

At August 31, 2017, the employer's proportion of the net pension liability was .0082255%, which was an increase of .0015875% of its proportion measured as of August 31, 2016.

#### Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$716,135 and revenue of \$240,345 for support provided by the State.

## Marlin Independent School District

### Notes to the Financial Statements

At June 30, 2018, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's 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 experience	\$ 38,479	\$ 141,836
Changes of assumptions	119,804	68,585
Net difference between projected and actual earnings on pension plan investments	-	191,673
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	1,193,727	100
District contribution after measurement date	<u>287,565</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 1,639,575</u></b>	<b><u>\$ 402,194</u></b>

\$287,565 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	\$ 170,303
2020	338,186
2021	157,400
2022	105,262
2023	119,520
Thereafter	<u>59,145</u>
<b>Totals</b>	<b><u>\$ 949,816</u></b>

#### D. Defined Other Post-Employment Benefit Plan

##### Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

# Marlin Independent School District

## Notes to the Financial Statements

### OPEB Plan Fiduciary Net Position

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

### Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates  
Effective September 1, 2016-December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and spouse	20	175	255
Retiree* and children	41	132	182
Retiree and family	61	237	337
Surviving children only	28	62	82

\* or surviving spouse

# Marlin Independent School District

## Notes to the Financial Statements

### Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>2018</u>	<u>2017</u>
Active Employee	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.00%
Employers/District	0.75%	0.55%
Federal/private funding remitted by Employers	1.25%	1.00%

The contribution amounts for the District's fiscal year 2018 are as follows:

District contributions	\$ 88,777
Member contributions	52,862
NECE on-behalf contributions (state)	135,773

In addition, the State of Texas contributed \$22,539, \$32,435 and \$15,924 in 2018, 2017, and 2016, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$212 million in fiscal year 2018.

# Marlin Independent School District

## Notes to the Financial Statements

### Actuarial Assumptions

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions employed in the August 31, 2017 TRS annual pension actuarial valuation:

Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Expected payroll growth
Rates of disability incidence	
Additional Actuarial Methods and Assumptions:	
Valuation date	August 31, 2017
Actuarial cost method	Individual entry age normal
Inflation	2.50%
Discount rate*	3.42%*
Aging factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll growth rate	2.50%
Projected salary increases**	3.50% to 9.50%**
Healthcare trend rates***	4.50% to 12.00%***
Election rates	Normal retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

\*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

\*\*Includes inflation at 2.50%

\*\*\*Initial trend rates are 7.00% for non-Medicare retiree; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Other information - There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

# Marlin Independent School District

## Notes to the Financial Statements

### Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
Global equity:			
U.S.	18.0%	4.6%	1.0%
Non-U.S. developed	13.0%	5.1%	0.8%
Emerging markets	9.0%	5.9%	0.7%
Directional hedge funds	4.0%	3.2%	0.1%
Private equity	13.0%	7.0%	1.1%
Stable value:			
U.S. treasuries	11.0%	0.7%	0.1%
Absolute return	0.0%	1.8%	0.0%
Stable value hedge funds	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
Real return:			
Global inflation linked bonds	3.0%	0.9%	0.0%
Real assets	16.0%	5.1%	1.1%
Energy and natural resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk parity:			
Risk parity	5.0%	6.7%	0.3%
Inflation expectation			2.2%
Alpha			1.0%
<b>Totals</b>	100.0%		8.7%

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

# Marlin Independent School District

## Notes to the Financial Statements

### Sensitivity of the Net OPEB Liability

#### Discount Rate

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the net OPEB liability.

Sensitivity of the Net OPEB Liability  
to the Single Discount Rate Assumptions

1% Decrease (2.42%)	Current Single Discount Rate (3.42%)	1% Increase (4.42%)
\$ 7,284,045	\$ 6,171,621	\$ 5,277,483

#### Healthcare Cost Trend Rates

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to  
the Healthcare Cost Trend Rate Assumptions

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 5,138,491	\$ 6,171,621	\$ 7,527,218

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At August 31, 2018, the District reported a liability of \$6,171,621 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 6,171,621
State's proportionate share of the net OPEB liability associated with the District	5,449,255
<b>Total</b>	<b>\$ 11,620,876</b>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net OPEB liability was 0.0141921% which was the same proportion measured as of August 31, 2016.



