

MARSHALL INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2019

MARSHALL INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for
the Year Ended August 31, 2019

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**MARSHALL INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

| | | |
|---|-----------------|------------------------|
| <u>Marshall Independent School District</u> | <u>Harrison</u> | <u>102-902</u> |
| Name of School District | County | County-District Number |

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2019, at a meeting of the Board of Trustees of such school district on the 21st day of January, 2020.



Signature of Board Secretary



Signature of Board President

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

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FINANCIAL SECTION



Goff & Herrington, P.C.

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

P.O. Box 153320 • Lufkin, TX. 75915-3320 • (936) 634-2345 • Fax: (936) 622-6823

Certified Public Accountants

Independent Auditor's Report

Members of the Board of Trustees of
Marshall Independent School District
Marshall, 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 Marshall Independent School District (District), as of and for the year ended August 31, 2019, 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.

Independent Auditor's Report

Members of the Board of Trustees
January 10, 2020
Page 2

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 the Marshall Independent School District, as of August 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5–11, the budgetary comparison schedule on page 49, and the Teacher's Retirement System of Texas pension and OPEB schedules on pages 50-55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules and required Texas Education Agency (TEA) schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

Independent Auditor's Report

Members of the Board of Trustees

January 10, 2020

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The combining schedules, required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules, required TEA schedules, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 10, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

Lufkin, Texas

January 10, 2020

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MARSHALL INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Marshall Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2019. Please read this section in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was a deficit balance of (\$5,837,386) as of August 31, 2019.
- During the year ended August 31, 2019, the District's net position decreased by \$1,777,506.
- The District generated \$59,308,202 in taxes and other revenues from governmental activities, and the total cost of the District's programs was \$61,085,708.
- The general fund reported a fund balance of \$19,227,670, of which \$19,140,302 was unassigned and spendable at August 31, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts - **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's assets, deferred inflows and outflows of resources, and liabilities, 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 as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current period. All current revenues and expenses are included regardless of when the cash is received or paid.

MARSHALL INDEPENDENT SCHOOL DISTRICT

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long term focus of the government-wide financial statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.

Internal Service funds - The District's internal service fund reports the activities that provide supplies and services for the District's other programs and activities.

Fiduciary funds - The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

The accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

MARSHALL INDEPENDENT SCHOOL DISTRICT

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was a deficit balance of (\$5,837,386) as of August 31, 2019. The following table provides a summary of the District's net position.

The District's Net Position

| | <u>2019</u> | <u>2018</u> | <u>% Change</u> |
|---|--------------------|--------------------|-----------------|
| Current and Other Assets | 27,846,505 | 31,320,307 | (11.1)% |
| Capital and Non-Current Assets | 107,974,103 | 109,904,547 | (1.8)% |
| Total Assets | 135,820,608 | 141,224,854 | (3.8)% |
| Deferred outflows | 10,009,063 | 3,378,122 | 196.3% |
| Total Deferred Outflows of Resources | 10,009,063 | 3,378,122 | 196.3% |
| Other Liabilities | 3,829,386 | 5,696,930 | (32.8)% |
| Long Term Liabilities | 137,540,374 | 131,683,589 | 4.4% |
| Total Liabilities | 141,369,760 | 137,380,519 | 2.9% |
| Deferred inflows | 10,297,297 | 11,282,337 | (8.7)% |
| Total Deferred Inflows of Resources | 10,297,297 | 11,282,337 | (8.7)% |
| Net Position: | | | |
| Net investment in Capital Assets | 9,732,759 | 8,698,825 | 11.9% |
| Restricted | 3,608,867 | 2,880,378 | 25.3% |
| Unrestricted | (19,179,012) | (15,639,083) | 22.6% |
| Total Net Position | (5,837,386) | (4,059,880) | 43.8% |

The District's restricted net position of \$3,608,867 consists of \$1,165,716 restricted for food service, \$10,357 restricted for the state textbook program, \$398,112 restricted for campus activities, and \$2,034,682 restricted for debt service.

Changes in Net Position. The District's total revenues were \$59,308,202. A significant portion, 21.01 percent, comes from state aid-formula grants. Property taxes represent 54.46 percent of the District's revenue. The rest of the District's revenue comes from federal operating grants, charges for services, investment earnings, and other local sources.

The total cost of all programs and services was \$61,085,708; 65.08 percent of these costs are for instructional and student services.

MARSHALL INDEPENDENT SCHOOL DISTRICT

Governmental Activities

The following table provides a summary of the District's changes in net position.

Changes in the District's Net Position

| Revenues: | <u>2019</u> | <u>2018</u> | <u>% Change</u> |
|--|---------------------------|---------------------------|---------------------|
| Program Revenues: | | | |
| Charges for services | 707,811 | 1,099,889 | (35.6)% |
| Operating grants | 7,705,468 | 867,866 | 787.9% |
| General Revenues: | | | |
| Property taxes | 32,296,771 | 31,542,479 | 2.4% |
| State aid - formula | 12,462,475 | 13,995,027 | (11.0)% |
| Investment earnings | 691,173 | 454,061 | 52.2% |
| Other general revenues | 5,444,504 | 164,869 | 3202.3% |
| Total revenues | <u>59,308,202</u> | <u>48,124,191</u> | <u>23.2%</u> |
| Expenses: | | | |
| Instructional and instructional related | 29,289,538 | 17,625,285 | 66.2% |
| Instructional and school leadership | 4,784,372 | 2,159,985 | 121.5% |
| Counseling, social, health, and community services | 2,415,178 | 987,082 | 144.7% |
| Transportation | 2,244,915 | 1,141,121 | 96.7% |
| Food services | 2,915,933 | 2,312,041 | 26.1% |
| Extracurricular | 2,887,204 | 2,039,033 | 41.6% |
| General administration | 1,846,032 | 1,119,911 | 64.8% |
| Plant maintenance and security | 8,692,015 | 9,245,015 | (6.0)% |
| Security and data processing services | 1,761,568 | 1,274,421 | 38.2% |
| Debt services | 3,547,685 | 3,813,922 | (7.0)% |
| Major renovations and repairs | - | 473,053 | (100.0)% |
| Other intergovernmental charges | 701,268 | 712,128 | (1.5)% |
| Total expenses | <u>61,085,708</u> | <u>42,902,997</u> | <u>42.4%</u> |
| Increase (Decrease) in Net Position | (1,777,506) | 5,221,194 | (134.0)% |
| Beginning Net Position | (4,059,880) | 28,126,969 | (114.4)% |
| Prior period adjustment | - | (37,408,043) | (100.0)% |
| Ending Net Position | <u><u>(5,837,386)</u></u> | <u><u>(4,059,880)</u></u> | <u><u>43.8%</u></u> |

MARSHALL INDEPENDENT SCHOOL DISTRICT

The District’s 2019 maintenance and operations property tax rate of \$1.04 and 2019 interest and sinking property tax rate of \$0.29 are the same as last year’s rates. The District’s total property tax revenue increased 2.39% percent due to a slight increase in property values.

The cost of governmental activities may be summarized as follows:

- The cost of all governmental activities this year was \$61,085,708.
- The amount that our taxpayers paid for these activities through property taxes was \$32,296,771.
- Some of the cost was paid by those who directly benefitted from the programs (\$707,811), or
- By operating grants (\$7,705,468).

The following table presents the cost of each of the District’s largest functions as well as each function’s net cost (total cost less fees generated by activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Net Cost of Selected District Functions

| | Total cost of services | | | Net cost of services | | |
|----------------------------|------------------------|------------|----------|----------------------|------------|----------|
| | 2019 | 2018 | % Change | 2019 | 2018 | % Change |
| Instruction | 27,946,828 | 16,470,899 | 69.7% | 24,357,937 | 17,109,051 | 42.4% |
| School leadership | 3,021,013 | 1,547,263 | 95.2% | 2,997,005 | 2,064,083 | 45.2% |
| Extracurricular Activities | 2,887,204 | 2,039,033 | 41.6% | 2,730,633 | 1,907,595 | 43.1% |
| Maintenance & operations | 8,692,015 | 9,245,015 | (6.0)% | 8,662,419 | 9,097,471 | (4.8)% |
| Debt Service - Interest | 3,547,685 | 3,624,125 | (2.1)% | 3,547,685 | 3,492,650 | 1.6% |

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$57,959,516 a decrease of 1.45 percent from the preceding year. The net decrease is primarily due to decreased state program revenues.

The District’s governmental funds ended the year with a reported combined fund balance of \$22,836,537 which is \$1,529,876 less than last year’s ending balance of \$24,366,413.

MARSHALL INDEPENDENT SCHOOL DISTRICT

General Fund Budgetary Highlights

Over the course of the year the District revised the general fund budget as actual results were analyzed. Actual total expenditures were \$3,565,511 below final budget amounts. The most significant positive variances were in the instructional and plant maintenance and operations functions, as the actual expenditures were less than anticipated. Revenues were \$1,185,617 above the final budgeted amount as local and intermediate sources and federal program revenues were more than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$136,825,525 less depreciation of \$28,851,422, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District’s capital assets.

District’s Capital Assets

(Net of depreciation)

| | <u>Governmental Activities</u> | | |
|--------------------------|--------------------------------|--------------------|-----------------|
| | <u>2019</u> | <u>2018</u> | <u>% Change</u> |
| Land | 3,609,441 | 3,609,441 | 0.0% |
| Buildings & improvements | 98,411,086 | 100,672,777 | (2.2)% |
| Equipment & vehicles | 5,953,576 | 5,622,329 | 5.9% |
| Net capital assets | <u>107,974,103</u> | <u>109,904,547</u> | <u>(1.8)%</u> |

More detailed information about the District’s capital assets is presented in the notes to the financial statements. In the current year, the District had expenditures related to bus purchases and kitchen upgrades. The District’s 2020 budget does not include any significant capital expenditures.

MARSHALL INDEPENDENT SCHOOL DISTRICT

Long-term Debt

The following table provides a summary of the District’s long-term debt:

District’s Long-term Debt

| Unlimited Tax School Building Bonds: | Governmental Activities | | % Change |
|--------------------------------------|-------------------------|-------------------|---------------|
| | 2019 | 2018 | |
| 2015 Series | 72,925,000 | 74,920,000 | (2.7)% |
| 2016 Series | 7,945,000 | 8,195,000 | (3.1)% |
| 2017 Series | 8,880,000 | 9,195,000 | (3.4)% |
| Total bonds payable | <u>89,750,000</u> | <u>92,310,000</u> | <u>(2.8)%</u> |

At year end the District had \$89,750,000 in school building bonds outstanding as shown above. The District’s bonds presently carry favorable ratings with Moody’s Investors Services. More detailed information about the District’s debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Appraised values used for the 2020 budget preparation are \$2,535,474,773, which is a 4.63 percent increase from 2019.
- The District’s average daily attendance is expected to be 4,821, which is the same as last year.

