

MARATHON INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2014

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CERTIFICATE OF THE BOARD

MARATHON INDEPENDENT SCHOOL DISTRICT
Name of School District

BREWSTER
County

022-902
County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved ___ disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such School District
(Check One)

on the _____ day of _____, 20__.

Daniel Eaton
Signature of Board Secretary

Donaciano Fuentez
Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Calvin Featherston, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Marathon Independent School District
P.O. Box 416
Marathon, TX 79842-0416

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marathon Independent School District as of and for the year ended August 31, 2014, 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marathon Independent School District as of August 31, 2014, 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 and budgetary comparison information on pages 4 through 8 and 29, respectively, 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 Marathon Independent School District’s basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 November 17, 2014, on our consideration of the Marathon Independent School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marathon Independent School District’s internal control over financial reporting and compliance.

Eckert & Company, LLP

November 17, 2014

Marathon ISD
"Home of the Mustangs"

P.O. Box 416
109 N. 5th Street
Marathon, Texas 79842

Evelyn Loeffler, Superintendent

Phone 432-386-4431
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Marathon Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2014. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets exceeded its liabilities at the end of the current year by \$2,086,578 (net position). Of this amount, \$1,448,865 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$232,772 or 13%. This amount consists of a \$185,865 increase attributable to current year operations and a \$46,907 increase attributable to prior period adjustments. The District's statement of activities shows total revenues of \$1,493,584 and total expenses of \$1,307,719.

The total fund balance of the General Fund is \$1,412,967 which is an increase of \$152,927 or 12% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information on all of the District's and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund and Food Service Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District’s net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2014	2013
Current and Other Assets	\$ 1,538,717	\$ 1,341,420
Capital Assets	637,713	586,096
Total Assets	\$ 2,176,430	\$ 1,927,516
Long-Term Liabilities Outstanding	\$ 0	\$ 17,086
Other Liabilities	89,852	56,624
Total Liabilities	\$ 89,852	\$ 73,710
Net Position		
Net Investment in Capital Assets	\$ 637,713	\$ 568,865
Restricted for Federal and State Programs	0	1,214
Unrestricted	1,448,865	1,283,727
Total Net Position	\$ 2,086,578	\$ 1,853,806

A large portion of the District's net position (\$637,713) reflects the District's investment in capital assets. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. The remaining balance of unrestricted net position (\$1,448,865) may be used to meet the District’s ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net position by \$185,865 and \$347,281 for the fiscal years ended August 31, 2014 and 2013, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2014	2013
Revenues		
Program Revenues		
Operating Grants and Contributions	\$ 105,616	\$ 118,475
General Revenues		
Maintenance and Operations Taxes	780,825	768,080
State Aid - Formula Grants	583,901	583,137
Other	23,242	38,140
Total Revenues	\$ 1,493,584	\$ 1,507,832
Expenses		
Instruction and Instructional-Related Services	\$ 711,366	\$ 668,922
Instructional and School Leadership	68,133	81,161
Support Services - Student (Pupil)	84,774	37,750
Administrative Support Services	247,377	236,355
Support Services - Nonstudent Based	151,167	123,809
Debt Service - Interest on Long Term Debt	733	1,354
Intergovernmental Charges	44,169	11,200
Total Expenses	\$ 1,307,719	\$ 1,160,551
Change in Net Position Before Extraordinary Item	\$ 185,865	\$ 347,281
Extraordinary Item Resource (Use)	0	90,000
Net Position - Beginning	1,853,806	1,368,587
Prior Period Adjustments	46,907	47,938
Net Position - Ending	\$ 2,086,578	\$ 1,853,806

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The District's governmental funds reported combined ending fund balances of \$1,412,967, an increase of \$151,713 or 12% in comparison with the prior year. This fund balance is reported as follows:

General Fund \$1,412,967. Of this balance \$3,291 is nonspendable for prepaids, \$400,000 is committed for future construction, and \$100,000 is committed for technology.

General Fund Budget

The original budget for the General Fund was \$1,237,482 and the final amended budget was \$1,502,979, which represents a \$265,497 increase in appropriations. Significant variances between the original budget and the final amended budget were increases of \$14,500 in Guidance, Counseling, and Evaluation Services, \$28,000 in Student (Pupil) Transportation, \$74,500 in General Administration, \$18,020 in Debt Service, \$96,750 in Facilities Acquisition and Construction, and \$32,500 in Other Intergovernmental Charges.