## Marlin Independent School District

### Notes to the Financial Statements

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

1. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

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

For the year ended June 30, 2018, the District recognized a reduction of OPEB revenue and expense of \$1,823,466 from the non-employer contributions entity (NECE) and a total reduction in OPEB expense of \$3,905,238 from the current year OPEB activities and the effect of the NECE on-behalf.

At June 30, 2018, the District reported the District's contribution after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual economic experience	\$ -	\$ 128,837
Changes of assumptions	-	2,452,764
Net difference between projected and actual earnings on pension plan investments	937	-
Changes in proportion and differences between district contributions and proportionate share of contributions (cost-sharing plan)	28	-
District contributions after measurement date	<u>76,792</u>	<u>-</u>
<b>Totals</b>	<u><u>\$ 77,757</u></u>	<u><u>\$ 2,581,601</u></u>

## Marlin Independent School District

### Notes to the Financial Statements

\$76,792 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,		
2019	\$	(340,518)
2020		(340,518)
2021		(340,518)
2022		(340,518)
2023		(340,752)
Thereafter		<u>(877,812)</u>
<b>Total</b>	<b>\$</b>	<b><u>(2,580,636)</u></b>

#### E. Shared Service Arrangements

##### Falls Education Cooperative

The District is the fiscal agent for a Shared Services Arrangement (SSA) which provides services for special education students of the District and member districts: Chilton ISD, Hallsburg ISD, Marlin ISD, Mart ISD, Riesel ISD, Rosebud-Lott ISD and Westphalia ISD. All services are provided by the fiscal agent, and funds are received directly by the fiscal agent from the granting agency. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in the appropriate Special Revenue Funds and has accounted for these funds using Model 1 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized:

	All School Districts
SSA IDEA - B formula and preschool	\$ 883,211
SSA special education	<u>1,487,845</u>
<b>Total</b>	<b>\$ <u>2,371,056</u></b>

#### F. Nonmonetary Transactions

During 2018, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$20,689. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$20,689 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

# Marlin Independent School District

## Notes to the Financial Statements

### G. Deficit Fund Balance

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

Fund	Deficit Amount	Remarks
T-Star	\$ (1,287)	Deficit expected to be funded by next year's revenue
Public Facilities Corporation	(3,408)	Deficit expected to be funded by transfers from General Fund next year

### H. Prior Period Adjustment

Net position at July 1, 2017 was restated per the following table for the implementation of GASB 75:

	Governmental Activities
Beginning net position, as previously reported	\$ 15,656,644
Implementation of GASB 75 for OPEB	<u>(10,834,029)</u>
<b>Beginning net position, restated</b>	<u><u>\$ 4,822,615</u></u>

### I. District Accreditation Revoked and Potential Future Closure

On February 2, 2017, the Texas Education Agency (TEA) appointed a Board of Managers to oversee the District's operations. The accompanying financial statements have been prepared assuming that the District will continue in operation indefinitely, although the TEA has concerns about student performance. TEA may force the District to cease operations and merge with other neighboring public school districts in future years. These basic financial statements and other data as presented in the table of contents do not include any adjustments that might result from the outcome of this going concern uncertainty.

The superintendent's corrective action plan is designed to improve student performance at all grade levels and financial reporting, which includes the following:

- Recruit and retain the best teachers possible
- Provide targeted professional development
- Perform frequent classroom observations
- Perform curriculum based exams every three weeks
- Perform a structured response to intervention (RTI) plan to help lagging learners

During 2018, the District's high school and middle school had a passing score. The elementary school is showing improvement. The District is expecting passing scores again this year.