These indicators were taken into account when adopting the general fund budget for 2020. Amounts available for expenditure in the general fund budget are \$46,208,734, an increase of 13.74 percent from the final 2019 budget of \$40,628,164. The District will use these revenues to finance programs we currently offer. During the fiscal year ended August 31, 2020, the District will introduce the Marshall Early Graduation School. This charter school will be funded in part by a charter school startup grant.

General fund expenditures are budgeted to decrease by 7.57 percent to \$43,725,494. If these estimates are realized, the District’s budgetary general fund balance is expected to increase at the end of 2020.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the District’s business office at 1305 E. Pinecrest, Marshall, Texas 75670.

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Government-Wide Financial Statements

MARSHALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

| Data Control Codes | | Primary Government | | |
|--------------------------|---|----------------------------|-----------------------------|--------------------|
| | | Governmental Activities | Business-type Activities | Total |
| | ASSETS | | | |
| 1110 | Cash and cash equivalents | 8,793,795 | - | 8,793,795 |
| 1120 | Current investments | 15,775,168 | - | 15,775,168 |
| 1220 | Property taxes receivable - delinquent | 4,457,452 | - | 4,457,452 |
| 1230 | Allowance for uncollectible taxes (credit) | (3,343,089) | - | (3,343,089) |
| 1240 | Due from other governments | 1,706,433 | - | 1,706,433 |
| 1250 | Accrued interest | 148,492 | - | 148,492 |
| 1300 | Inventories | 308,254 | - | 308,254 |
| | Capital Assets: | | | |
| 1510 | Land | 3,609,441 | - | 3,609,441 |
| 1520 | Buildings, net | 98,411,086 | - | 98,411,086 |
| 1530 | Furniture and equipment, net | 5,953,576 | - | 5,953,576 |
| 1000 | Total assets | <u>135,820,608</u> | - | <u>135,820,608</u> |
| | DEFERRED OUTFLOWS OF RESOURCES | | | |
| 1705 | Deferred outflow related to TRS Pension | 8,043,459 | - | 8,043,459 |
| 1706 | Deferred outflow related to TRS OPEB | 1,965,604 | - | 1,965,604 |
| 1700 | Total deferred outflows of resources | <u>10,009,063</u> | - | <u>10,009,063</u> |
| | LIABILITIES | | | |
| 2110 | Accounts payable | 522,158 | - | 522,158 |
| 2140 | Interest payable | 183,352 | - | 183,352 |
| 2150 | Payroll deductions and withholdings payable | 376,022 | - | 376,022 |
| 2160 | Accrued wages payable | 2,235,525 | - | 2,235,525 |
| 2190 | Due to student groups | 2,654 | - | 2,654 |
| 2200 | Accrued expenses | 235,799 | - | 235,799 |
| 2300 | Unearned revenues | 273,876 | - | 273,876 |
| | Long Term Liabilities: | | | |
| 2501 | Due within one year | 2,675,000 | - | 2,675,000 |
| 2502 | Due after one year | 95,566,344 | - | 95,566,344 |
| 2540 | Net pension liability (District's share) | 15,937,883 | - | 15,937,883 |
| 2545 | Net OPEB Liability (District's share) | 23,361,147 | - | 23,361,147 |
| 2000 | Total liabilities | <u>141,369,760</u> | - | <u>141,369,760</u> |
| | DEFERRED INFLOWS OF RESOURCES | | | |
| 2605 | Deferred inflow related to TRS Pension | 1,664,420 | - | 1,664,420 |
| 2606 | Deferred inflow related to TRS OPEB | 8,632,877 | - | 8,632,877 |
| 2600 | Total deferred inflows of resources | <u>10,297,297</u> | - | <u>10,297,297</u> |
| | NET POSITION | | | |
| 3200 | Net investment in capital assets | 9,732,759 | - | 9,732,759 |
| 3820 | Restricted for Federal and State programs | 1,176,073 | - | 1,176,073 |
| 3850 | Restricted for debt service | 2,034,682 | - | 2,034,682 |
| 3870 | Restricted for campus activities | 398,112 | - | 398,112 |
| 3900 | Unrestricted net position | (19,179,012) | - | (19,179,012) |
| 3000 | Total net position | <u>(5,837,386)</u> | - | <u>(5,837,386)</u> |

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019**

| Data Control Codes | 1 | Program Revenues | | |
|--------------------------|---|-------------------------|--|-----------|
| | | 3 | 4 | |
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Governmental activities: | | | | |
| 11 | Instruction | 27,946,828 | 91,608 | 3,497,283 |
| 12 | Instructional resources and media services | 483,274 | - | - |
| 13 | Curriculum and staff development | 859,436 | - | 231,867 |
| 21 | Instructional leadership | 1,763,359 | - | 800,390 |
| 23 | School leadership | 3,021,013 | - | 24,008 |
| 31 | Guidance, counseling, and evaluation services | 1,662,138 | - | 512,886 |
| 32 | Social work services | 43,027 | - | - |
| 33 | Health services | 498,452 | - | - |
| 34 | Student transportation | 2,244,915 | - | - |
| 35 | Food service | 2,915,933 | 459,632 | 2,591,424 |
| 36 | Cocurricular/extracurricular activities | 2,887,204 | 156,571 | - |
| 41 | General administration | 1,846,032 | - | - |
| 51 | Plant maintenance and operations | 8,692,015 | - | 29,596 |
| 52 | Security and monitoring services | 493,030 | - | - |
| 53 | Data processing services | 1,268,538 | - | - |
| 61 | Community services | 211,561 | - | 18,014 |
| 72 | Interest on long-term debt | 3,546,185 | - | - |
| 73 | Bond issuance costs and fees | 1,500 | - | - |
| 99 | Other intergovernmental charges | 701,268 | - | - |
| TG | Total governmental activities | 61,085,708 | 707,811 | 7,705,468 |

Data Control General revenues:

| | |
|-------|--|
| Codes | Taxes: |
| MT | Property taxes, levied for general purposes |
| DT | Property taxes, levied for debt service |
| SF | State aid formula grants |
| GC | Grants and contributions, not restricted to specific programs |
| IE | Investment earnings |
| MI | Miscellaneous |
| TR | Total general revenues |
| CN | Change in net position |
| NB | Net position, beginning |
| NE | Net position, ending |

The accompanying notes are an integral part of this statement

| Program Revenues | Net (Expense) Revenue and Changes in Net Position | | |
|--|--|------------------------|--------------|
| | Governmental Activities | Business Activities | Total |
| 5 | | | |
| Capital Grants and Contributions | | | |
| - | (24,357,937) | - | (24,357,937) |
| - | (483,274) | - | (483,274) |
| - | (627,569) | - | (627,569) |
| - | (962,969) | - | (962,969) |
| - | (2,997,005) | - | (2,997,005) |
| - | (1,149,252) | - | (1,149,252) |
| - | (43,027) | - | (43,027) |
| - | (498,452) | - | (498,452) |
| - | (2,244,915) | - | (2,244,915) |
| - | 135,123 | - | 135,123 |
| - | (2,730,633) | - | (2,730,633) |
| - | (1,846,032) | - | (1,846,032) |
| - | (8,662,419) | - | (8,662,419) |
| - | (493,030) | - | (493,030) |
| - | (1,268,538) | - | (1,268,538) |
| - | (193,547) | - | (193,547) |
| - | (3,546,185) | - | (3,546,185) |
| - | (1,500) | - | (1,500) |
| - | (701,268) | - | (701,268) |
| - | (52,672,429) | - | (52,672,429) |
| | 25,289,798 | - | 25,289,798 |
| | 7,006,973 | - | 7,006,973 |
| | 12,462,475 | - | 12,462,475 |
| | 4,049,732 | - | 4,049,732 |
| | 691,173 | - | 691,173 |
| | 1,394,772 | - | 1,394,772 |
| | 50,894,923 | - | 50,894,923 |
| | (1,777,506) | - | (1,777,506) |
| | (4,059,880) | - | (4,059,880) |
| | (5,837,386) | - | (5,837,386) |

The accompanying notes are an integral part of this statement

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Governmental Fund Financial Statements

MARSHALL INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds | |
|--------------------------------------|--|-------------------------------|--------------------------------|--------------------------------------|-------------------|
| ASSETS | | | | | |
| 1110 | Cash and cash equivalents | 4,589,312 | 2,028,505 | 1,690,608 | 8,308,425 |
| 1120 | Investments - current | 15,775,168 | - | - | 15,775,168 |
| 1220 | Property taxes receivable - delinquent | 3,830,182 | 627,270 | - | 4,457,452 |
| 1230 | Allowance for uncollectible taxes (credit) | (2,872,637) | (470,452) | - | (3,343,089) |
| 1240 | Due from other governments | 874,245 | - | 832,188 | 1,706,433 |
| 1250 | Accrued interest | 142,316 | 6,176 | - | 148,492 |
| 1260 | Due from other funds | 469,284 | - | - | 469,284 |
| 1300 | Inventories | 87,368 | - | 220,886 | 308,254 |
| 1000 | Total Assets | <u>22,895,238</u> | <u>2,191,499</u> | <u>2,743,682</u> | <u>27,830,419</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts payable | 381,662 | - | 140,496 | 522,158 |
| 2150 | Payroll deductions and withholdings payable | 350,441 | - | 25,581 | 376,022 |
| 2160 | Accrued wages payable | 1,939,037 | - | 296,488 | 2,235,525 |
| 2170 | Due to other funds | - | - | 469,284 | 469,284 |
| 2190 | Due to student groups | 2,654 | - | - | 2,654 |
| 2300 | Unearned revenues | 36,228 | - | 237,648 | 273,876 |
| 2000 | Total Liabilities | <u>2,710,022</u> | <u>-</u> | <u>1,169,497</u> | <u>3,879,519</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| 2601 | Unavailable revenue - property taxes | 957,546 | 156,817 | - | 1,114,363 |
| 2600 | Total Inflows of Resources | <u>957,546</u> | <u>156,817</u> | <u>-</u> | <u>1,114,363</u> |
| FUND BALANCES | | | | | |
| Nonspendable Fund Balance | | | | | |
| 3410 | Inventories | 87,368 | - | - | 87,368 |
| Restricted Fund Balance | | | | | |
| 3450 | Federal or State grants | - | - | 1,176,073 | 1,176,073 |
| 3480 | Retirement of long-term debt | - | 2,034,682 | - | 2,034,682 |
| Committed Fund Balance | | | | | |
| 3545 | Other committed fund balance | - | - | 398,112 | 398,112 |
| 3600 | Unassigned fund balance | 19,140,302 | - | - | 19,140,302 |
| 3000 | Total Fund Balances | <u>19,227,670</u> | <u>2,034,682</u> | <u>1,574,185</u> | <u>22,836,537</u> |
| 4000 | Total Liabilities, Deferred Inflows and Fund Balances | <u>22,895,238</u> | <u>2,191,499</u> | <u>2,743,682</u> | <u>27,830,419</u> |