The District has adopted a budget for the General Fund in the amount of \$1,467,902 for the fiscal year 2015, which is a decrease of \$35,077 from the fiscal year 2014.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2014.

Long-Term Debt - Financial statement footnote III., G. discloses the District's debt activity for the year ended August 31, 2014.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Evelyn Loeffler, Superintendent, Marathon Independent School District, P.O. Box 416, Marathon, TX 79842-0416.

Basic Financial Statements

MARATHON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Temporary Investments	\$ 1,466,930
1220 Property Taxes - Delinquent	58,256
1230 Allowance for Uncollectible Taxes	(22,358)
1240 Due from Other Governments	32,542
1250 Accrued Interest	56
1410 Prepayments	3,291
Capital Assets:	
1510 Land	25,000
1520 Buildings, Net	507,490
1530 Furniture and Equipment, Net	105,223
1000 Total Assets	2,176,430
LIABILITIES	
2110 Accounts Payable	8,695
2160 Accrued Wages Payable	26,889
2200 Accrued Expenses	619
2300 Unearned Revenue	53,649
2000 Total Liabilities	89,852
NET POSITION	
3200 Net Investment in Capital Assets	637,713
3900 Unrestricted	1,448,865
3000 Total Net Position	\$ 2,086,578

The notes to the financial statements are an integral part of this statement.

MARATHON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 705,071	\$ -	\$ 86,568	\$ (618,503)
13 Curriculum and Instructional Staff Development	6,295	-	-	(6,295)
23 School Leadership	68,133	-	3,649	(64,484)
31 Guidance, Counseling, and Evaluation Services	9,256	-	266	(8,990)
34 Student (Pupil) Transportation	10,908	-	-	(10,908)
35 Food Services	6,837	-	5,802	(1,035)
36 Extracurricular Activities	57,773	-	2,010	(55,763)
41 General Administration	247,377	-	4,252	(243,125)
51 Facilities Maintenance and Operations	151,156	-	3,069	(148,087)
53 Data Processing Services	11	-	-	(11)
72 Debt Service - Interest on Long-Term Debt	733	-	-	(733)
93 Payments Related to Shared Services Arrangements	11,900	-	-	(11,900)
99 Other Intergovernmental Charges	32,269	-	-	(32,269)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 1,307,719	\$ -	\$ 105,616	(1,202,103)

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		780,825
SF	State Aid - Formula Grants		583,901
GC	Grants and Contributions not Restricted		644
IE	Investment Earnings		2,437
MI	Miscellaneous Local and Intermediate Revenue		20,161
TR	Total General Revenues		1,387,968
CN	Change in Net Position		185,865
NB	Net Position - Beginning		1,853,806
PA	Prior Period Adjustment		46,907
NE	Net Position - Ending		\$ 2,086,578

The notes to the financial statements are an integral part of this statement.

MARATHON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Temporary Investments	\$ 1,466,930	\$ -	\$ 1,466,930
1220 Property Taxes - Delinquent	58,256	-	58,256
1230 Allowance for Uncollectible Taxes	(22,358)	-	(22,358)
1240 Due from Other Governments	17,313	15,229	32,542
1250 Accrued Interest	56	-	56
1260 Due from Other Funds	13,426	681	14,107
1410 Prepayments	3,291	-	3,291
1000 Total Assets	<u>\$ 1,536,914</u>	<u>\$ 15,910</u>	<u>\$ 1,552,824</u>
LIABILITIES			
2110 Accounts Payable	\$ 8,014	\$ 681	\$ 8,695
2160 Accrued Wages Payable	25,247	1,642	26,889
2170 Due to Other Funds	681	13,426	14,107
2200 Accrued Expenditures	458	161	619
2300 Unearned Revenue	53,649	-	53,649
2000 Total Liabilities	<u>88,049</u>	<u>15,910</u>	<u>103,959</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	35,898	-	35,898
2600 Total Deferred Inflows of Resources	<u>35,898</u>	<u>-</u>	<u>35,898</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	3,291	-	3,291
Committed Fund Balance:			
3510 Construction	400,000	-	400,000
3545 Other Committed Fund Balance	100,000	-	100,000
3600 Unassigned Fund Balance	909,676	-	909,676
3000 Total Fund Balances	<u>1,412,967</u>	<u>-</u>	<u>1,412,967</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,536,914</u>	<u>\$ 15,910</u>	<u>\$ 1,552,824</u>

The notes to the financial statements are an integral part of this statement.