## **Required Supplementary Information**

**Marlin Independent School District**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2018

**Exhibit G-1**

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 2,745,935	\$ 2,745,935	\$ 3,081,289	\$ 335,354
5800	State program revenues	6,685,505	6,685,505	6,720,628	35,123
5900	Federal program revenues	685,200	685,200	759,877	74,677
5020	Total revenues	10,116,640	10,116,640	10,561,794	445,154
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	5,041,942	5,041,942	5,169,304	(127,362)
0012	Instructional resources and media services	97,764	97,764	99,305	(1,541)
0013	Curriculum and instructional staff development	-	5,000	13,090	(8,090)
0021	Instructional leadership	184,841	199,841	198,661	1,180
0023	School leadership	578,393	583,393	593,214	(9,821)
0031	Guidance, counseling, and evaluation services	134,303	144,303	146,002	(1,699)
0032	Social work services	134,338	160,000	158,203	1,797
0033	Health services	99,293	99,293	98,299	994
0034	Student transportation	269,207	291,207	295,918	(4,711)
0035	Food services	556,708	556,708	573,430	(16,722)
0036	Extracurricular activities	440,732	440,732	427,442	13,290
0041	General administration	584,474	624,474	651,592	(27,118)
0051	Plant maintenance and operations	1,173,544	1,173,544	1,043,005	130,539
0052	Security and monitoring services	17,000	71,000	9,831	61,169
0053	Data processing services	259,463	269,463	272,919	(3,456)
0061	Community services	7,814	7,814	2,116	5,698
Debt service:					
0071	Principal on long-term debt	72,873	72,873	325,245	(252,372)
0072	Interest on long-term debt	10,584	10,584	25,475	(14,891)
Intergovernmental:					
0093	Payments related to shared services arrangements	320,000	361,000	386,483	(25,483)
0099	Other intergovernmental charges	110,000	135,000	134,395	605
6030	Total expenditures	10,093,273	10,345,935	10,623,929	(277,994)
1100	Excess (deficiency) of revenues over (under) expenditures	23,367	(229,295)	(62,135)	167,160
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers in	-	282,455	-	(282,455)
8911	Transfers out	(984,518)	(984,518)	(361,000)	623,518
7080	Total other financing sources (uses)	(984,518)	(702,063)	(361,000)	341,063
1200	Net change in fund balance	(961,151)	(931,358)	(423,135)	508,223
0100	Fund balance - beginning	5,484,346	5,484,346	5,484,346	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 4,523,195</b>	<b>\$ 4,552,988</b>	<b>\$ 5,061,211</b>	<b>\$ 508,223</b>

The Notes to the Required Supplementary Information are an integral part of this schedule.

## Marlin Independent School District

Exhibit G-2

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System of Texas For the Last Four Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0082255%	0.0066380%	0.0060947%	0.0028369%
District's proportionate share of the net pension liability	\$ 2,630,063	\$ 2,508,401	\$ 2,154,395	\$ 757,775
State's proportionate share of the net pension liability associated with the District	<u>3,150,990</u>	<u>4,004,981</u>	<u>3,601,333</u>	<u>3,260,118</u>
<b>TOTALS</b>	<u>\$ 5,781,053</u>	<u>\$ 6,513,382</u>	<u>\$ 5,755,728</u>	<u>\$ 4,017,893</u>
District's covered payroll	\$ 7,210,581	\$ 6,546,531	\$ 6,546,727	\$ 5,570,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	36.48%	38.32%	32.91%	13.60%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

**Marlin Independent School District****Exhibit G-3**

## Schedule of the District's Contributions to the Teacher Retirement System of Texas Pension Plan For the Last Four Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>TRS</b>				
Contractually required contributions	\$ 333,245	\$ 257,273	\$ 211,656	\$ 155,941
Contributions in relation to the contractually required contributions	<u>(333,245)</u>	<u>(257,273)</u>	<u>(211,656)</u>	<u>(155,941)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,132,566	\$ 7,057,862	\$ 6,546,727	\$ 5,570,000
Contributions as a percentage of covered payroll	4.10%	3.65%	3.23%	2.80%

\*The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
Ten years of data is not available

**Marlin Independent School District****Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB  
Liability of a Cost-Sharing Multiple-Employer OPEB Plan  
Teacher Retirement System of Texas  
Last Fiscal Year\*

	<u>2018</u>
District's proportion of the net OPEB liability	0.0141921%
District's proportionate share of the net OPEB liability	\$ 6,171,621
State's proportionate share of the net OPEB liability associated with the District	<u>\$ 5,449,255</u>
<b>TOTALS</b>	<u><b>\$ 11,620,876</b></u>
District's covered payroll	\$ 7,210,581
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	85.59%
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.  
Ten years of data is not available.