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2019**

| | |
|--|---------------------------|
| Total fund balances - governmental funds | 22,836,537 |
| | |
| 1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position. | 249,571 |
| | |
| 2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$135,493,171 and the accumulated depreciation was \$25,588,624. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. | 8,698,825 |
| | |
| 3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. | 4,287,269 |
| | |
| 4 The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | (3,262,798) |
| | |
| 5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$15,937,883, a deferred resource inflow related to TRS in the amount of \$1,664,420, and a deferred resource outflow related to TRS in the amount of \$8,043,459. This amounted to a decrease in net position in the amount of \$9,558,844. | (9,558,844) |
| | |
| 6 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$23,361,147, a deferred resource inflow related to TRS in the amount of \$8,632,877, and a deferred resource outflow related to TRS in the amount of \$1,965,604. This amounted to a decrease in net position in the amount of \$30,028,420 | (30,028,420) |
| | |
| 7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position. | 940,474 |
| | |
| Net Position of governmental activities | <u><u>(5,837,386)</u></u> |

The accompanying notes are an integral part of this statement

MARSHALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds | |
|---------------------------------------|--|--|---|---|--------------------|
| REVENUES | | | | | |
| 5700 | Total local and intermediate sources | 26,337,380 | 7,045,134 | 1,639,229 | 35,021,743 |
| 5800 | State program revenues | 14,188,763 | 130,452 | 996,960 | 15,316,175 |
| 5900 | Federal program revenues | 1,287,638 | - | 6,333,960 | 7,621,598 |
| 5020 | Total revenues | <u>41,813,781</u> | <u>7,175,586</u> | <u>8,970,149</u> | <u>57,959,516</u> |
| EXPENDITURES | | | | | |
| 0011 | Instruction | 20,911,421 | - | 3,741,250 | 24,652,671 |
| 0012 | Instructional resources and media services | 334,107 | - | 16,829 | 350,936 |
| 0013 | Curriculum and staff development | 581,222 | - | 231,866 | 813,088 |
| 0021 | Instructional leadership | 725,313 | - | 802,498 | 1,527,811 |
| 0023 | School leadership | 2,644,393 | - | 51,137 | 2,695,530 |
| 0031 | Guidance, counseling, evaluation services | 1,027,083 | - | 512,886 | 1,539,969 |
| 0032 | Social work services | 43,027 | - | - | 43,027 |
| 0033 | Health services | 472,559 | - | - | 472,559 |
| 0034 | Student transportation | 2,870,434 | - | - | 2,870,434 |
| 0035 | Food service | - | - | 2,591,424 | 2,591,424 |
| 0036 | Cocurricular/extracurricular activities | 2,190,288 | - | 386,026 | 2,576,314 |
| 0041 | General administration | 1,727,582 | 2,179 | 793 | 1,730,554 |
| 0051 | Plant maintenance and operations | 7,783,475 | - | 820,785 | 8,604,260 |
| 0052 | Security and monitoring services | 434,715 | - | 2,959 | 437,674 |
| 0053 | Data processing services | 1,103,784 | - | 30,660 | 1,134,444 |
| 0061 | Community services | 188,482 | - | 22,037 | 210,519 |
| 0071 | Principal on long-term debt | - | 2,560,000 | - | 2,560,000 |
| 0072 | Interest on long-term debt | - | 3,941,100 | - | 3,941,100 |
| 0073 | Bond issuance costs and fees | - | 1,500 | - | 1,500 |
| 0081 | Capital outlay | - | - | 34,310 | 34,310 |
| 0099 | Other intergovernmental charges | 701,268 | - | - | 701,268 |
| 6030 | Total expenditures | <u>43,739,153</u> | <u>6,504,779</u> | <u>9,245,460</u> | <u>59,489,392</u> |
| 1100 | Excess (deficiency) of revenues over expenditures | <u>(1,925,372)</u> | <u>670,807</u> | <u>(275,311)</u> | <u>(1,529,876)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 7915 | Transfers in | - | - | 28,063 | 28,063 |
| 8911 | Transfers out | (28,063) | - | - | (28,063) |
| 7080 | Total other financing sources and uses | <u>(28,063)</u> | <u>-</u> | <u>28,063</u> | <u>-</u> |
| 1200 | Net change in fund balances | <u>(1,953,435)</u> | <u>670,807</u> | <u>(247,248)</u> | <u>(1,529,876)</u> |
| 0100 | Fund balance - September 1 (beginning) | 21,181,105 | 1,363,875 | 1,821,433 | 24,366,413 |
| 3000 | Fund balance - August 31 (ending) | <u>19,227,670</u> | <u>2,034,682</u> | <u>1,574,185</u> | <u>22,836,537</u> |

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019**

| | |
|---|-------------|
| Net change in fund balances - governmental funds | (1,529,876) |
| The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position. | (135,703) |
| Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position. | 4,287,269 |
| Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. | (3,262,798) |
| Current year changes in amounts related to GASB 68 increased revenues in the amount of \$644,977, but also increased expenditures in the amount of \$1,749,730. The net effect on the change in the ending net position was a decrease in the amount of \$1,104,753. | (1,104,753) |
| Current year changes in amounts related to GASB 75 increased revenues in the amount of \$634,925, but also increased expenditures in the amount of \$735,354. The net effect on the change in the ending net position was a decrease in the amount of \$100,429. | (100,429) |
| Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position. | 68,784 |
| Change in net position of governmental activities | (1,777,506) |

The accompanying notes are an integral part of this statement

Proprietary Fund Financial Statements

MARSHALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2019

| | Governmental Activities <u>Internal Service</u> <u>Funds</u> |
|---------------------------|---|
| <hr/> | |
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | 485,370 |
| Total current assets | <u>485,370</u> |
| Total Assets | <u><u>485,370</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accrued expenses | 235,799 |
| Total Liabilities | <u>235,799</u> |
| NET POSITION | |
| Unrestricted | <u>249,571</u> |
| Total Net Position | <u><u>249,571</u></u> |

The accompanying notes are an integral part of this statement

MARSHALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSE, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

| | Governmental Activities <u>Internal Service Funds</u> |
|--------------------------------|---|
| <hr/> | |
| Operating Revenues | |
| Local and intermediate sources | 10,833 |
| Total operating revenues | <u>10,833</u> |
| Operating Expenses | |
| Other operating expenses | 146,536 |
| Total operating expenses | <u>146,536</u> |
| Operating income (loss) | (135,703) |
| Other sources (uses) | |
| Transfers in | - |
| Transfers out | - |
| Total other sources (uses) | <u>-</u> |
| Total change in net position | (135,703) |
| Net position, beginning | 385,274 |
| Net position, ending | <u><u>249,571</u></u> |

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019**

| | Governmental Activities <u>Internal Service Funds</u> |
|---|---|
| <hr/> | |
| Cash Flows from Operating Activities: | |
| Cash payments from assessments - other funds | 10,833 |
| Cash payments for insurance claims and fixed costs | <u>(175,422)</u> |
| Net cash used by operating activities | <u>(164,589)</u> |
| | |
| Net Increase (Decrease) in cash and cash equivalents | (164,589) |
| | |
| Cash and cash equivalents, beginning | <u>649,959</u> |
| Cash and cash equivalents, ending | <u><u>485,370</u></u> |
| | |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| | |
| Operating income | (135,703) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Increase (decrease) in other accrued liabilities | <u>(28,886)</u> |
| | |
| Net cash used by operating activities | <u>(164,589)</u> |

The accompanying notes are an integral part of this statement

Fiduciary Fund Financial Statements

**MARSHALL INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019**

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | 27,419 |
| Total Assets | <u>27,419</u> |
| LIABILITIES | |
| Due to student groups | 27,419 |
| Total Liabilities | <u>27,419</u> |

The accompanying notes are an integral part of this statement

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**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

Marshall Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, "The Financial Reporting Entity," including subsequent revisions. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District's functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report fees and other charges to users of the District's services such as tuition paid by students not residing in the District, athletic gate receipts, and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District such as the Elementary and Secondary Education Act. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of net position.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Fund Financial Statements

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

The District does not allocate general administration or support services expenses to other functions. Depreciation expense for buildings that house District staff serving different functions is included in the direct expenses of the appropriate functions.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

D. FUND TYPES AND MAJOR FUNDS

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

Major Governmental Funds:

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

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Non Major Governmental Funds:

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

Capital Projects Fund - This fund accounts for proceeds from debt to be used for authorized construction, furnishing, and equipping of instructional facilities.

Other Fund Types:

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Fund is the Worker's Compensation Self-funded Insurance.

Agency Fund - The District accounts for assets held in a custodial capacity as an agent on behalf of others in the agency fund. The District's agency fund is used to account for the activities of student groups and other organizational activities.

E. OTHER ACCOUNTING POLICIES

Inventories - Inventories of supplies on the balance sheet are stated at cost. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Capital Assets and Depreciation - The District's property, plant, and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Estimated useful lives, in years, for capital assets are as follows:

| | |
|---|-------|
| Buildings | 10-50 |
| Improvements (including infrastructure) | 5-50 |
| Transportation equipment | 7-10 |
| Furniture, fixtures, and equipment | 3-10 |

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as other financing sources when received.

Long-Term Debt - In the government-wide financial statements, any outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period and principal and interest payments are recognized as an expense of the current period.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Net Position and Fund Balance - Net position in the statement of net position include components that are restricted for use in a federal or state program or to pay debt service on capital related debt. Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future periods. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

As of August 31, 2019, the Special Revenue Fund restricts \$1,165,716 for the food service program and \$10,357 for the state textbook program. The Special Revenue fund commits \$398,112 for campus activities. The Debt Service Fund restricts \$2,034,682 for retirement of debt. The General fund has a nonspendable balance in the amount of \$87,368 for inventories.