MARATHON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$	1,412,967
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. In addition, long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the fund statements. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		568,865
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital outlays and long-term debt payments is to increase net position.		104,200
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(31,497)
4 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 unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		32,043
19 Net Position of Governmental Activities	\$	2,086,578

The notes to the financial statements are an integral part of this statement.

MARATHON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 795,212	\$ -	\$ 795,212
5800 State Program Revenues	626,294	-	626,294
5900 Federal Program Revenues	1,210	62,657	63,867
5020 Total Revenues	<u>1,422,716</u>	<u>62,657</u>	<u>1,485,373</u>
EXPENDITURES:			
Current:			
0011 Instruction	626,035	56,855	682,890
0013 Curriculum and Instructional Staff Development	6,295	-	6,295
0023 School Leadership	65,762	-	65,762
0031 Guidance, Counseling, and Evaluation Services	8,951	-	8,951
0034 Student (Pupil) Transportation	10,908	-	10,908
0035 Food Services	-	6,837	6,837
0036 Extracurricular Activities	56,386	-	56,386
0041 General Administration	244,646	-	244,646
0051 Facilities Maintenance and Operations	156,386	-	156,386
0053 Data Processing Services	11	-	11
Debt Service:			
0071 Principal on Long-Term Debt	17,186	-	17,186
0072 Interest on Long-Term Debt	778	-	778
Capital Outlay:			
0081 Facilities Acquisition and Construction	79,362	-	79,362
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	11,900	-	11,900
0099 Other Intergovernmental Charges	32,269	-	32,269
6030 Total Expenditures	<u>1,316,875</u>	<u>63,692</u>	<u>1,380,567</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>105,841</u>	<u>(1,035)</u>	<u>104,806</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	1,035	1,035
8911 Transfers Out (Use)	(1,035)	-	(1,035)
7080 Total Other Financing Sources (Uses)	<u>(1,035)</u>	<u>1,035</u>	<u>-</u>
1200 Net Change in Fund Balances	104,806	-	104,806
0100 Fund Balance - September 1 (Beginning)	1,260,040	1,214	1,261,254
1300 Increase (Decrease) in Fund Balance	48,121	(1,214)	46,907
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,412,967</u>	<u>\$ -</u>	<u>\$ 1,412,967</u>

The notes to the financial statements are an integral part of this statement.

MARATHON 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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	104,806
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they are shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital outlays and long-term debt payments is to increase net position.		104,200
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.		(31,497)
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 unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		8,356
Change in Net Position of Governmental Activities	<u>\$</u>	<u>185,865</u>

The notes to the financial statements are an integral part of this statement.

MARATHON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Temporary Investments	\$ -	\$ 5,146
Restricted Assets	34,661	-
Total Assets	<u>34,661</u>	<u>\$ 5,146</u>
LIABILITIES		
Due to Student Groups	-	\$ 5,146
Total Liabilities	<u>-</u>	<u>\$ 5,146</u>
NET POSITION		
Restricted for Scholarships	<u>34,661</u>	
Total Net Position	<u>\$ 34,661</u>	

The notes to the financial statements are an integral part of this statement.

MARATHON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 7,548
Total Additions	<u>7,548</u>
DEDUCTIONS:	
Other Operating Costs	<u>5,400</u>
Total Deductions	<u>5,400</u>
Change in Net Position	2,148
Total Net Position - September 1 (Beginning)	<u>32,513</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 34,661</u></u>

The notes to the financial statements are an integral part of this statement.

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Marathon Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Marathon Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund types:

The Private Purpose Trust Fund accounts for resources used to provide scholarships for former students.

Agency Funds account for the activities of funds which are the property of student groups.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

F. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

F. Capital Assets - Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	30-50
Vehicles	10
Furniture and Equipment	7-10

G. Restricted Assets

Restricted assets consist of cash held to provide scholarships for former students.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

In the fund financial statements, principal and interest payments are reported as debt service expenditures.

I. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

J. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets.

K. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Fund Balances - Continued

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

L. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Allowances for uncollectibles are based upon historical experience. 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.

M. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

A. Budget - Continued

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Food Service Special Revenue Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. 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 the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) 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 savings 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.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk - Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is exposed to custodial credit risk for its deposits in the amount of \$27,174 as of August 31, 2014, which were not covered by depository insurance or pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2014, all of the District's investments are in external investment pools or certificates of deposit with its depository bank. The District is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2014, the District was not significantly exposed to credit risk.

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2014, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,283,920
Certificates of Deposit	71,522
Lone Star Investment Pool	<u>151,295</u>
Total Cash and Temporary Investments	<u><u>\$ 1,506,737</u></u>

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	State Entitlements	Federal Grants	Total
General Fund	\$ 17,313	\$ 0	\$ 17,313
Special Revenue Funds	<u>0</u>	<u>15,229</u>	<u>15,229</u>
Totals	<u><u>\$ 17,313</u></u>	<u><u>\$ 15,229</u></u>	<u><u>\$ 32,542</u></u>

C. Interfund Balances and Transfers

1. The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
General Fund			
Nonmajor Governmental Funds	\$ 13,426	\$ 681	Operating Advance
Nonmajor Governmental Funds			
General Fund	<u>681</u>	<u>13,426</u>	Operating Advance
Totals	<u><u>\$ 14,107</u></u>	<u><u>\$ 14,107</u></u>	

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

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Balances and Transfers - Continued

2. Interfund transfers consist of the following:

Transfers From	Transfers To	Amount	Purpose
General Fund	Food Service Fund	<u>\$ 1,035</u>	To Cover Fund Deficit

D. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets				
Land	\$ 25,000	\$ 0	\$ 0	\$ 25,000
Buildings and Improvements	1,323,154	87,114	0	1,410,268
Furniture and Equipment	<u>397,568</u>	<u>0</u>	<u>36,500</u>	<u>361,068</u>
Total Capital Assets	<u>\$ 1,745,722</u>	<u>\$ 87,114</u>	<u>\$ 36,500</u>	<u>\$ 1,796,336</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (889,290)	\$ (13,488)	\$ 0	\$ (902,778)
Furniture and Equipment	<u>(270,336)</u>	<u>(18,009)</u>	<u>(32,500)</u>	<u>(255,845)</u>
Total Accumulated Depreciation	<u>\$ (1,159,626)</u>	<u>\$ (31,497)</u>	<u>\$ (32,500)</u>	<u>\$ (1,158,623)</u>
Governmental Activities Capital Assets, Net	<u>\$ 586,096</u>	<u>\$ 55,617</u>	<u>\$ 4,000</u>	<u>\$ 637,713</u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 22,181
School Leadership	2,371
Guidance, Counseling, and Evaluation Services	305
Extracurricular Activities	1,387
General Administration	2,731
Facilities Maintenance and Operations	<u>2,522</u>
Total	<u>\$ 31,497</u>

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Inflows of Resources

The balance sheet reports a separate section for deferred inflows of resources. This financial statement element represents an acquisition of fund balance that applies to a future period and so will not be recognized as inflows of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, unavailable revenue - property taxes.

F. Unearned Revenue

Unearned revenue at year end consisted of the following:

	General Fund
Foundation School Program Act Entitlements	\$ 53,649

G. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan	\$ 17,086	\$ 0	\$ 17,086	\$ 0	\$ 0

H. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

I. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund
Property Taxes	\$ 778,254
Other Local Sources	16,958
Total	\$ 795,212

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

IV. OTHER INFORMATION

A. Pension Plan

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

Funding Policy - Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the 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 of all members of the system during the fiscal year; and (2) A state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's 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.

