

COMSTOCK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

Reed, McKee & Co., P.C.
Certified Public Accountants
San Angelo, Texas

COMSTOCK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2016

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CERTIFICATE OF BOARD

Comstock Independent School District
Name of School District

Val Verde
County

233-903
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the 13th day of December, 2016.



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)

FINANCIAL SECTION

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

Independent Auditor's Report

Board of Trustees
Comstock Independent School District
P.O. Box 905
Comstock, Texas 78837

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 Comstock Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Comstock Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Comstock Independent School District as of August 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements as well as the Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Contributions on pages 37 and 38 and the related notes to required supplementary information on pages 39 and 40. 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 Comstock Independent School District's basic financial statements. The required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The required TEA schedules as listed in the table of contents 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 required TEA schedules listed in the table of contents 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 9, 2016 on our consideration of the Comstock 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 Comstock Independent School District's internal control over financial reporting and compliance.

Reed, McKee & Co., P.C.

Reed, McKee & Co., P.C.
November 9, 2016

**COMSTOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED**

This section of Comstock Independent School District's annual financial report presents our discussion and analysis of the District's financial performance for the fiscal year ended August 31, 2016. Please read it in conjunction with the Independent Auditor's Report and the District's Financial Statements.

FINANCIAL HIGHLIGHTS

The District's net position as presented on Exhibit A-1, decreased by \$62,618. The decrease due to current year operations was \$4,344 and the other \$58,274 decrease was due to a prior period adjustment to recognize a capital lease that should have been set up in the prior year and expenses charged against the general fund that should have been expensed in a special revenue fund. Net position consists of unrestricted amounts of \$1,931,644 which may be used to meet the District's ongoing obligations, restricted for debt service of \$207,638 which represents assets set aside for debt repayment and invested in capital assets, net of related debt of \$2,719,263 which represents the net depreciable assets less related debt. The pension liability on the statement of net position increased from \$229,264 to \$450,802 due to the District's share of the total liability increasing and the plan did not make the projected rate of return on assets. Deferred inflow of resources increased from \$56,210 to \$211,798 as the District's books were adjusted to record the pension expense under current guidelines. Net capital assets decreased by \$157,075 as depreciation exceeded the current year additions. These amounts are explained in the footnotes to these financial statements.

As shown in Exhibit B-1 the District has combined revenues of \$3,366,716 consisting of charges for services, operating grants and general revenues. This represents an increase of \$391,222 as compared to the prior year. As can be seen in Table II on page 8, the largest increase was in the property taxes. This was due to the increase in assessed values of \$23,862,267. Added to the increase in assessed values, there was also an increase in the tax rate from \$1.04 to \$1.17. With the increase in assessed values, the District was also subject to recapture for property values over the amount allowed per student. The payback to the state amounted to \$190,974. The decrease in state aid was mainly due to the decrease in students from an average daily attendance of 193 to 179. Total expenses increased by \$415,229 while total revenue increased by \$391,222.

Utilizing the information on Exhibits C-1 and C-3, the fund financial statements show a decrease in total fund balances of \$152,436 before the prior period adjustment. Total governmental fund assets decreased by \$110,761. Total liabilities and deferred inflows had a slight increase of \$15,528. Unassigned fund balance totaled \$570,398 as a result of the board authorizing keeping two months of operations in this fund balance and committing the remainder for future improvements. Looking at Exhibit C-3, total governmental fund revenues increased by \$287,933 mainly due to the increases in tax revenue as noted above. Total governmental fund expenditures increased \$384,638 with the largest part of the increase being due to the recapture of funds due to the assessed value increases as noted above. Salaries and benefits in the general fund totaled \$1,808,935 and represented 61% of total general fund expenses as compared to 64% in the prior year.

Finally, it should be noted as shown on Exhibit C-5 that the district's original budget for 2016 showed a projected decrease in fund balance of \$60,484. This budget was amended during the year and ended up with a projected decrease in fund balance of \$164,683. The budget amendments were due to the continuing recalculation of the recapture amounts to be paid back to the state. As can be seen with a comparison to actual, the actual revenues were \$74,764 less than budgeted due mainly to decreased state revenues as the number of students decreased. Total actual expenditures were \$34,642 less than appropriated.

**COMSTOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual 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 two kinds of statements that present different views of the District.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial report of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statement of fiduciary net position provides financial information about activities for which the District acts solely as a trustee. These funds represent the student activity funds.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The required supplementary information includes information required under governmental accounting standards as well as information required by the Texas Education Agency.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students who reside outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

**COMSTOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

These two statements report the District's net position and changes in them. The District's net position (the difference between assets plus deferred inflows and liabilities and deferred outflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we present all the activities of the District as one governmental activity which is defined below.

Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds, such as grants passed through the Texas Education Agency. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The fund financial statements reflect the general fund and separate columns for all major funds and all other funds combined in a column referred to as all other funds. All these funds are determined to be governmental funds as defined below.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**COMSTOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities decreased from \$4,921,163 to \$4,858,545. Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased to \$1,931,644 while net assets invested in capital assets, net of related debt increased to \$2,719,263. This change in the composition of net position is due to the excess of debt repayments and capital additions exceeding depreciation. The change in long term liabilities is due to scheduled repayments as offset by the inclusion of the district's share of the TRS net pension liability. The decrease in other liabilities is due to the decrease in deferred revenue from state. As noted earlier in this analysis the deferred outflow and deferred inflow of resources is due to the new accounting principle adopted by the District to reflect their share of the TRS liability.

Table I - NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Increase (Decrease)
Current and other assets	\$ 2,743,703	\$ 2,854,464	\$ (110,761)
Capital assets, net	5,512,099	5,669,174	(157,075)
Total assets	8,255,802	8,523,638	(267,836)
Deferred Outflow of Resources	211,798	56,210	155,588
Long-term liabilities	2,962,570	2,959,762	2,808
Other liabilities	612,936	628,791	(15,855)
Total liabilities	3,575,506	3,588,553	(13,047)
Deferred Inflow of Resources	33,549	70,132	(36,583)
Net Position:			
Invested in capital assets, net of related debt	2,719,263	2,673,542	45,721
Restricted for debt service	207,638	153,606	54,032
Unrestricted	1,931,644	2,094,015	(162,371)
Total Net Position	\$ 4,858,545	\$ 4,921,163	\$ (62,618)

**COMSTOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

Table II - CHANGES IN NET POSITION

	Governmental Activities 2016	Governmental Activities 2015	Increase (Decrease)
Revenues:			
Program Revenues:			
Charges for Services	\$ 72,801	\$ 71,255	\$ 1,546
Operating grants and contributions	283,800	240,871	42,929
General Revenues:			
Property taxes levied for general purposes	2,457,147	1,999,997	457,150
Property taxes levied for debt service	317,120	324,792	(7,672)
State aid - formula grants	177,936	304,810	(126,874)
Grants and Contributions not Restricted	18,194	0	18,194
Investment earnings	10,388	10,264	124
Miscellaneous local and intermediate revenue	29,330	23,505	5,825
Total Revenue	3,366,716	2,975,494	391,222
Expenses:			
Instruction	1,539,696	1,407,011	132,685
Instructional resources and media services	57,344	47,256	10,088
Curriculum and staff development	21,320	8,662	12,658
School leadership	120,591	96,249	24,342
Guidance, counseling and evaluation services	42,113	31,026	11,087
Health services	13,449	12,029	1,420
Student (pupil) transportation	173,760	197,712	(23,952)
Food services	150,952	137,446	13,506
Extracurricular activities	148,867	142,150	6,717
General administration	189,009	161,515	27,494
Facilities maintenance and operations	455,047	450,557	4,490
Data processing services	75,209	75,374	(165)
Debt service – interest on long term debt	74,496	73,962	534
Debt service – bond issuance cost and fees	1,450	480	970
Contracted Instructional Serv between Schools	190,974	0	190,974
Capital Outlay	0	17,845	(17,845)
Payments related to shared service arrangements	50,320	49,133	1,187
Other intergovernmental charges	66,463	47,424	19,039
Total Expenses	3,371,060	2,955,831	415,229
Change in net position	(4,344)	19,663	(24,007)
Net position – beginning	4,921,163	5,161,256	(240,093)
Prior Period Adjustment	(58,274)	(259,756)	201,482
Net position – ending	\$ 4,858,545	\$ 4,921,163	(62,618)

As discussed earlier, the increase in property taxes was a result of increased assessed values and the increase in tax rates from \$1.04 to \$1.17. The increase in expenses noted above is the recapture of \$190,974 and increases in the instructional function.