**Marlin Independent School District**  
 Schedule of the District's Contributions to the  
 Teacher Retirement System of Texas OPEB Plan  
 Last Fiscal Year\*

**Exhibit G-5**

	<u>2018</u>
<b>TRS</b>	
Contractually required contributions	\$ 88,777
Contributions in relation to the contractually required contributions	<u>(88,777)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>
District's covered payroll	\$ 8,132,566
Contributions as a percentage of covered payroll	1.09%

\*The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
 Ten years of data is not available

**Marlin Independent School District**  
Notes to the Required Supplementary Information

**Note 1. Budget**

**A. Budgetary Information**

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The IDEA B, Formula fund is required to adopt budgets based on project length, not the District’s fiscal year, therefore a budget comparison schedule is not included in the District’s required supplementary information. The Texas Education Code requires the budget to be prepared not later than June 20 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to June 30 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District’s campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District’s management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

**B. Excess of Expenditures Over Appropriations**

For the fiscal year ended June 30, 2018, expenditures exceeded appropriations in the functions (the legal level of budgetary control) as follows:

Fund	Function	Final Budget	Actual	Variance
General fund	11	\$ 5,041,942	\$ 5,169,304	\$ (127,362)
General fund	12	97,764	99,305	(1,541)
General fund	13	5,000	13,090	(8,090)
General fund	23	583,393	593,214	(9,821)
General fund	31	144,303	146,002	(1,699)
General fund	34	291,207	295,918	(4,711)
General fund	35	556,708	573,430	(16,722)
General fund	41	624,474	651,592	(27,118)
General fund	53	269,463	272,919	(3,456)
General fund	71	83,457	350,720	(267,263)
General fund	93	361,000	386,483	(25,483)
Special revenue fund - National school breakfast lunch program	35	556,708	573,430	(16,722)
Special revenue fund - National school breakfast lunch program	61	61,200	36,299	24,901
Debt service	71	359,500	361,000	(1,500)

**Marlin Independent School District**  
Notes to the Required Supplementary Information

**Note 2. Defined Benefit Pension Plan**

**TRS - Actuarial Methods and Assumptions used to Determine Contribution Rate**

The information presented in Exhibit G-3 was used in the actuarial valuation for determining the actuarially determined contribution rate used for funding purposes. The methods and assumptions are as follows:

Valuation date	August 31, 2017
Actuarial cost method	Ultimate entry age normal
Amortization method	Level percentage of payroll, floating
Remaining amortization period	34 Years
Asset valuation method	5 Year smoothed market
Actuarial assumptions:	
Inflation	2.50%
Salary increases	3.50% to 9.50% including inflation
Investment rate of return	8.00%

\*\*Actuarial determined contribution rates are calculated as of August 31, of the proceeding fiscal year. Members and employees are based upon statutorily fixed rates.

## Supplementary Information

**Marlin Independent School District**  
Combining Balance Sheet  
Nonmajor Governmental Funds - Special Revenue Funds  
June 30, 2018

		211	224	225
Data Control Codes		ESEA Title I	IDEA - B, Formula	IDEA - B, Preschool
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1240	Due from other governments	254,842	-	-
1260	Due from other funds	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ 254,842</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	66,949	-	-
2170	Due to other funds	179,655	-	-
2200	Accrued liabilities	8,238	-	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	254,842	-	-
<b>FUND BALANCES</b>				
3450	Restricted - grant funds	-	-	-
3545	Committed - campus activity	-	-	-
3600	Unassigned	-	-	-
3000	Total fund balances	-	-	-
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 254,842</u>	<u>\$ -</u>	<u>\$ -</u>