Contribution rates and contribution amounts for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

Fiscal Year	Member		State On-Behalf		District Amount
	Rate	Amount	Rate	Amount	
2014	6.4%	\$ 39,153	6.8%	\$ 33,508	\$ 8,092
2013	6.4%	31,957	6.4%	31,913	44
2012	6.4%	32,537	6.0%	30,504	0

B. Retiree Health Plan

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

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

IV. OTHER INFORMATION - Continued

B. Retiree Health Plan - Continued

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and contribution amounts for fiscal years 2014-2012 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 3,976	1.0%	\$ 5,755	0.55%	\$ 3,727
2013	0.65%	3,246	0.5%	2,497	0.55%	2,746
2012	0.65%	3,305	1.0%	5,084	0.55%	2,796

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2014-2012 are shown in the table below:

Fiscal Year	Medicare Part D
2014	\$ 1,663
2013	1,436
2012	1,388

C. Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$529 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under the Plan, the District is not liable for costs incurred beyond the premiums paid.

D. 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, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

E. Property and Liability Programs

During the year ended August 31, 2014, the District participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Programs.

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

IV. OTHER INFORMATION - Continued

E. Property and Liability Programs - Continued

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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, 2013, are available on the TASB Risk Management Fund website.

F. Unemployment Compensation Coverage

During the year ended August 31, 2014, 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 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, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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, 2013, are available on the TASB Risk Management Fund website.

G. Workers' Compensation Insurance

During the year ended August 31, 2014, the District met its statutory workers' compensation obligations 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 Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2013, the Fund carries a

MARATHON INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2014

IV. OTHER INFORMATION - Continued

G. Workers' Compensation Insurance - Continued

discounted reserve of \$57,050,754 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

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, 2013, are available on the TASB Risk Management Fund website.

H. 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, refunds of any money received may be required, and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

I. Shared Services Arrangement

The District participates in a shared services arrangement for a cooperative education program with several other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The Alpine Independent School District is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement.

J. Adjustments to Fund Balance/Net Position

Prior period adjustments to fund balances are as follows:

General Fund	
Prior Year's Foundation Funds Settle Up	\$ 285
Prior Year's SHARS Payments Received	40,655
Prior Year Overpayment of Payroll Taxes	<u>7,181</u>
	\$ 48,121
Food Service Fund	
Prior Year's Due from Other Funds	<u>(1,214)</u>
Total	<u><u>\$ 46,907</u></u>

Net position increased by the same amount.

K. Subsequent Events

The District's management has evaluated subsequent events through November 17, 2014, the date which the financial statements were available for issue.

Required Supplementary Information

MARATHON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 756,975	\$ 786,200	\$ 795,212	\$ 9,012
5800 State Program Revenues	623,706	626,958	626,294	(664)
5900 Federal Program Revenues	-	33,750	1,210	(32,540)
5020 Total Revenues	1,380,681	1,446,908	1,422,716	(24,192)
EXPENDITURES:				
Current:				
0011 Instruction	695,544	706,044	626,035	80,009
0013 Curriculum and Instructional Staff Development	6,000	6,500	6,295	205
0023 School Leadership	67,724	73,224	65,762	7,462
0031 Guidance, Counseling, and Evaluation Services	-	14,500	8,951	5,549
0033 Health Services	500	500	-	500
0034 Student (Pupil) Transportation	19,500	47,500	10,908	36,592
0036 Extracurricular Activities	73,401	63,726	56,386	7,340
0041 General Administration	183,320	257,820	244,646	13,174
0051 Facilities Maintenance and Operations	179,293	169,693	156,386	13,307
0053 Data Processing Services	1,000	1,000	11	989
Debt Service:				
0071 Principal on Long-Term Debt	-	17,186	17,186	-
0072 Interest on Long-Term Debt	-	834	778	56
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	96,750	79,362	17,388
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	11,200	11,950	11,900	50
0099 Other Intergovernmental Charges	-	32,500	32,269	231
6030 Total Expenditures	1,237,482	1,499,727	1,316,875	182,852
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	143,199	(52,819)	105,841	158,660
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(3,252)	(1,035)	2,217
1200 Net Change in Fund Balances	143,199	(56,071)	104,806	160,877
0100 Fund Balance - September 1 (Beginning)	1,260,040	1,260,040	1,260,040	-
1300 Increase (Decrease) in Fund Balance	-	-	48,121	48,121
3000 Fund Balance - August 31 (Ending)	\$ 1,403,239	\$ 1,203,969	\$ 1,412,967	\$ 208,998