**COMSTOCK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
UNAUDITED**

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$2,204,122 compared to a balance of \$2,330,411 in the prior year. This represents a \$152,436 decrease in the fund balance due to operations and a \$26,147 increase due to the prior period adjustment which is discussed in the footnotes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had \$9,204,597 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. Accumulated depreciation related to these assets was \$3,692,498. The only addition in the current year consisted of a new bus which is on a capital lease.

Debt

The district added one new capital lease for a bus in the current year. For detail information on all long-term debt, refer to Note III.E in the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District has adopted a budget for the general fund for 2016-17. The total general fund budgeted expenses for next year are \$3,256,466. The tax rate for maintenance and operations was approved at \$1.17 while the interest and sinking rate was \$.15 for a combined rate of \$1.32.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. If there are questions concerning any of the information provided in this report or a request for additional financial information, please contact the District's administration at Comstock Independent School District, P.O. Box 905, Comstock, TX 78837.

BASIC FINANCIAL STATEMENTS

COMSTOCK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,382,164
1120 Current Investments	56,789
1220 Property Taxes Receivable (Delinquent)	420,946
1230 Allowance for Uncollectible Taxes	(147,642)
1240 Due from Other Governments	26,090
1250 Accrued Interest	3,556
1290 Other Receivables, net	1,800
Capital Assets:	
1510 Land	12,478
1520 Buildings, Net	5,250,754
1530 Furniture and Equipment, Net	98,250
1550 Leased Property Under Capital Leases, Net	150,617
1000 Total Assets	8,255,802
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	211,798
1700 Total Deferred Outflows of Resources	211,798
LIABILITIES	
2110 Accounts Payable	1,902
2160 Accrued Wages Payable	86,783
2180 Due to Other Governments	68,574
2200 Accrued Expenses	1,778
2300 Unearned Revenue	107,240
Noncurrent Liabilities	
2501 Due Within One Year	346,659
2502 Due in More Than One Year	2,511,768
2540 Net Pension Liability (District's Share)	450,802
2000 Total Liabilities	3,575,506
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	33,549
2600 Total Deferred Inflows of Resources	33,549
NET POSITION	
3200 Net Investment in Capital Assets	2,719,263
3850 Restricted for Debt Service	207,638
3900 Unrestricted	1,931,644
3000 Total Net Position	\$ 4,858,545

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

COMSTOCK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data	Program Revenues			Net (Expense)
Control	1	3	4	Revenue and
Codes	Expenses	Charges for	Operating	Changes in Net
		Services	Grants and	Position
			Contributions	Primary Gov.
				Governmental
				Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 1,539,696	\$ -	\$ 168,263	\$ (1,371,433)
12 Instructional Resources and Media Services	57,344	-	4,529	(52,815)
13 Curriculum and Staff Development	21,320	-	-	(21,320)
23 School Leadership	120,591	-	8,830	(111,761)
31 Guidance, Counseling and Evaluation Services	42,113	-	3,301	(38,812)
33 Health Services	13,449	-	1,057	(12,392)
34 Student (Pupil) Transportation	173,760	-	6,814	(166,946)
35 Food Services	150,952	60,440	51,445	(39,067)
36 Extracurricular Activities	148,867	6,024	4,470	(138,373)
41 General Administration	189,009	-	7,449	(181,560)
51 Facilities Maintenance and Operations	455,047	6,337	8,100	(440,610)
53 Data Processing Services	75,209	-	2,554	(72,655)
72 Debt Service - Interest on Long Term Debt	74,496	-	16,988	(57,508)
73 Debt Service - Bond Issuance Cost and Fees	1,450	-	-	(1,450)
91 Contracted Instructional Services Between Schools	190,974	-	-	(190,974)
93 Payments related to Shared Services Arrangements	50,320	-	-	(50,320)
99 Other Intergovernmental Charges	66,463	-	-	(66,463)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 3,371,060	\$ 72,801	\$ 283,800	(3,014,459)

Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		2,457,147
DT	Property Taxes, Levied for Debt Service		317,120
SF	State Aid - Formula Grants		177,936
GC	Grants and Contributions not Restricted		18,194
IE	Investment Earnings		10,388
MI	Miscellaneous Local and Intermediate Revenue		29,330
TR	Total General Revenues		3,010,115
CN	Change in Net Position		(4,344)
NB	Net Position - Beginning		4,921,163
PA	Prior Period Adjustment		(58,274)
NE	Net Position--Ending		\$ 4,858,545

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

COMSTOCK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,203,360	\$ 176,555	\$ 2,249	\$ 2,382,164
1120 Investments - Current	56,730	-	59	56,789
1220 Property Taxes - Delinquent	370,632	50,314	-	420,946
1230 Allowance for Uncollectible Taxes (Credit)	(130,851)	(16,791)	-	(147,642)
1240 Receivables from Other Governments	21,086	280	4,724	26,090
1250 Accrued Interest	3,556	-	-	3,556
1260 Due from Other Funds	59	-	-	59
1290 Other Receivables	1,800	-	-	1,800
1000 Total Assets	<u>\$ 2,526,372</u>	<u>\$ 210,358</u>	<u>\$ 7,032</u>	<u>\$ 2,743,762</u>
LIABILITIES				
2110 Accounts Payable	\$ 1,902	\$ -	\$ -	\$ 1,902
2160 Accrued Wages Payable	82,351	-	4,432	86,783
2170 Due to Other Funds	-	-	59	59
2180 Due to Other Governments	68,574	-	-	68,574
2200 Accrued Expenditures	1,558	-	220	1,778
2300 Unearned Revenues	104,919	-	2,321	107,240
2000 Total Liabilities	<u>259,304</u>	<u>-</u>	<u>7,032</u>	<u>266,336</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	239,781	33,523	-	273,304
2600 Total Deferred Inflows of Resources	<u>239,781</u>	<u>33,523</u>	<u>-</u>	<u>273,304</u>
FUND BALANCES				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	176,835	-	176,835
Committed Fund Balance:				
3510 Construction	750,000	-	-	750,000
3530 Capital Expenditures for Equipment	450,000	-	-	450,000
3545 Other Committed Fund Balance	256,889	-	-	256,889
3600 Unassigned Fund Balance	570,398	-	-	570,398
3000 Total Fund Balances	<u>2,027,287</u>	<u>176,835</u>	<u>-</u>	<u>2,204,122</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,526,372</u>	<u>\$ 210,358</u>	<u>\$ 7,032</u>	<u>\$ 2,743,762</u>

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

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2016

Total Fund Balances - Governmental Funds	\$	2,204,122
1 Net capital assets used in governmental activities are not reported in the fund financial statements.		5,512,099
2 The district's proportionate share of the TRS collective deferred outflows (\$169,120) as well as the district's contributions made to TRS subsequent to the 8/31/15 net pension liability date (\$42,678) are recognized as a deferred outflow of resources in the Statement of Net Position.		211,798
3 Bonds, loans, and capital leases payable (including premiums and accrued interest thereon) are not reported in the fund financial statements.		(2,858,427)
4 The district's share of the TRS net pension liability is reported in the Statement of Net Position.		(450,802)
5 The district's proportionate share of the TRS collective deferred inflows is recognized in the Statement of Net Position.		(33,549)
6 Net delinquent property taxes receivable are deferred in the fund financial statements.		273,304
19 Net Position of Governmental Activities	\$	4,858,545