Compensated Absences - The District does not pay any employees accrued sick leave or vacation time upon termination or retirement. Therefore, no liability for accrued sick leave or vacation time is recorded in the government-wide or governmental fund financial statements.

Data Control Codes - These codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide database for policy development and funding plans.

Fund Balance Policy - The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

The District's restricted fund balances represent amounts for retirement of long term debt, operation of the food service, and state programs.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the entity incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

Pensions - The fiduciary net position of the Teachers 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 the 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.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Other Post-Employment Benefits (OPEB) - 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.

F. BUDGETARY DATA

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, the Food Service Fund (which is included in the Special Revenue Funds), and the Debt Service Fund. The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 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. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the year ended August 31, 2019, the District made significant budget amendments to the student transportation function and the plant maintenance and operations function that increased overall appropriations over the original budget.
4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market saving accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments. In compliance with the Public Funds Investments Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

Deposits

Custodial Credit Risk - 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. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. The District's cash deposits at August 31, 2019 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District was not exposed to custodial credit risk as all deposits were covered by depository insurance or by pledged collateral as follows:

1. Depository: Texas Bank & Trust, Longview, TX
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$23,961,736.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$22,999,160 and occurred during the month of February, 2019.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Investments

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to credit risk at August 31, 2019.

Custodial Credit Risk - Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the name of the District. The District did not have any investments exposed to custodial credit risk at August 31, 2019.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at August 31, 2019.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2019.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2019.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. As of August 31, 2019, Marshall Independent School District had the following investments subject to the fair value measurement on a recurring basis:

| Investments by Fair Value Level: | Rating | Concentration of Credit Risk | Balance at August 31, 2019 | Fair Value Measurements Using: | | |
|-------------------------------------|--------|---------------------------------|----------------------------------|---|--|--|
| | | | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Debt Securities: | | | | | | |
| Commercial Paper | A-1/P1 | 83.70% | 13,203,459 | 13,203,459 | - | - |
| Certificates of Deposit | AAA | 11.54% | 1,821,235 | 1,821,235 | - | - |
| Government: | | | | | | |
| U.S. Treasury Securities | AAA | 4.76% | 750,474 | 750,474 | - | - |
| | | 100.00% | 15,775,168 | 15,775,168 | - | - |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNEARNED REVENUE

Property Tax Calender, Property Tax Receivables, and Unearned Revenue

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. In the governmental fund financial statements, property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due to the District regardless of when the cash is received.

Due To/From Other Governments and Unearned Revenue

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. These amounts are reported in the governmental fund financial statements as Due from Other Governments. Amounts due from federal, state, and other governments as of August 31, 2019 are summarized below:

| Fund | State Entitlements | Federal Grants | State Grants | Total |
|----------------------|-----------------------|-------------------|-----------------|------------------|
| General Fund | 874,245 | - | - | 874,245 |
| Special Revenue Fund | - | 754,273 | 77,915 | 832,188 |
| Total | 874,245 | 754,273 | 77,915 | 1,706,433 |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Unearned revenues from federal, state, and other governments as of August 31, 2019 are summarized below:

| | General Fund | Special Revenue Funds | Total |
|---------------------------------------|-----------------|-----------------------------|---------|
| Season Ticket Sales | 36,228 | - | 36,228 |
| National Breakfast and Lunch Programs | - | 237,648 | 237,648 |
| Total | 36,228 | 237,648 | 273,876 |

Deferred inflows of resources at year end consisted of the following:

| | General Fund | Debt Service Fund | Total |
|--------------------------------------|-----------------|-------------------------|-----------|
| Unavailable Revenue - Property Taxes | 957,546 | 156,817 | 1,114,363 |

C. INTERFUND BALANCES AND TRANSFERS

Interfund due to/from balances at August 31, 2019 consisted of the following amounts:

Due from other Governmental Funds to the General Fund:

| | |
|-----------------------|---------|
| Special Revenue Funds | 469,284 |
|-----------------------|---------|

Interfund transfers for the year ended August 31, 2019 consisted of the following amounts:

| | Capital Projects Fund | Special Revenue Funds | Total |
|---|-----------------------------|-----------------------------|--------|
| Transfer to other Governmental Funds from General Fund: | 25,489 | 2,574 | 28,063 |

Transfers are used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

The District disaggregates significant components of receivables and payables in the financial statements. The only receivable not expected to be collected within one year is \$3,343,089 of delinquent property taxes.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

E. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2019 was as follows:

| | Beginning Balance | Additions | Retirements/ Adjustments | Ending Balance |
|---|------------------------------|------------------|-------------------------------------|---------------------------|
| Governmental Activities: | | | | |
| Land | 3,609,441 | - | - | 3,609,441 |
| Buildings and improvements | 120,224,331 | 22,030 | - | 120,246,361 |
| Vehicles and equipment | 11,659,399 | 1,310,324 | - | 12,969,723 |
| Totals at cost | 135,493,171 | 1,332,354 | - | 136,825,525 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | 19,551,554 | 2,283,721 | - | 21,835,275 |
| Vehicles and equipment | 6,037,070 | 979,077 | - | 7,016,147 |
| Total accumulated depreciation | 25,588,624 | 3,262,798 | - | 28,851,422 |
| Governmental activities capital assets, net | 109,904,547 | (1,930,444) | - | 107,974,103 |

Depreciation was charged to governmental functions as follows:

| | |
|--|------------------|
| Instruction | 1,827,296 |
| Instructional Resources and Media Services | 107,488 |
| Curriculum and Staff Development | 21,498 |
| Instructional Leadership | 42,995 |
| School Leadership | 150,483 |
| Student Transportation | 422,509 |
| Food Services | 168,072 |
| Cocurricular/Extracurricular | 235,298 |
| General Administration | 39,886 |
| Plant Maintenance | 69,078 |
| Security and Monitoring | 34,463 |
| Data Processing | 143,732 |
| Total depreciation expense | <u>3,262,798</u> |

F. LONG-TERM DEBT

In prior years, the District, as authorized by Texas Education Code Section 45.001 and 45.003, authorized the issuance of Unlimited Tax Refunding Bonds to provide funds for the construction, acquisition, and purchasing of equipment for new school buildings, and to refund older bonds.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Bonds currently outstanding are as follows:

- Series 2015, issued in the original amount of \$82,070,000. Interest rates range from 1.50% to 5.00%. The bonds final maturity is 2040.
- Series 2016, issued in the original amount of \$9,010,000. Interest rates range from 3.00% to 4.00%. The bonds final maturity is 2040.
- Series 2017, issued in the original amount of \$9,500,000. Interest rates range from 2.00% to 3.00%. The bonds final maturity is 2040.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2019.

The sale of the Series 2015, 2016 and 2017 bond issues resulted in a premiums received, which are being amortized over the life of the respective bonds.

Long term liability activity for the year ended August 31, 2019 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts due within one year |
|-----------------------------------|------------------------------|------------------|-------------------|---------------------------|--|
| Governmental Activities: | | | | | |
| Series 2015 school building bonds | 74,920,000 | - | 1,995,000 | 72,925,000 | 2,095,000 |
| Series 2016 school building bonds | 8,195,000 | - | 250,000 | 7,945,000 | 260,000 |
| Series 2017 school building bonds | 9,195,000 | - | 315,000 | 8,880,000 | 320,000 |
| Total long term debt | 92,310,000 | - | 2,560,000 | 89,750,000 | 2,675,000 |
| Unamortized bond premium | 8,895,722 | - | 404,378 | 8,491,344 | - |
| Total long term debt | <u>101,205,722</u> | <u>-</u> | <u>2,964,378</u> | <u>98,241,344</u> | <u>2,675,000</u> |

Annual debt service requirements to maturity for the District's long term debt are as follows:

| Year ending August 31, | Principal | Interest | Total |
|-----------------------------------|-------------------|-------------------|--------------------|
| 2020 | 2,675,000 | 3,821,975 | 6,496,975 |
| 2021 | 2,800,000 | 3,697,425 | 6,497,425 |
| 2022 | 2,930,000 | 3,566,775 | 6,496,775 |
| 2023 | 3,070,000 | 3,429,725 | 6,499,725 |
| 2024 | 3,215,000 | 3,285,950 | 6,500,950 |
| 2025-2029 | 18,420,000 | 14,079,950 | 32,499,950 |
| 2030-2034 | 22,575,000 | 9,919,400 | 32,494,400 |
| 2035-2039 | 27,715,000 | 4,782,481 | 32,497,481 |
| 2040 | 6,350,000 | 147,563 | 6,497,563 |
| Totals | <u>89,750,000</u> | <u>46,731,244</u> | <u>136,481,244</u> |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

G. COMMITMENTS UNDER OPERATING LEASES

The District entered into a non-cancelable three year operating lease for District copy machines on July 31, 2018. The commitment under the operating (noncapitalized) lease agreement provides for minimum future rental payments as of August 31, 2019, as follows:

| Year ending August 31, | |
|------------------------|-----------------------|
| 2020 | 248,831 |
| 2021 | <u>248,831</u> |
| Total | <u><u>497,662</u></u> |

Rental expense under this lease was \$302,818 during the year ended August 31, 2019.

H. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2019, revenues from local and intermediate sources reported in the governmental funds consisted of the following:

| | General Fund | Debt Service Funds | Special Revenue Funds | Total |
|------------------------------------|--------------------------|--------------------------|-----------------------------|--------------------------|
| Property Taxes | 24,770,764 | 6,860,446 | - | 31,631,210 |
| Food Service | - | - | 459,632 | 459,632 |
| Investment earnings | 611,137 | 50,219 | 21,841 | 683,197 |
| Penalties, interest, and other tax | 477,350 | 119,427 | - | 596,777 |
| Insurance proceeds | 7,373 | - | - | 7,373 |
| Tuition and fees | 91,604 | - | - | 91,604 |
| Head start | - | - | 384,905 | 384,905 |
| Foundations, gifts, and bequests | 9,852 | - | 368 | 10,220 |
| Co-curricular student activities | 156,371 | - | 772,483 | 928,854 |
| Other | <u>212,929</u> | <u>15,042</u> | - | <u>227,971</u> |
| Total | <u><u>26,337,380</u></u> | <u><u>7,045,134</u></u> | <u><u>1,639,229</u></u> | <u><u>35,021,743</u></u> |

I. PENSION PLAN AND RETIREE HEALTH PLAN

Defined Benefit Pension Plan

Plan Description. The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article 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 Trustees does not have the authority to establish or amend benefit terms.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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

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

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

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

| | 2019 | 2018 |
|--|-------|-------|
| Member | 7.70% | 7.70% |
| Non-Employer Contribution Rate (State) | 6.80% | 6.80% |
| Employers | 6.80% | 6.80% |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Contributions for the year ended August 31, 2019 are as follows:

| | | |
|--|----|-----------|
| District's 2019 Employer Contributions | \$ | 964,433 |
| District's 2019 Member Contributions | \$ | 2,144,209 |
| District's 2019 NECE On-Behalf Contributions | \$ | 1,434,540 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers including public schools are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

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

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 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 contributions rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

| | |
|--|---|
| Valuation Date | August 31, 2017 rolled forward to August 31, 2018 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 6.907%* |
| Long-term expected Investment Rate of Return | 7.250% |
| Municipal Bond Rate | 3.690%* |
| Inflation | 2.300% |
| Salary Increases | 3.50% to 9.50%, including inflation |
| Last Year Ending 8/31 in Projection Period | 2116 (100 years) |
| Ad hoc Post Employment Benefit Changes | None |

* - Sourced from 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, 2018

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

Discount Rate. The discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

| Asset Class | Target Allocation* | Long-Term Expected Arithmetic Real Rate of Return** | Expected Contribution to Long-term Portfolio Returns |
|-------------------------------|--------------------|---|--|
| Global Equity | | | |
| U.S. | 18% | 5.7% | 1.0% |
| Non-U.S. Developed | 13% | 6.9% | 0.9% |
| Emerging Markets | 9% | 8.9% | 0.8% |
| Directional Hedge Funds | 4% | 3.5% | 0.1% |
| Private Equity | 13% | 10.2% | 1.3% |
| Stable Value | | | |
| U.S. Treasuries | 11% | 1.1% | 0.1% |
| Absolute Return | 0% | - | - |
| Stable Value Hedge Funds | 4% | 3.1% | 0.1% |
| Cash | 1% | -0.3% | 0.0% |
| Real Return | | | |
| Global Inflation Linked Bonds | 3% | 0.7% | 0.0% |
| Real Assets | 16% | 5.2% | 0.7% |
| Energy and Natural Resources | 3% | 7.5% | 0.4% |
| Commodities | 0% | - | - |
| Risk Parity | | | |
| Risk Parity | 5% | 3.7% | 0.2% |
| Inflation Expectations | | | 2.3% |
| Volatility Drag*** | | | -0.8% |
| Total | 100% | | 7.2% |

* Target allocations are based on the FY 2016 model

** Capital Market assumptions come from Aon Hewitt (2017 Q4)

*** The volatility drag results from the conversion between arithmetic and geometric mean returns

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the Net Pension Liability.

| | 1% Decrease in Discount Rate (5.907%) | Discount Rate (6.907%) | 1% Increase in Discount Rate (7.907%) |
|--|---|---------------------------|---|
| District's proportionate share of the net pension liability: | \$24,054,087 | \$15,937,883 | \$9,367,334 |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2019, the District reported a liability of \$15,937,883 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District.

The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|----------------------------|
| District's Proportionate share of the collective net pension liability | \$15,937,883 |
| State's proportionate share that is associated with the District | <u>23,453,743</u> |
| Total | <u><u>\$39,391,626</u></u> |

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 and rolled forward to August 31, 2018. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .028956%, which was an increase of 1.24% from its proportion measured as of August 31, 2017.

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

For the year ended August 31, 2019, the District recognized pension expense of \$2,231,295 and revenue of \$1,434,540 for support provided by the State in the Government-wide Statement of Activities.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$99,344 | \$391,053 |
| Changes in actuarial assumptions | 5,746,374 | 179,574 |
| Difference between projected and actual investment earnings | - | 302,410 |
| Changes in proportion and difference between the employer's contribution and the proportionate share of contributions | 1,233,308 | 791,383 |
| Contributions paid to TRS subsequent to the measurement date | 964,433 | - |
| Total | \$8,043,459 | \$1,664,420 |

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

| Year Ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2020 | \$2,475,681 |
| 2021 | 874,850 |
| 2022 | 696,668 |
| 2023 | 836,451 |
| 2024 | 853,350 |
| Thereafter | 642,039 |

J. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Other Post -Employment Benefit Plan (OPEB)

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.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2018 are as follows:

| Net OPEB Liability | Total |
|--|--------------------------|
| Total OPEB Liability | \$ 50,729,490,103 |
| Less: Plan Fiduciary Net Position | \$ <u>798,574,633</u> |
| Net OPEB Liability | <u>\$ 49,930,915,470</u> |
| Net Position as a Percentage of Total OPEB Liability | 1.57% |

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.

Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plans. 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 a retiree with and without Medicare coverage. These new premium rates for retirees with Medicare Part A and Part B became effective January 1, 2018.

TRS-Care Plan Premium Rates
Effective January 1, 2018 - December 31, 2018

| | Medicare | Non-Medicare |
|--|----------|--------------|
| Retiree (or surviving spouse) | \$135 | \$200 |
| Retiree and spouse | \$529 | \$689 |
| Retiree or surviving spouse and children | \$468 | \$408 |
| Retiree and family | \$1,020 | \$999 |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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 1.25% 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 employees pay for fiscal year 2018. The following table shows contributions to the TRS-Care plan by type of contributor.

| | 2019 | 2018 |
|---|------------|-------|
| Member | 0.65% | 0.65% |
| Non-Employer Contribution Rate (State) | 1.25% | 1.25% |
| Employers | 0.75% | 0.75% |
| Federal/Private Funding Remitted by Employers | 1.25% | 1.25% |
| District’s 2019 Employer Contributions | \$ 331,911 | |
| District’s 2019 Member Contributions | \$ 181,004 | |
| District’s 2019 NECE On-Behalf Contributions | \$ 320,042 | |

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.

In addition to the pension plan and TRS-Care state contributions on behalf of the District, the District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amounts allocated on behalf of the District were \$110,022, \$90,329, and \$85,712 for the years ended August 31, 2019, 2018, and 2017, respectively.

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal 2018 totaled \$394.6 million.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2017 rolled forward to August 31, 2018 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Inflation | 2.300% |
| Single Discount Rate | 3.69%* |
| Aging Factors | Based on plan specific experience |
| Election Rates | Normal retirement: 70% Participation prior to age 65 and 75% after 65. |
| Expenses | Third-party administrative expense related to the delivery of health care benefits are included in the age adjusted-claims cost. |
| Salary Increases | 3.50% to 9.50%, including inflation |
| Ad hoc Post Employment Benefit Changes | None |
| | <i>* - Sourced from 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, 2018</i> |

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate. A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of .27 percent in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 71. 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.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

Discount Rate Sensitivity Analysis 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 in measuring the Net OPEB Liability.

| | 1% Decrease in Discount Rate (2.69%) | Discount Rate (3.69%) | 1% Increase in Discount Rate (4.69%) |
|---|---|--------------------------|---|
| District's proportionate share of the OPEB liability: | \$27,807,791 | \$23,361,147 | \$19,843,564 |

Healthcare Cost Trend Rates Sensitivity Analysis - 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 one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

| | 1% Decrease in Health Care Cost Trend Rate | Current Health Care Cost Trend Rate | 1% Increase in Health Care Cost Trend Rate |
|---|---|--|--|
| District's proportionate share of the OPEB liability: | \$19,401,813 | \$23,361,147 | \$28,575,674 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2019, the District reported a liability of \$23,361,147 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 collective OPEB liability | \$23,361,147 |
| State's proportionate share that is associated with the District | 23,197,270 |
| Total | \$46,558,417 |

The Net OPEB Liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.046787% which is a decrease of 4.63 percent from the proportion measured as of August 31, 2017.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

Changes in Benefit Terms: The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized an OPEB expense of \$843,777 and revenue of \$320,042 for support provided by the State.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

At August 31, 2019, the District reported 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 |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience | \$1,239,689 | \$368,673 |
| Changes in actuarial assumptions | 389,834 | 7,018,684 |
| Difference between projected and actual investment earnings | 4,086 | - |
| Changes in proportion and difference between the employer's contribution and the proportionate share of contributions | 84 | 1,245,520 |
| Contributions paid to TRS subsequent to the measurement date | 331,911 | - |
| Total | \$1,965,604 | \$8,632,877 |

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

| Year Ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2020 | (\$742,456) |
| 2021 | (1,074,367) |
| 2022 | (1,074,367) |
| 2023 | (1,075,140) |
| 2024 | (1,075,582) |
| Thereafter | (1,625,361) |

K. HEALTH CARE COVERAGE

During the year ended August 31, 2019, employees of the District were covered by a state wide health care program known as TRS-Active Care. This plan is administered by the Teacher Retirement System of Texas. The District contributed \$150 per month per employee to TRS, and employees, at their option, authorized payroll withholdings to fund contributions for dependents.

L. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2019**

members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2019, the Fund anticipates the District has no additional liability beyond the contractual obligation for payment of contribution. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management website and have been filed with the Texas Department of Insurance in Austin.

The District has joined together with other school districts in the East Texas area to form the East Texas Educational Insurance Association (the Association), a public entity risk pool currently operating a workers' compensation risk management and insurance program for various member school districts. During the 2018-19 school year, the District paid a fixed cost in the amount of \$45,701 for the administration of claims, loss control, record keeping, and the cost of stop-loss insurance. Total workers' compensation claims amounted to \$88,975 for the year. When and if other schools in the Association exceed their loss fund maximum, the District will be required to pay a percentage share of the excess. According to the financial data provided by the Association for August 31, 2018, the amount of unpaid claims including estimated incurred, but not reported (IBNR) is approximately \$235,799, which has been recorded as a liability of the Internal Service Fund for the year ended August 31, 2019. Change in the liability was as follows:

| | |
|----------------------------|-----------------------|
| Beginning claims liability | 264,685 |
| Net increase in provision | 60,089 |
| Claims paid | <u>(88,975)</u> |
| Ending claims liability | <u><u>235,799</u></u> |

The District continues to carry commercial insurance for all other risks of loss, including commercial building and property, vehicle collision and comprehensive, and District personnel and school board errors and omissions insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three school years.