244	255	270	289	313	314
Career and Technical - Basic Grant	ESEA, Title II, Part A, Teacher and Principal Training and Recruiting	ESEA, Title VI, Part B, Subpart 2 - Rural and Low-Income Program	Federally Funded Special Revenue Funds	SSA IDEA - B Formula	SSA IDEA - B Preschool
\$ 818	\$ -	\$ -	\$ -	\$ -	\$ -
17,403	49,474	-	13,363	263,831	8,222
-	-	-	-	-	-
<u>\$ 18,221</u>	<u>\$ 49,474</u>	<u>\$ -</u>	<u>\$ 13,363</u>	<u>\$ 263,831</u>	<u>\$ 8,222</u>
\$ 2,274	\$ -	\$ -	\$ -	\$ -	\$ -
-	9,501	-	-	88,341	755
15,947	38,540	-	13,363	166,522	7,467
-	1,433	-	-	8,968	-
-	-	-	-	-	-
18,221	49,474	-	13,363	263,831	8,222
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 18,221</u>	<u>\$ 49,474</u>	<u>\$ -</u>	<u>\$ 13,363</u>	<u>\$ 263,831</u>	<u>\$ 8,222</u>

**Marlin Independent School District**

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds - Continued

June 30, 2018

<u>Data Control Codes</u>	410	429
	<u>State Textbooks Fund</u>	<u>State Funded Special Revenue Funds</u>
<b>ASSETS</b>		
1110 Cash and cash equivalents	\$ 24,683	\$ -
1240 Due from other governments	-	149
1260 Due from other funds	-	-
	<hr/>	<hr/>
1000 <b>TOTAL ASSETS</b>	<u>\$ 24,683</u>	<u>\$ 149</u>
<b>LIABILITIES</b>		
2110 Accounts payable	\$ -	\$ -
2160 Accrued wages payable	-	-
2170 Due to other funds	-	149
2200 Accrued liabilities	-	-
2300 Unearned revenue	24,683	-
	<hr/>	<hr/>
2000 Total liabilities	24,683	149
<b>FUND BALANCES</b>		
3450 Restricted - grant funds	-	-
3545 Committed - campus activity	-	-
3600 Unassigned	-	-
	<hr/>	<hr/>
3000 Total fund balances	-	-
	<hr/>	<hr/>
4000 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 24,683</u>	<u>\$ 149</u>

459	461	480	
T-Star	Campus Activity Funds	Lowe's Grant	Total Nonmajor Funds (See Exhibit C-1)
\$ -	\$ 36,829	\$ 4	\$ 62,334
5,000	-	-	612,284
24,804	-	-	24,804
<u>\$ 29,804</u>	<u>\$ 36,829</u>	<u>\$ 4</u>	<u>\$ 699,422</u>
\$ -	\$ 69	\$ -	\$ 2,343
30,442	-	-	195,988
-	-	-	421,643
649	-	-	19,288
-	-	-	24,683
31,091	69	-	663,945
-	-	4	4
-	36,760	-	36,760
(1,287)	-	-	(1,287)
(1,287)	36,760	4	35,477
<u>\$ 29,804</u>	<u>\$ 36,829</u>	<u>\$ 4</u>	<u>\$ 699,422</u>



**Marlin Independent School District**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds - Special Revenue Funds  
For the Fiscal Year Ended June 30, 2018