Other Supplementary Information

MARATHON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.500000	0.000000	48,022,933
2007	1.370000	0.000000	50,027,475
2008	1.040000	0.000000	52,177,416
2009	1.040000	0.000000	62,365,481
2010	1.040000	0.000000	68,568,321
2011	1.170000	0.000000	59,685,509
2012	1.170000	0.000000	63,549,400
2013	1.170000	0.000000	65,240,400
2014 (School year under audit)	1.170000	0.000000	66,986,000
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 15,290	\$ -	\$ 99	\$ -	\$ -	\$ 15,191
1,488	-	-	-	-	1,488
1,492	-	-	-	-	1,492
1,323	-	-	-	-	1,323
1,394	-	35	-	-	1,359
2,883	-	12	-	-	2,871
4,039	-	123	-	-	3,916
5,910	-	549	-	-	5,361
9,476	-	1,236	-	(706)	7,534
-	784,281	766,560	-	-	17,721
<u>\$ 43,295</u>	<u>\$ 784,281</u>	<u>\$ 768,614</u>	<u>\$ -</u>	<u>\$ (706)</u>	<u>\$ 58,256</u>

MARATHON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5900 Federal Program Revenues	\$ 9,000	\$ 6,000	\$ 5,802	\$ (198)
5020 Total Revenues	9,000	6,000	5,802	(198)
EXPENDITURES:				
Current:				
0035 Food Services	9,000	9,252	6,837	2,415
6030 Total Expenditures	9,000	9,252	6,837	2,415
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,252)	(1,035)	2,217
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	3,252	1,035	(2,217)
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	1,214	1,214
1300 Increase (Decrease) in Fund Balance	-	-	(1,214)	(1,214)
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Marathon Independent School District
P.O. Box 416
Marathon, TX 79842-0416

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 the Marathon Independent School District as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marathon Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item: 2014-001.

District's Response to Findings

The Marathon Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we express no opinion on the response.

Purpose of This Report

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

Eckert & Company, LLP

November 17, 2014

MARATHON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended August 31, 2014

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Marathon Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the 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*.
3. One instance of noncompliance material to the basic financial statements of the Marathon Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.

B. Findings - Financial Statements Audit

None

C. Findings - State Compliance

Reference Number: 2014-001

Criteria:

Section 2257 of the Government Code requires deposits of public funds to be secured by depository insurance or pledged securities.

Condition:

The District's deposit balances at West Texas National Bank as of August 31, 2014, exceeded depository insurance coverage and securities pledged by \$27,174.

Cause:

The bank balances and security coverage were not monitored to insure that the District's deposits were secured at all times.

Effect:

The District's deposits were exposed to custodial credit risk.

MARATHON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Continued
Year Ended August 31, 2014

C. Findings - State Compliance - Continued

Reference Number: 2014-001 - Continued

Auditors' Recommendation:

The District should monitor deposit levels carefully to ascertain when fluctuations occur and notify the depository in advance in order that adequate qualifying collateral can be pledged.

Management's Response:

The District's personnel responsible for monitoring deposit levels will discuss this matter with the appropriate depository personnel and will carefully monitor deposit levels in the future.

MARATHON INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Findings
Year Ended August 31, 2014

(Prepared by the District's Management)

Prior Year Finding:

2013-001 The general ledger was not reviewed for accuracy, and bank reconciliations were not prepared.

2013-002 Actual expenditures exceeded the budget.

Status of Prior Year Finding:

The District contracted with Region 18 Education Service Center to provide business services. Procedures were implemented to ensure that bank accounts were reconciled promptly and that the general ledger was reviewed for accuracy and corrected in a timely manner and that all required reports were filed correctly and timely.

Actual expenditures did not exceed the budget for any function in the current year.

MARATHON INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
Year Ended August 31, 2014

(Prepared by the District's Management)

The Marathon Independent School District submits the following corrective action plan for the year ended August 31, 2014:

Findings - State Compliance

2014-001 Depository Pledge

Recommendation:

The District should monitor deposit levels carefully to ascertain when fluctuations occur and notify the depository in advance in order that adequate qualifying collateral can be pledged.

Action Taken:

The District's personnel responsible for monitoring deposit levels will discuss this matter with the appropriate depository personnel and will carefully monitor deposit levels in the future.

Anticipated Completion Date: Throughout Fiscal Year Ending August 31, 2015

Contact Person

Evelyn Loeffler, Superintendent
432/386-4431