M. LITIGATION AND CONTINGENCIES

The District participates in numerous State and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the ability to collect any related receivable at August 31, 2019, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Required Supplementary Schedules

**MARSHALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019**

| Data Control Codes | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance | |
|--|---|-------------|---|--|-----------|
| | | | | With Final Budget Positive (Negative) | |
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Local and intermediate sources | 25,437,485 | 25,637,485 | 26,337,380 | 699,895 |
| 5800 | State program revenues | 14,205,679 | 14,205,679 | 14,188,763 | (16,916) |
| 5900 | Federal program revenues | 585,000 | 785,000 | 1,287,638 | 502,638 |
| 5020 | Total revenues | 40,228,164 | 40,628,164 | 41,813,781 | 1,185,617 |
| EXPENDITURES: | | | | | |
| 0011 | Instruction | 22,783,962 | 22,521,801 | 20,911,421 | 1,610,380 |
| 0012 | Instructional resources and media services | 377,268 | 374,151 | 334,107 | 40,044 |
| 0013 | Curriculum and staff development | 637,680 | 641,111 | 581,222 | 59,889 |
| 0021 | Instructional leadership | 915,369 | 904,073 | 725,313 | 178,760 |
| 0023 | School leadership | 2,505,268 | 2,649,140 | 2,644,393 | 4,747 |
| 0031 | Guidance, counseling, and evaluation services | 1,042,218 | 1,056,942 | 1,027,083 | 29,859 |
| 0032 | Social work services | 46,639 | 51,685 | 43,027 | 8,658 |
| 0033 | Health services | 542,454 | 525,350 | 472,559 | 52,791 |
| 0034 | Student transportation | 1,935,024 | 3,004,209 | 2,870,434 | 133,775 |
| 0036 | Cocurricular/extracurricular activities | 2,139,892 | 2,253,427 | 2,190,288 | 63,139 |
| 0041 | General administration | 1,846,807 | 1,828,000 | 1,727,582 | 100,418 |
| 0051 | Plant maintenance and operations | 4,359,268 | 8,990,009 | 7,783,475 | 1,206,534 |
| 0052 | Security and monitoring services | 380,038 | 452,584 | 434,715 | 17,869 |
| 0053 | Data processing services | 1,051,733 | 1,141,265 | 1,103,784 | 37,481 |
| 0061 | Community services | 195,910 | 195,917 | 188,482 | 7,435 |
| 0099 | Other intergovernmental charges | 715,000 | 715,000 | 701,268 | 13,732 |
| 6030 | Total expenditures | 41,474,530 | 47,304,664 | 43,739,153 | 3,565,511 |
| 1100 | Excess (deficiency) of revenues over expenditures | (1,246,366) | (6,676,500) | (1,925,372) | 4,751,128 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers in | - | - | - | - |
| 8911 | Transfers out | - | - | (28,063) | (28,063) |
| 7080 | Total other financing sources (uses) | - | - | (28,063) | (28,063) |
| 1200 | Net change in fund balances | (1,246,366) | (6,676,500) | (1,953,435) | 4,723,065 |
| 0100 | Fund balance - September 1 (beginning) | 21,181,105 | 21,181,105 | 21,181,105 | - |
| 3000 | Fund balance - August 31 (ending) | 19,934,739 | 14,504,605 | 19,227,670 | 4,723,065 |

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019**

| | <u>FY 2019</u> <u>Plan Year 2018</u> | <u>FY 2018</u> <u>Plan Year 2017</u> | <u>FY 2017</u> <u>Plan Year 2016</u> | <u>FY 2016</u> <u>Plan Year 2015</u> | <u>FY 2015</u> <u>Plan Year 2014</u> |
|---|---|---|---|---|---|
| District's Proportion of the Net Pension Liability (Asset) | 0.00028956 | 0.00028601 | 0.00031613 | 0.00033181 | 0.00023095 |
| District's Proportionate share of the Net Pension Liability (Asset) | \$ 15,937,883 | \$ 9,145,060 | \$ 11,946,011 | \$ 11,729,042 | \$ 6,169,048 |
| State's Proportionate share of the Net Pension Liability (Asset) associated with the District | <u>23,453,743</u> | <u>14,998,918</u> | <u>17,197,334</u> | <u>17,374,021</u> | <u>15,400,169</u> |
| TOTAL | <u>\$ 39,391,626</u> | <u>\$ 24,143,978</u> | <u>\$ 29,143,345</u> | <u>\$ 29,103,063</u> | <u>\$ 21,569,217</u> |
| | | | | | |
| District's Covered Payroll | \$ 28,421,613 | \$ 28,869,026 | \$ 28,622,734 | \$ 28,861,523 | \$ 3,848,378 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll | 56.08% | 31.68% | 41.74% | 40.64% | 160.30% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.74% | 82.17% | 76.23% | 78.43% | 83.25% |

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for fiscal year 2019, August 31, 2017 for fiscal year 2018, August 31, 2016 for fiscal year 2017, August 31, 2015 for the fiscal year 2016, and August 31, 2014 for the fiscal year 2015.

NOTE: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedule that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019**

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|------------------|------------------|--------------------|------------------|
| Contractually Required Contribution | \$ 964,433 | \$ 976,723 | \$ 930,165 | \$ 1,004,927 | \$ 615,318 |
| Contribution in Relation to Contractually Required Contribution | <u>(964,433)</u> | <u>(976,723)</u> | <u>(930,165)</u> | <u>(1,004,927)</u> | <u>(615,318)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | | |
| District's Covered Payroll | \$ 27,846,870 | \$ 28,421,613 | \$ 28,869,026 | \$ 28,622,734 | \$ 28,861,523 |
| Contributions as a Percentage of Covered Payroll | 3.46% | 3.44% | 3.22% | 3.51% | 2.13% |

NOTE: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

NOTE: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

| | FY 2019 <u>Plan Year 2018</u> | FY 2018 <u>Plan Year 2017</u> |
|--|----------------------------------|----------------------------------|
| District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits | 0.00046787 | 0.00049056 |
| District's Proportionate share of the Net Post Employment Benefit Liability (Asset) | \$ 23,361,147 | \$ 21,332,807 |
| State's Proportionate share of the Net Post Employment Benefit Liability (Asset) associated with the District | <u>23,197,270</u> | <u>21,926,556</u> |
| TOTAL | \$ <u>46,558,417</u> | \$ <u>43,259,363</u> |
| District's Covered Payroll | \$ 28,421,613 | \$ 28,869,026 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll | 82.20% | 73.90% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 1.57% | 0.91% |

NOTE: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018, and the amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHERS RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019**

| | <u>2019</u> | <u>2018</u> |
|---|------------------|------------------|
| Contractually Required Contribution | \$ 331,911 | \$ 325,031 |
| Contribution in Relation to Contractually Required Contribution | <u>(331,911)</u> | <u>(325,031)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| District's Covered Payroll | \$ 27,846,870 | \$ 28,421,613 |
| Contributions as a Percentage of Covered Payroll | 1.19% | 1.14% |

NOTE: GASB Codification, Vol. 2 P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided for the years where data is available. Eventually, 10 years of data should be presented.

The accompanying notes are an integral part of this statement

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2019**

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

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

Changes of Assumptions.

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the net enrollment period.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED AUGUST 31, 2019**

- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes in Assumptions.

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

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Combining Schedules

**MARSHALL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019**

| Data Control Codes | Special Revenue Funds | | | |
|--------------------------|--|--|--|-------|
| | 211 ESEA Title I Part A | 224 IDEA Part B Formula | 225 IDEA Part B Preschool | |
| ASSETS | | | | |
| 1110 | Cash and temporary investments | - | - | 370 |
| 1240 | Due from other governments | 435,571 | 131,993 | 3,123 |
| 1300 | Inventories | - | - | - |
| 1000 | Total Assets | 435,571 | 131,993 | 3,493 |
| LIABILITIES | | | | |
| 2110 | Accounts payable | 7,006 | 630 | - |
| 2150 | Payroll deductions and withholdings payable | 9,358 | 5,595 | 370 |
| 2160 | Accrued wages payable | 140,696 | 28,895 | 3,123 |
| 2170 | Due to other funds | 278,511 | 96,873 | - |
| 2300 | Unearned revenues | - | - | - |
| 2000 | Total Liabilities | 435,571 | 131,993 | 3,493 |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| 3450 | Federal or State grants | - | - | - |
| Committed Fund Balance: | | | | |
| 3545 | Other committed fund balance | - | - | - |
| 3000 | Total Fund Balances | - | - | - |
| 4000 | Total Liabilities, Deferred Inflows and Fund Balances | 435,571 | 131,993 | 3,493 |

| Special Revenue Funds | | | | | | | |
|--|---|---|---|---|--|------------------------------------|---------------------------------------|
| 226 | 240 | 244 | 255 | 263 | 270 | 289 | 385 |
| IDEA Part B Discretionary | School Lunch & Breakfast Program | Career and Technical Basic Grant | Title II, A Training/ Recruiting | Title III, A English Lang. Acquisition | ESEA VI B, Rural & Low Income | Other Federal Funds | Visually Impaired SSVI |
| - | 1,201,365 | - | - | - | - | - | - |
| - | 78,918 | 7,348 | 80,492 | 149 | - | 16,679 | - |
| - | 220,886 | - | - | - | - | - | - |
| - | 1,501,169 | 7,348 | 80,492 | 149 | - | 16,679 | - |
| - | 10,183 | - | - | 35 | - | - | - |
| - | 7,444 | - | 1,163 | - | - | 1,164 | - |
| - | 80,178 | - | 8,406 | - | - | - | - |
| - | - | 7,348 | 70,923 | 114 | - | 15,515 | - |
| - | 237,648 | - | - | - | - | - | - |
| - | 335,453 | 7,348 | 80,492 | 149 | - | 16,679 | - |
| - | 1,165,716 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 1,165,716 | - | - | - | - | - | - |
| - | 1,501,169 | 7,348 | 80,492 | 149 | - | 16,679 | - |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2019**

| Data Control Codes | Special Revenue Funds | | | |
|--------------------------|--|---|--|---------|
| | 410 State Textbook Fund | 429 Other State Programs | 461 Campus Activity Funds | |
| ASSETS | | | | |
| 1110 | Cash and temporary investments | 10,357 | - | 467,752 |
| 1240 | Due from other governments | - | 50,156 | - |
| 1300 | Inventories | - | - | - |
| 1000 | Total Assets | 10,357 | 50,156 | 467,752 |
| LIABILITIES | | | | |
| 2110 | Accounts payable | - | 50,156 | 69,640 |
| 2150 | Payroll deductions and withholdings payable | - | - | - |
| 2160 | Accrued wages payable | - | - | - |
| 2170 | Due to other funds | - | - | - |
| 2300 | Unearned revenues | - | - | - |
| 2000 | Total Liabilities | - | 50,156 | 69,640 |
| FUND BALANCES | | | | |
| Restricted Fund Balance: | | | | |
| 3450 | Federal or State grants | 10,357 | - | - |
| Committed Fund Balance: | | | | |
| 3545 | Other committed fund balance | - | - | 398,112 |
| 3000 | Total Fund Balances | 10,357 | - | 398,112 |
| 4000 | Total Liabilities, Deferred Inflows and Fund Balances | 10,357 | 50,156 | 467,752 |