<b>Data Control Codes</b>	<b>211</b>	<b>224</b>	<b>225</b>
<b>REVENUES</b>	<b>ESEA Title I</b>	<b>IDEA - B, Formula</b>	<b>IDEA - B, Preschool</b>
5700 Local and intermediate sources	\$ -	\$ -	\$ -
5800 State program revenues	-	-	-
5900 Federal program revenues	676,522	7,357	3,525
5020 Total revenues	676,522	7,357	3,525
<b>EXPENDITURES</b>			
Current:			
0011 Instruction	657,471	454	3,525
0012 Instructional resources and media services	-	-	-
0013 Curriculum and instructional staff development	13,472	-	-
0023 School leadership	-	-	-
0031 Guidance, counseling, and evaluation services	-	6,903	-
0036 Extracurricular activities	-	-	-
0061 Community services	5,579	-	-
Debt service:			
0071 Principal on long-term debt	-	-	-
0072 Interest on long-term debt	-	-	-
6030 Total expenditures	676,522	7,357	3,525
1100 Excess (deficiency) of revenues over (under) expenditures	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
7915 Transfers in	-	-	-
7080 Total other financing sources (uses)	-	-	-
1200 Net change in fund balances	-	-	-
0100 Fund balances - beginning	-	-	-
3000 <b>FUND BALANCES - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

244	255	270	289	313	314
Career and Technical - Basic Grant	ESEA, Title II, Part A, Teacher and Principal Training and Recruiting	ESEA, Title VI, Part B, Subpart 2 - Rural and Low-Income Program	Federally Funded Special Revenue Funds	SSA IDEA - B Formula	SSA IDEA - B Preschool
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
19,821	49,474	14,186	14,550	855,051	28,160
19,821	49,474	14,186	14,550	855,051	28,160
19,821	49,474	14,186	14,550	411,993	28,160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	402,442	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
19,821	49,474	14,186	14,550	855,051	28,160
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Marlin Independent School District**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue Funds - Continued  
For the Fiscal Year Ended June 30, 2018

<b>Data Control Codes</b>		<b>410</b>	<b>429</b>
		<b>State Textbooks Fund</b>	<b>State Funded Special Revenue Funds</b>
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ -	\$ -
5800	State program revenues	105,871	14,532
5900	Federal program revenues	-	-
5020	Total revenues	105,871	14,532
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	80,384	14,532
0012	Instructional resources and media services	25,487	-
0013	Curriculum and instructional staff development	-	-
0023	School leadership	-	-
0031	Guidance, counseling, and evaluation services	-	-
0036	Extracurricular activities	-	-
0061	Community services	-	-
Debt service:			
0071	Principal on long-term debt	-	-
0072	Interest on long-term debt	-	-
6030	Total expenditures	105,871	14,532
1100	Excess (deficiency) of revenues over (under) expenditures	-	-
<b>OTHER FINANCING SOURCES (USES)</b>			
7915	Transfers in	-	-
7080	Total other financing sources (uses)	-	-
1200	Net change in fund balances	-	-
0100	Fund balances - beginning	-	-
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>

459		461		480		
T-Star		Campus Activity Funds		Lowe's Grant		Total Nonmajor Funds (See Exhibit C-2)
\$	205,000	\$	23,838	\$	-	\$ 228,838
	10,408		-		-	130,811
	-		-		-	1,668,646
	215,408		23,838		-	2,028,295
	193,234		-		-	1,487,784
	-		-		-	25,487
	-		-		-	13,472
	41,461		-		-	41,461
	-		-		-	409,345
	-		21,639		-	21,639
	-		-		-	5,579
	-		-		-	-
	-		-		-	-
	234,695		21,639		-	2,045,383
	(19,287)		2,199		-	(17,088)
	-		-		-	-
	-		-		-	-
	(19,287)		2,199		-	(17,088)
	18,000		34,561		4	52,565
\$	(1,287)	\$	36,760	\$	4	\$ 35,477

**Marlin Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Fiscal Year Ended June 30, 2018

<u>Year Ended August 31,</u>	<u>Tax Rates</u>		<u>3 Assessed/Appraised Value For School Tax Purposes</u>
	<u>1 Maintenance</u>	<u>2 Debt Service</u>	
2009 and prior years	\$ Various	\$ Various	\$ Various
2010	1.04000	0.10770	183,447,155
2011	1.04000	0.10120	187,155,363
2012	1.04000	0.10120	195,470,733
2013	1.04000	0.11500	204,946,147
2014	1.04000	0.11500	209,208,918
2015	1.04000	0.11500	231,784,848
2016	1.04000	0.11500	229,395,931
2017	1.15500	0.00000	269,585,022
2018 School year under audit	1.15500	0.00000	237,910,736
<b>1000 TOTALS</b>			