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

COMSTOCK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,415,738	\$ 306,715	\$ 60,470	\$ 2,782,923
5800 State Program Revenues	282,505	1,991	2,912	287,408
5900 Federal Program Revenues	18,195	-	122,919	141,114
5020 Total Revenues	<u>2,716,438</u>	<u>308,706</u>	<u>186,301</u>	<u>3,211,445</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,416,054	-	66,768	1,482,822
0012 Instructional Resources and Media Services	55,252	-	-	55,252
0013 Curriculum and Instructional Staff Development	21,320	-	-	21,320
0023 School Leadership	115,971	-	-	115,971
0031 Guidance, Counseling and Evaluation Services	40,564	-	-	40,564
0033 Health Services	13,012	-	-	13,012
0034 Student (Pupil) Transportation	218,211	-	-	218,211
0035 Food Services	5,572	-	141,909	147,481
0036 Extracurricular Activities	145,154	-	-	145,154
0041 General Administration	185,040	-	-	185,040
0051 Facilities Maintenance and Operations	250,594	-	-	250,594
0053 Data Processing Services	74,086	-	-	74,086
Debt Service:				
0071 Principal on Long Term Debt	114,656	200,000	14,371	329,027
0072 Interest on Long Term Debt	8,417	67,787	626	76,830
0073 Bond Issuance Cost and Fees	-	1,450	-	1,450
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	190,974	-	-	190,974
0093 Payments to Fiscal Agent/Member Districts of SSA	50,320	-	-	50,320
0099 Other Intergovernmental Charges	66,463	-	-	66,463
6030 Total Expenditures	<u>2,971,660</u>	<u>269,237</u>	<u>223,674</u>	<u>3,464,571</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(255,222)</u>	<u>39,469</u>	<u>(37,373)</u>	<u>(253,126)</u>
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	103,190	-	-	103,190
7915 Transfers In	-	-	37,373	37,373
8911 Transfers Out (Use)	(37,373)	-	-	(37,373)
8949 Other (Uses)	(2,500)	-	-	(2,500)
7080 Total Other Financing Sources (Uses)	<u>63,317</u>	<u>-</u>	<u>37,373</u>	<u>100,690</u>
1200 Net Change in Fund Balances	(191,905)	39,469	-	(152,436)
0100 Fund Balance - September 1 (Beginning)	2,193,045	137,366	-	2,330,411
1300 Prior Period Adjustment(s)	26,147	-	-	26,147
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,027,287</u>	<u>\$ 176,835</u>	<u>\$ -</u>	<u>\$ 2,204,122</u>

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

COMSTOCK 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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	(152,436)
Capital outlay expenditures are capitalized in the government-wide financial statements.		103,190
Depreciation of capital assets is recognized in the government-wide financial statements.		(260,265)
Proceeds from the issuance of a capital lease is reported as an increase in liabilities in the government-wide financial statements.		(103,190)
Repayments of principal on bonds, loans, and capital leases are reported as a decrease in liabilities in the government-wide financial statements.		329,027
Amortization of premium on the Series 2011 Current Interest Bonds is recognized in the Statement of Activities.		5,742
Accrued interest payable on bonds, loans, and capital leases payable is reported in the government-wide financial statements. The current year increase is recognized in the Statement of Activities.		(3,408)
The State of Texas' proportionate share of the district's TRS pension expense as determined under the provisions of GASB 68 is recorded as a revenue and expense in the Statement of Activities. This amount exceeded the statutory amount contributed and reported as on-behalf revenue and expenditure in the fund financial statements.		51,408
TRS pension expense as reported in the Statement of Activities and determined under the provisions of GASB 68 exceeded the amount reported in the fund financial statements.		(80,775)
Net delinquent property taxes receivable are not deferred in the government-wide financial statements. The current year increase is recognized in the Statement of Activities.		106,363
Change in Net Position of Governmental Activities	\$	(4,344)