| 481 Head Start Funds | Total Nonmajor Special Revenue Funds | 699 Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|---|--|--|
| 7,918 | 1,687,762 | 2,846 | 1,690,608 |
| 27,759 | 832,188 | - | 832,188 |
| - | 220,886 | - | 220,886 |
| 35,677 | 2,740,836 | 2,846 | 2,743,682 |
| - | 137,650 | 2,846 | 140,496 |
| 487 | 25,581 | - | 25,581 |
| 35,190 | 296,488 | - | 296,488 |
| - | 469,284 | - | 469,284 |
| - | 237,648 | - | 237,648 |
| 35,677 | 1,166,651 | 2,846 | 1,169,497 |
| - | 1,176,073 | - | 1,176,073 |
| - | 398,112 | - | 398,112 |
| - | 1,574,185 | - | 1,574,185 |
| 35,677 | 2,740,836 | 2,846 | 2,743,682 |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019**

| Data Control Codes | Special Revenue Funds | | | |
|---------------------------------------|--|----------------------------------|------------------------------------|--------|
| | 211 ESEA Title I Part A | 224 IDEA Part B Formula | 225 IDEA Part B Preschool | |
| REVENUES | | | | |
| 5700 | Total local and intermediate sources | - | - | - |
| 5800 | State program revenues | - | - | - |
| 5900 | Federal program revenues | 1,813,968 | 1,004,637 | 27,696 |
| 5020 | Total Revenues | 1,813,968 | 1,004,637 | 27,696 |
| EXPENDITURES | | | | |
| 0011 | Instruction | 1,081,342 | 493,208 | 27,696 |
| 0012 | Instructional resources and media services | - | - | - |
| 0013 | Curriculum and staff development | 40,484 | - | - |
| 0023 | School leadership | 661,962 | 137,142 | - |
| 0021 | Instructional leadership | 4,365 | - | - |
| 0031 | Guidance, counseling, & evaluation | 19,360 | 373,147 | - |
| 0035 | Food service | - | - | - |
| 0036 | Extracurricular activities | - | - | - |
| 0041 | General administration | - | - | - |
| 0051 | Facilities maintenance and operations | - | - | - |
| 0052 | Security and monitoring services | - | - | - |
| 0053 | Data processing services | - | - | - |
| 0061 | Community services | 6,455 | 1,140 | - |
| 0081 | Facilities acquisition and construction | - | - | - |
| 6030 | Total Expenditures | 1,813,968 | 1,004,637 | 27,696 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - |
| OTHER FINANCING SOURCES (USES) | | | | |
| 7915 | Transfers in | - | - | - |
| 8911 | Transfers out | - | - | - |
| 7080 | Total other financing sources and uses | - | - | - |
| 1200 | Net change in fund balances | - | - | - |
| 0100 | Fund balances, beginning | - | - | - |
| 3000 | Fund balances, ending | - | - | - |

| Special Revenue Funds | | | | | | | |
|--|---|---|---|---|--|------------------------------------|---------------------------------------|
| 226 | 240 | 244 | 255 | 263 | 270 | 289 | 385 |
| IDEA Part B Discretionary | School Lunch & Breakfast Program | Career and Technical Basic Grant | Title II, A Training/ Recruiting | Title III, A English Lang. Acquisition | ESEA VI B, Rural & Low Income | Other Federal Funds | Visually Impaired SSVI |
| - | 474,305 | - | - | - | - | - | - |
| - | 18,311 | - | - | - | - | - | 3,950 |
| 177,006 | 2,602,709 | 84,495 | 308,924 | 102,602 | 82,080 | 129,843 | - |
| 177,006 | 3,095,325 | 84,495 | 308,924 | 102,602 | 82,080 | 129,843 | 3,950 |
| 167,527 | - | 72,256 | 166,383 | 89,835 | 73,135 | 14,171 | 3,950 |
| - | - | - | - | - | - | - | - |
| - | - | 12,239 | 117,284 | 10,762 | 530 | 9,100 | - |
| - | - | - | 1,286 | - | - | - | - |
| - | - | - | 19,643 | - | - | - | - |
| 9,479 | - | - | 4,328 | - | - | 106,572 | - |
| - | 2,591,424 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 88,017 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 2,005 | 8,415 | - | - |
| - | - | - | - | - | - | - | - |
| 177,006 | 2,679,441 | 84,495 | 308,924 | 102,602 | 82,080 | 129,843 | 3,950 |
| - | 415,884 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 415,884 | - | - | - | - | - | - |
| - | 749,832 | - | - | - | - | - | - |
| - | 1,165,716 | - | - | - | - | - | - |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2019**

| Data Control Codes | Special Revenue Funds | | | | |
|---------------------------------------|--|-----------------------------------|------------------------------------|-------------------------------|---------|
| | 410 State Textbook Fund | 429 Other State Programs | 461 Campus Activity Funds | 481 Head Start Funds | |
| REVENUES | | | | | |
| 5700 | Total local and intermediate sources | - | - | 772,483 | 384,905 |
| 5800 | State program revenues | 841,487 | 107,934 | - | 25,278 |
| 5900 | Federal program revenues | - | - | - | - |
| 5020 | Total Revenues | 841,487 | 107,934 | 772,483 | 410,183 |
| EXPENDITURES | | | | | |
| 0011 | Instruction | 831,130 | 66,467 | 241,393 | 412,757 |
| 0012 | Instructional resources and media services | - | - | 16,829 | - |
| 0013 | Curriculum and staff development | - | 41,467 | - | - |
| 0023 | School leadership | - | - | 2,108 | - |
| 0021 | Instructional leadership | - | - | 27,129 | - |
| 0031 | Guidance, counseling, & evaluation | - | - | - | - |
| 0035 | Food service | - | - | - | - |
| 0036 | Extracurricular activities | - | - | 386,026 | - |
| 0041 | General administration | - | - | 793 | - |
| 0051 | Facilities maintenance and operations | - | - | - | - |
| 0052 | Security and monitoring services | - | - | 1,001 | - |
| 0053 | Data processing services | - | - | - | - |
| 0061 | Community services | - | - | 4,022 | - |
| 0081 | Facilities acquisition and construction | - | - | - | - |
| 6030 | Total Expenditures | 831,130 | 107,934 | 679,301 | 412,757 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 10,357 | - | 93,182 | (2,574) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 7915 | Transfers in | - | - | - | 2,574 |
| 8911 | Transfers out | - | - | - | - |
| 7080 | Total other financing sources and uses | - | - | - | 2,574 |
| 1200 | Net change in fund balances | 10,357 | - | 93,182 | - |
| 0100 | Fund balances, beginning | - | - | 304,930 | - |
| 3000 | Fund balances, ending | 10,357 | - | 398,112 | - |

| Total Nonmajor Special Revenue Funds | 699 Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|--|--|
| 1,631,693 | 7,536 | 1,639,229 |
| 996,960 | - | 996,960 |
| 6,333,960 | - | 6,333,960 |
| <u>8,962,613</u> | <u>7,536</u> | <u>8,970,149</u> |
| 3,741,250 | - | 3,741,250 |
| 16,829 | - | 16,829 |
| 231,866 | - | 231,866 |
| 802,498 | - | 802,498 |
| 51,137 | - | 51,137 |
| 512,886 | - | 512,886 |
| 2,591,424 | - | 2,591,424 |
| 386,026 | - | 386,026 |
| 793 | - | 793 |
| 88,017 | 732,768 | 820,785 |
| 1,001 | 1,958 | 2,959 |
| - | 30,660 | 30,660 |
| 22,037 | - | 22,037 |
| - | 34,310 | 34,310 |
| <u>8,445,764</u> | <u>799,696</u> | <u>9,245,460</u> |
| 516,849 | (792,160) | (275,311) |
| 2,574 | 25,489 | 28,063 |
| - | - | - |
| <u>2,574</u> | <u>25,489</u> | <u>28,063</u> |
| 519,423 | (766,671) | (247,248) |
| 1,054,762 | 766,671 | 1,821,433 |
| <u>1,574,185</u> | <u>-</u> | <u>1,574,185</u> |

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Required TEA Schedules

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
AUGUST 31, 2019**

| Last Ten Years Ended August 31, | 1 | 2 | 3 | 10 | 20 | 31 | 32 | 40 | 50 |
|--|------------------|-----------------|---------------------------------------|-------------------------------------|---------------------------------|----------------------------|-----------------------------|---------------------------------|--------------------------------|
| | Tax Rates | | Assessed or Appraised Valuation | Beginning Balance September 1 | Current Year's Total Levy | Maintenance Collections | Debt Service Collections | Entire Year's Adjustments | Ending Balance August 31 |
| | Maint- enance | Debt Service | | | | | | | |
| 2010 & Prior | Various | Various | - | 737,105 | | 29,813 | - | (76,676) | 630,616 |
| 2011 | 1.04000 | - | 2,699,120,336 | 140,639 | | 8,977 | - | (4,296) | 127,366 |
| 2012 | 1.04000 | - | 2,792,337,897 | 191,397 | | 17,309 | - | (5,483) | 168,605 |
| 2013 | 1.04000 | - | 2,665,172,978 | 203,093 | | 22,637 | - | (5,122) | 175,334 |
| 2014 | 1.04000 | - | 2,569,010,881 | 249,062 | | 39,059 | - | (5,056) | 204,947 |
| 2015 | 1.04000 | - | 2,592,806,538 | 332,498 | | 53,346 | - | (5,359) | 273,793 |
| 2016 | 1.04000 | 0.29000 | 2,474,002,307 | 494,674 | | 78,500 | 21,889 | (6,476) | 387,809 |
| 2017 | 1.04000 | 0.29000 | 2,317,373,459 | 661,434 | | 114,853 | 32,026 | (17,562) | 496,993 |
| 2018 | 1.04000 | 0.29000 | 2,358,999,548 | 1,172,415 | | 297,748 | 83,026 | (143,624) | 648,017 |
| 2019 (Current) | 1.04000 | 0.29000 | 2,423,385,773 | - | 32,231,031 | 24,152,287 | 6,734,772 | - | 1,343,972 |
| 1000 | Totals | | | 4,182,317 | 32,231,031 | 24,814,529 | 6,871,713 | (269,654) | 4,457,452 |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2019**