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

10 Beginning Balance 7/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/18
\$ 302,502	\$ -	\$ 2,384	\$ 219	\$ (17,531)	\$ 282,368
44,814	-	529	55	(1,754)	42,476
48,870	-	447	44	(1,977)	46,402
55,813	-	3,327	324	(2,041)	50,121
64,737	-	4,210	465	(2,146)	57,916
76,517	-	5,178	573	(2,128)	68,638
91,288	-	9,075	1,003	(2,080)	79,130
115,508	-	13,265	1,466	(4,750)	96,027
269,868	-	88,774	-	(43,415)	137,679
-	2,747,869	2,530,766	-	18,282	235,385
<u>\$ 1,069,917</u>	<u>\$ 2,747,869</u>	<u>\$ 2,657,955</u>	<u>\$ 4,149</u>	<u>\$ (59,540)</u>	<u>\$ 1,096,142</u>
		\$ -	\$ -		

**Marlin Independent School District**

**Exhibit J-2**

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance – Budget and Actual  
National School Breakfast and Lunch Program  
For the Fiscal Year Ended June 30, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 22,000	\$ 22,000	\$ 18,612	\$ (3,388)
5800	State program revenues	19,908	19,908	32,860	12,952
5900	Federal program revenues	576,000	576,000	575,881	(119)
5020	Total revenues	617,908	617,908	627,353	9,445
<b>EXPENDITURES</b>					
Current:					
0035	Food services	556,708	556,708	573,430	(16,722)
0051	Plant maintenance and operations	61,200	61,200	36,299	24,901
6030	Total expenditures	617,908	617,908	609,729	8,179
1200	Net change in fund balance	-	-	17,624	17,624
0100	Fund balance - beginning	3,657	3,657	3,657	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 3,657</u>	<u>\$ 3,657</u>	<u>\$ 21,281</u>	<u>\$ 17,624</u>

**Marlin Independent School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Debt Service Fund  
 For the Fiscal Year Ended June 30, 2018

**Exhibit J-3**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 3,631	\$ 3,631	\$ 6,527	\$ 2,896
5800	State program revenues	42,544	42,544	3,871	(38,673)
5020	Total revenues	46,175	46,175	10,398	(35,777)
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	340,000	340,000	350,000	(10,000)
0072	Interest on long-term debt	19,000	19,000	10,500	8,500
0073	Issuance costs and fees	500	500	500	-
6030	Total expenditures	359,500	359,500	361,000	(1,500)
1100	Excess (deficiency) of revenues over (under) expenditures	(313,325)	(313,325)	(350,602)	(37,277)
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers in	313,325	313,325	361,000	47,675
7080	Total other financing sources (uses)	313,325	313,325	361,000	47,675
1200	Net change in fund balance	-	-	10,398	10,398
0100	Fund balance - beginning	-	-	-	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,398</b>	<b>\$ 10,398</b>



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# **Overall Compliance, Internal Control Section and Federal Awards**

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

The Board of Managers of  
Marlin Independent School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marlin Independent School District (the District) as of and for the fiscal year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 13, 2018.

***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 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*.

The Board of Managers of  
Marlin Independent School District

**Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
November 13, 2018

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

The Board of Managers of  
Marlin Independent School District

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

We have audited Marlin Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2018.

## Report on Internal Control over Compliance

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

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

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

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas

November 13, 2018

**Marlin Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended June 30, 2018

**Section 1. Summary of Auditor's Results**

**Financial Statements**

<b>1. Type of auditor's report issued</b>	<b>Unmodified</b>
2. Internal control over financial reporting:	
<b>a.</b> Material weakness(es) identified?	No
<b>b.</b> Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to the financial statements noted?	No

**Federal Awards**

4. Internal control over major programs:	
<b>a.</b> Material weakness(es) identified?	No
<b>b.</b> Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditor's report issued on compliance with major programs	Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
7. Identification of major programs	Special Education Cluster 84.027A and 84.173A
8. Dollar threshold used to distinguish between Type A and Type B federal programs	\$750,000
9. Auditee qualified as a low-risk auditee?	No