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

COMSTOCK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 2,244,100	\$ 2,443,710	\$ 2,415,738	\$ (27,972)
5800	State Program Revenues	473,189	329,297	282,505	(46,792)
5900	Federal Program Revenues	800	18,195	18,195	-
5020	Total Revenues	2,718,089	2,791,202	2,716,438	(74,764)
EXPENDITURES:					
Current:					
0011	Instruction	1,377,576	1,418,785	1,416,054	2,731
0012	Instructional Resources and Media Services	59,937	57,278	55,252	2,026
0013	Curriculum and Instructional Staff Development	16,750	21,500	21,320	180
0023	School Leadership	104,481	117,111	115,971	1,140
0031	Guidance, Counseling and Evaluation Services	39,812	40,706	40,564	142
0033	Health Services	13,376	13,705	13,012	693
0034	Student (Pupil) Transportation	292,370	227,757	218,211	9,546
0035	Food Services	5,111	6,926	5,572	1,354
0036	Extracurricular Activities	128,771	146,233	145,154	1,079
0041	General Administration	173,993	186,044	185,040	1,004
0051	Facilities Maintenance and Operations	257,515	251,443	250,594	849
0053	Data Processing Services	85,742	76,861	74,086	2,775
Debt Service:					
0071	Principal on Long Term Debt	114,869	114,869	114,656	213
0072	Interest on Long Term Debt	8,423	8,423	8,417	6
0073	Bond Issuance Cost and Fees	1,000	1,000	-	1,000
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	48,330	190,976	190,974	2
0093	Payments to Fiscal Agent/Member Districts of SSA	47,000	54,000	50,320	3,680
0099	Other Intergovernmental Charges	64,185	72,685	66,463	6,222
6030	Total Expenditures	2,839,241	3,006,302	2,971,660	34,642
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(121,152)	(215,100)	(255,222)	(40,122)
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	103,190	103,190	103,190	-
8911	Transfers Out (Use)	(42,522)	(50,205)	(37,373)	12,832
8949	Other (Uses)	-	(2,568)	(2,500)	68
7080	Total Other Financing Sources (Uses)	60,668	50,417	63,317	12,900
1200	Net Change in Fund Balances	(60,484)	(164,683)	(191,905)	(27,222)
0100	Fund Balance - September 1 (Beginning)	2,193,045	2,193,045	2,193,045	-
1300	Prior Period Adjustment(s)	-	-	26,147	26,147
3000	Fund Balance - August 31 (Ending)	\$ 2,132,561	\$ 2,028,362	\$ 2,027,287	\$ (1,075)

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

COMSTOCK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 93,673
Total Assets	<u>\$ 93,673</u>
LIABILITIES	
Accounts Payable	\$ 87,043
Due to Student Groups	6,630
Total Liabilities	<u>\$ 93,673</u>

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

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2016

I. Summary of Significant Accounting Policies

Comstock Independent School District (the "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 (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards board (GASB) and other authoritative sources identified in GASB Statement NO. 76 and it complies with the requirements of the appropriate version of 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 Board of Trustees, (the "Board"), a seven-member group is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. 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 non fiduciary activities of the primary government with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, state foundation funds, grants and other intergovernmental revenues.

The statement of activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include charges for athletic events, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

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

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

Governmental fund financial statements use 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 on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting.

D. Fund Accounting

The District reports the following major governmental funds:

General Fund – The general 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 of governmental funds in a debt service fund.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

D. Fund Accounting - Continued

Additionally, the District reports the following fund types:

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 Special Revenue Funds and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Funds:

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. These funds represent the student activity funds and scholarship funds.

E. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds, investment pools, and other investments specifically allowed by Chapter 2256, “Public Funds Investment,” and Chapter 2257, “Collateral for Public Funds,” of the Government Code.

The District’s investment policies and type of investments are governed by the Public Funds Investment Act. The District’s administration believes that it complied with the requirements of the Public Funds Investment Act and the District’s investment policies.

Investments are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported values of the pools are the same as the fair values of the pool shares.

F. Other Accounting Policies

1. The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with Resource Guide.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bonds payable are reported net of the applicable bond premium or discount.
3. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

F. Other Accounting Policies - continued

4. Land, buildings, furniture and equipment are reported in the applicable governmental activities columns in the government-wide financial statements. These capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment, and vehicles of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	25-50
Vehicles	8
Furniture and Equipment	5-20

5. 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.
6. In the fund financial statements, governmental funds report fund balances in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or must be 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 of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classification – *committed*, *assigned*, and *unassigned*.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board’s commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of *nonspendable* and *restricted* fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board of Trustees.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board of Trustees may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board of Trustees by a majority vote in a scheduled meeting.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

F. Other Accounting Policies – Continued

When the district makes expenditures that can be made from either restricted or unrestricted balances, the expenditures should be charged to restricted balances. When the district incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditure should be charged to committed if directly associated with the specific commitment, to assigned if directly associated with the specific assignment, and to unassigned if not directly associated with either the specific commitment or specific assignment.

The Board authorized keeping two months of operations in the unassigned fund balance and all excess balance over this committed for future construction or improvements.

7. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position.
8. 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 or resources until then. See the pension footnote for a further description of this amount.
9. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. One type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category is uncollected property taxes which are reported on the balance sheet for governmental funds. The other items reported in this category are discussed in the pension footnote.
10. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
11. The preparation of financial statements in conformity with GAAP requires the use of management estimates.
12. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

II. Stewardship, Compliance, and Accountability

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are presented in Exhibits F-2 and F-3. The remaining Special Revenue Funds adopt a project-length budget which does not correspond to the District's fiscal year.

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

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

III. Detailed Notes on all Funds and Account Groups

A. Deposits and Investments

The funds of the District must be deposited and invested 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.

Cash Deposits:

The District's cash deposits consisted of cash, certificates of deposit, and interest-bearing savings accounts. The District's cash deposits at August 31, 2016 and during the year ended August 31, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments:

Investment Type:	<u>Fair Value</u>
Lone Star Investment Pool	<u>\$ 56,789</u>

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

A. Deposits and Investments - Continued

Analysis of Specific Deposit and Investment Risks

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does have a deposit policy for custodial credit risk. The District is not exposed to custodial credit risk for its deposits as all are covered by FDIC insurance or by collateral held by the District’s agent bank in the District’s name.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District’s limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates. However, the Board may specifically authorize a longer maturity for a given investment for the Debt Service and Capital Projects funds, within legal limits. The maturities of such investments are to be made to coincide as nearly as possible with the expected use of the funds.

Credit Risk: Credit risk is the risk that an issuer of counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk. As of August 31, 2016 the District’s investments in the Lone Star Investment Pool was rated AAA by Standards & Poor.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of the government’s investment in a single issuer, the District shall diversify in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in as specific class of investments, specific maturity, or specific issuer.

Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

Public Funds Investment Pools - Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying portfolio within one half of one percent of the value of its shares.

Foreign Currency Risk for Investments – The District does not make investments that have foreign currency risk.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (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.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

C Interfund Transfers and Balances

Interfund transfers at August 31, 2016 consisted of the following:

From General Fund to Lunchroom Fund \$ 37,373

Interfund balances at August 31, 2016 consisted of the following:

Due to General Fund from Capital Project Fund \$ 59

D. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclasses/ Retirements</u>	<u>Ending Balances</u>
Governmental Activities:				
Land	\$ 12,478	\$ 0	\$ 0	\$ 12,478
Buildings and Improvements	8,478,848	0	0	8,478,848
Vehicles	323,662	0	(94,469)	229,193
Furniture & Equipment	115,301	0	0	115,301
Library Books & Media	12,088	0	0	12,088
Capital Leases – School Buses	253,499	103,190	0	356,689
Total Capital Assets	9,195,876	103,190	(94,469)	9,204,597
Less Accumulated Depreciation:				
Buildings and Improvements	3,028,253	199,841	0	3,228,094
Vehicles	221,137	20,326	(94,469)	146,994
Furniture & Equipment	94,519	4,731	0	99,250
Library Books & Media	12,088	0	0	12,088
Capital Lease – School Bus	170,705	35,367	0	206,072
Total Accumulated Depreciation	3,526,702	260,265	(94,469)	3,692,498
Governmental Capital Assets, Net	\$ 5,669,174	\$ (157,075)	\$ 0	\$ 5,512,099

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

D. Capital Asset Activity - Continued

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 2,200
Student (Pupil) Transportation	55,693
Extracurricular Activities	1,491
Facilities Maintenance and Operations	200,881
 Totals	 \$ 260,265

E. Bonds and Long-Term Notes Payable

Bonds and long-term notes payable consist of the following:

Unlimited Tax Refunding Bonds, Series 2011

These bonds were issued in August 2011 to partially advance refund the series 2002 and 2003 Unlimited Tax School Bonds. The original amount issued was \$2,740,000 and is scheduled to mature on February 15, 2025 with interest rates ranging from 2% to 3.35%.

Maintenance Tax Note, Series 2009

This note was issued in February 2010 for an original amount of \$1,000,000 and an interest rate of 1.15%. It will be repaid in fifteen annual installments of \$73,024 with the final payment due on March 15, 2025.

Capital Lease – Computer Equipment

The District purchased computer equipment under a capital lease in July 2015. The original capital lease obligation was \$84,421 with an interest rate of 4.44%. It will be repaid in three annual installments of \$29,724 with the final payment due September 11, 2017. This lease was not reflected in the August 31, 2015 Statement of Net Position and is recorded as a prior period adjustment in the current Statement of Activities.