| Data Control Codes | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance With Final Budget Positive (Negative) | |
|--|---|-----------|---|--|----------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Local and intermediate sources | 475,000 | 475,000 | 474,305 | (695) |
| 5800 | State program revenues | 15,000 | 15,000 | 18,311 | 3,311 |
| 5900 | Federal program revenues | 2,485,000 | 2,485,000 | 2,602,709 | 117,709 |
| 5020 | Total revenues | 2,975,000 | 2,975,000 | 3,095,325 | 120,325 |
| EXPENDITURES: | | | | | |
| 0035 | Food service | 2,903,634 | 2,826,314 | 2,591,424 | 234,890 |
| 0051 | Facilities maintenance and operations | 71,366 | 77,320 | 88,017 | (10,697) |
| 6030 | Total expenditures | 2,975,000 | 2,903,634 | 2,679,441 | 224,193 |
| 1100 | Excess (deficiency) of revenues over expenditures | - | 71,366 | 415,884 | 344,518 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers in | - | - | - | - |
| 8911 | Transfers out | - | - | - | - |
| 7080 | Total other financing sources (uses) | - | - | - | - |
| 1200 | Net change in fund balances | - | 71,366 | 415,884 | 344,518 |
| 0100 | Fund balance - September 1 (beginning) | 749,832 | 749,832 | 749,832 | - |
| 3000 | Fund balance - August 31 (ending) | 749,832 | 821,198 | 1,165,716 | 344,518 |

**MARSHALL INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019**

| Data Control Codes | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance With Final Budget Positive (Negative) | |
|--|---|-----------|---|--|---------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 5700 | Local and intermediate sources | 6,755,155 | 6,755,155 | 7,045,134 | 289,979 |
| 5800 | State program revenues | - | - | 130,452 | 130,452 |
| 5020 | Total revenues | 6,755,155 | 6,755,155 | 7,175,586 | 420,431 |
| EXPENDITURES: | | | | | |
| 0041 | General administration | - | - | 2,179 | (2,179) |
| 0071 | Debt service - principal on long-term debt | 2,560,000 | 2,560,000 | 2,560,000 | - |
| 0072 | Debt service - interest on long-term debt | 3,941,100 | 3,941,100 | 3,941,100 | - |
| 0073 | Debt service - bond issuance costs and fees | 1,000 | 1,000 | 1,500 | (500) |
| 6030 | Total expenditures | 6,502,100 | 6,502,100 | 6,504,779 | (2,679) |
| 1100 | Excess (deficiency) of revenues over expenditures | 253,055 | 253,055 | 670,807 | 417,752 |
| OTHER FINANCING SOURCES (USES): | | | | | |
| 7915 | Transfers in | - | - | - | - |
| 8911 | Transfers out | - | - | - | - |
| 7080 | Total other financing sources (uses) | - | - | - | - |
| 1200 | Net change in fund balances | 253,055 | 253,055 | 670,807 | 417,752 |
| 0100 | Fund balance - September 1 (beginning) | 1,363,875 | 1,363,875 | 1,363,875 | - |
| 3000 | Fund balance - August 31 (ending) | 1,616,930 | 1,616,930 | 2,034,682 | 417,752 |

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Federal Awards Section



G o f f & H e r r i n g t o n , P . C .

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Ronnie Herrington, CPA
Daniel Raney, CPA

Certified Public Accountants

**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**

Members of the Board of Trustees of
Marshall Independent School District
Marshall, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marshall Independent School District (District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 10, 2020.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Members of the Board of Trustees

January 10, 2020

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as item **2019-1**.

Purpose of this Report

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

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

January 10, 2020



Certified Public Accountants

G o f f & H e r r i n g t o n , P . C .

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Ronnie Herrington, CPA
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Trustees of
Marshall Independent School District
Marshall, Texas

Report on Compliance for Each Major Federal Program

We have audited Marshall Independent School District's (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 year ended August 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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* 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 year ended August 31, 2019.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the Board of Trustees

January 10, 2020

Page 2

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.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

January 10, 2020

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019**

Section I - Summary of Auditor's Results:

Financial Statements

| | |
|---|--------------------|
| Type of auditor's report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | ___yes <u>X</u> no |
| Significant Deficiencies identified that are not considered to be material weaknesses? | ___yes <u>X</u> no |
| Noncompliance material to financial statements noted? | ___yes <u>X</u> no |

Federal Awards

| | |
|---|--------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | ___yes <u>X</u> no |
| Significant Deficiencies identified that are not considered to be material weaknesses? | ___yes <u>X</u> no |

| | |
|---|--------------------|
| Type of auditor's report on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | ___yes <u>X</u> no |

Identification of Major Programs

| | |
|--------------------------------|-------------------------|
| CFDA 10.553, 10.550 and 10.555 | Child Nutrition Cluster |
|--------------------------------|-------------------------|

| | |
|--|-----------|
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000 |
|--|-----------|

| | |
|--|-----------------------|
| Auditee qualified as a low risk auditee? | <u>X</u> yes ___no |
|--|-----------------------|

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2019**

Section II - Findings Relating to the Financial Statements

2019-1 - Excess National Breakfast and Lunch Fund Balance

Criteria: Per Section 14.2 of the Texas Department of Agriculture's Administrative Reference Manual and as also referenced in Section 1.3.2.4 of the Texas Education Agency's (TEA) Financial Accountability Resource Guide, the National Breakfast and Lunch (Fund 240) fund balance cannot exceed three months of average expenditures.

Condition: At August 31, 2019, the National Breakfast and Lunch fund balance exceeded three months of average expenditures by \$495,856.

Cause: The District has accumulated an excess in the National Breakfast and Lunch Program fund balance over the last couple of years. Expenditures have been less than revenues and this has caused the fund balance this year to be in excess of the three months of average fund balance requirement.

Effect: The District is not in compliance with the Texas Department of Agriculture's fund balance requirement.

Recommendation: The District should evaluate its future spending to ensure its National Breakfast and Lunch fund balance is within the Texas Department of Agriculture's fund balance level.

District Response: The District agrees with this finding and has developed a corrective action plan, which is presented on page 74.

District Contact: Dr. Jerry Gibson, Superintendent

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019**

There were no findings reported for the prior year.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019**

Finding 2019-1- Excess National Breakfast and Lunch Fund Balance

Condition: The National Breakfast and Lunch Program fund balance exceeded three months of average expenditures.

Corrective Action Plan: The District will evaluate its future spending to ensure its National Breakfast and Lunch fund balance is within the Texas Department of Agriculture's fund balance level.

**MARSHALL INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019**

| (1) Federal Grantor/ Pass-Through Grantor/ Program title | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|---|----------------------------------|---|--------------------------------|
| U.S. Department of Defense | | | |
| <i>Direct Programs</i> | | | |
| Air Force Officers Training Corps. | 12.000 | TXA2024 | 39,550 |
| Total Department of Defense | | | <u>39,550</u> |
| U.S. Department of Education | | | |
| <i>Passed through Texas Education Agency:</i> | | | |
| ESEA Title 1, Part A - Improving Basic Programs | 84.010A | 19610101102902 | 1,751,718 |
| Title I, Part D, Subpart 2 - Delinquent Programs | 84.010A | 19610103102902 | 62,250 |
| *IDEA - Part B Formula | 84.027A | 196600011029026600 | 1,004,637 |
| *IDEA - Part B, Preschool | 84.173A | 196610011029026600 | 27,696 |
| *IDEA - Part B, Discretionary | 84.027A | 196600011029026600 | 177,006 |
| Special Education (IDEA) cluster | | | <u>1,209,339</u> |
| ESEA Title II, Part A Teacher/Principal Training | 84.367A | 19694501102902 | 308,924 |
| Title III, Part A - English Language Acquisition | 84.365A | 19671001102902 | 102,602 |
| Title VI, Part B - Rural & Low Income | 84.358B | 19696001102902 | 82,080 |
| Title IV, Part A, Subpart 1 | 84.424A | 19680101102902 | 55,158 |
| LEP Summer School | 84.369A | 69551802 | 5,007 |
| Texas Hurricane Homeless Youth | 84.938B | 19513701102902 | 3,677 |
| Emergency Impact Aid to LEAs | 84.938C | 51271901 | 66,001 |
| Career and Technical, Basic Grant | 84.048A | 19420006102902 | 84,495 |
| Total Department of Education | | | <u>3,731,251</u> |
| U.S. Department of Health and Human Services | | | |
| <i>Direct Programs</i> | | | |
| Medicaid Administrative Claiming Program (MAC) | 93.778 | 065738901 | 29,732 |
| Total Department of Health and Human Services | | | <u>29,732</u> |
| U.S. Department of Agriculture | | | |
| <i>Passed through Texas Education Agency:</i> | | | |
| *School Breakfast Program | 10.553 | 71401901 | 624,877 |
| *School Lunch Program | 10.555 | 71301901 | 1,771,604 |
| *Commodities | 10.550 | 210002A | 206,228 |
| Total child nutrition cluster | | | <u>2,602,709</u> |
| Total Department of Agriculture | | | <u>2,602,709</u> |
| Total Expenditures of Federal Awards | | | <u><u>6,403,242</u></u> |

* Clustered Programs

**MARSHALL INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2019**

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended August 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Summary of Significant Accounting Policies:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current-financial-resources measurement focus. All federal grant funds are accounted for in the Special Revenue Fund, a component of the governmental funds. With this measurement focus, only current assets and current liabilities, generally, are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified-accrual basis of accounting is used for the governmental funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (measurable and available) and expenditures in the accounting period in which the fund liability is incurred, except that principal and interest on general long-term debt are recognized when due. Federal grant funds are considered to be earned when all eligibility requirements have been met. Any excess of revenues or expenditures is recorded as unearned revenues or accounts receivable, respectively.

The disbursement of funds received under federal grant programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. In the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the District at August 31, 2019.

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Federal revenues in the accompanying financial statements include federal source revenues which are not considered federal assistance for purposes of the Schedule of Expenditures of Federal Awards. A reconciliation follows:

| | |
|--|---------------------------|
| Total Federal Expenditure, Exhibit K-1 | \$6,403,242 |
| School Health and Related Services (SHARS) | <u>1,218,356</u> |
| Total Federal Revenues, Exhibit C-3 | <u><u>\$7,621,598</u></u> |