**Section 2. Financial Statement Findings**

None reported

**Section 3. Federal Awards Findings and Questioned Costs**

None reported



**Marlin Independent School District**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2018

**Prior Year Findings**

**Finding 2017-001 – Journal Entries**

**Material Weakness in Internal Controls**

Observation

We identified the existence of material misstatements that affect the prior period financial statements on which the predecessor auditor had previously reported without modification. Such errors were the result of a misunderstanding of the contract for workers compensation and the reporting of State aid for existing debt allotment.

Recommendation

We recommend that the District implement procedures that require the review of nonroutine contracts in which the District enters to insure proper accounting and reporting. Identify the training necessary for staff to obtain the level of expertise and develop a training program to fulfill such needs.

Status

The District contracted with Region 12 Education Service Center to ensure proper accounting and reporting.

**Finding 2017-002 – State Compliance – Investment Reporting**

**Noncompliance with Laws and Regulations**

Observation

The District's Board of Managers approved the annual investment report; however, the Board did not annually approve the investment policy and strategy as required by the Public Funds Investment Act.

Recommendation

We recommend that the Chief Financial Officer include the policy and strategies in the annual investment report and that the minutes reflect such Board approval of the investment policy and strategies.

Status

The District added and approved the policy and strategy in the annual investment report for the District's Board of Managers approval.

**Marlin Independent School District**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2018

**Exhibit K-1**

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I, Part A-Improving Basic Programs	84.010A	18610101073903	\$ 518,731
ESEA Title I,1003 School Improvement	84.010A	18610123073903	150,000
ESEA Title I,1003 (A) Priority and Focus School Grant	84.010A	17610112073903000	<u>7,791</u>
Total Program 84.010A			676,522
Special Education Cluster (IDEA):			
IDEA-B Formula	84.027A	186600010739036000	855,051
IDEA-B Preschool	84.173A	186610010739036000	28,160
IDEA-B Formula	84.027A	176600010739036600	7,357
IDEA-B Preschool	84.173A	176610010739036000	<u>3,525</u>
Total Special Education Cluster (IDEA)			894,093
Carl D. Perkins Career and Technical Basic Grant	84.048A	18420006073903	19,821
ESEA Title II, Part A-Teacher & Principal Training & Recruiting	84.367A	18694501073903	49,474
ESEA Title VI , Part B, Subpart 2 - Rural and Low -Income Program	84.358B	18696001073903	14,186
ESEA Title VI , Part A, Subpart 1	84.424A	18680101073903	13,363
Summer School LEP	84.369A	69551702	<u>1,187</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			1,668,646
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Noncash Assistance:			
National School Lunch Program	10.555	00363	42,928
Passed Through State Department of Education - Cash Assistance:			
National School Breakfast Program	10.553	71401801	135,190
National School Lunch Program	10.555	71301801	<u>397,763</u>
Total Child Nutrition Cluster			<u>575,881</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>575,881</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,244,527</u>

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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# Marlin Independent School District

## Notes to Schedule of Expenditures of Federal Awards

### Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Marlin Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

National School Lunch Program noncash commodities are recorded at their estimated market value at the time of donation.

The District has elected not to use the 10% de minimus indirect cost rate as allowed under Uniform Guidance.

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 2,244,527
General fund - federal revenue:	
Texas Health and Human Services SHARS	<u>183,996</u>
<b>Total federal revenues per Exhibit C-2</b>	<b><u><u>\$ 2,428,523</u></u></b>

**Marlin Independent School District**  
 Schedule of Required Responses to  
 Selected School FIRST Indicators (Unaudited)  
 For the Fiscal Year Ended June 30, 2018

**Exhibit L-1**

<u>Data Control Codes</u>	<u>Responses</u>
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8 Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11 Net pension assets (1920) at fiscal year-end.	\$ -
SF12 Net pension liabilities (2540) at fiscal year-end.	\$ 2,630,063