Capital Lease – School Bus

The District purchased a bus under a capital lease in September 2015. The original capital lease obligation was \$103,190 with an interest rate of 2.5%. It will be repaid in three annual installments of \$35,322 with a final payment due October 10, 2017.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

E. Bonds and Long-Term Debt -Continued

Below is a summary of the activity for these debts.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Series 2011 Bonds					
Maturity Value	\$ 2,300,000	\$ 0	\$ 200,000	\$ 2,100,000	
Net Premium	<u>9,530</u>	<u>0</u>	<u>5,742</u>	<u>3,788</u>	
	<u>2,309,530</u>	<u>0</u>	<u>205,742</u>	<u>2,103,788</u>	\$ 210,000
Series 2009 Bonds	686,102	0	65,134	620,968	65,883
Cap Lease – Computers	84,421	0	28,783	55,638	27,203
Cap Lease – Bus	<u>0</u>	<u>103,190</u>	<u>35,110</u>	<u>68,080</u>	<u>33,620</u>
Totals	<u>\$ 3,080,053</u>	<u>\$ 103,190</u>	<u>\$ 334,769</u>	\$ 2,848,474	<u>\$ 336,706</u>
Accrued Interest Payable				<u>9,953</u>	
Total Noncurrent Liabilities				2,858,427	
Due Within One Year (including accrued interest payable)				<u>(346,659)</u>	
Due In More than One Year				<u>\$ 2,511,768</u>	

The combined future minimum payments for all long-term debt are as follows. These amounts do not take into effect the net premiums above.

Year Ending <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 336,706	\$ 73,502	\$ 410,208
2018	349,536	64,221	413,757
2019	292,407	54,630	347,037
2020	298,182	47,029	345,211
2021	308,966	39,195	348,161
2022	314,760	30,974	345,734
2023	325,562	22,359	347,921
2024	336,373	13,125	349,498
2025	<u>282,194</u>	<u>4,348</u>	<u>286,542</u>
Total Payments	<u>\$ 2,844,686</u>	<u>\$ 349,383</u>	<u>\$ 3,194,069</u>

F. Health Care Coverage

During the period ended August 31, 2016, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$341 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums are paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

F. Health Care Coverage – Continued

The contract between the District and the licensed insurer is renewable September 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the plan are available from Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

G. Retiree Health Plan

Plan Description – The Comstock 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 1575.02 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 is 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.

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 established 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 2016-2014 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2016	0.65%	\$ 9,748	1.0%	\$ 14,996	0.55%	\$ 8,248
2015	0.65%	8,997	1.0%	13,840	0.55%	7,612
2014	0.65%	9,014	1.0%	13,868	0.55%	7,627

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established drug coverage for Medicare beneficiaries know 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 2016-2014 are shown in the table below:

Fiscal Year	Medicare Part D
2016	\$ 5,033
2015	5,831
2014	4,136

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

H. Defined Benefit Pension Plan

Plan Description. Comstock Independent School District participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS’s defined benefit plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 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.

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.texas.gov/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

H. Defined Benefit Pension Plan - Continued

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’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.

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 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal year 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Comstock ISD 2016 Employer Contributions		\$ 42,678
Comstock ISD 2016 Member Contributions		\$ 107,900
Comstock ISD 2015 NECE On-Behalf Contributions		\$ 79,818

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 the 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 or a privately sponsored source.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

H. Defined Benefit Pension Plan – Continued

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method Value	Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
YEAR ENDED AUGUST 31, 2016

H. Defined Benefit Pension Plan – Continued

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

* *The Expected Contribution to Returns incorporates the volatility drag resulting 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 discounted rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Proportionate share of the Net Pension Liability	\$ 706,321	\$ 450,802	\$ 237,970

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

H. Defined Benefit Pension Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, the District reported a liability of \$450,802 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 of the net 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	\$ 450,802
State’s proportionate share that is associated with the District	<u>952,574</u>
Total	<u>\$ 1,403,376</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer’s portion 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, 2014 through August 31, 2015.

At August 31, 2015 the employer’s proportion of the collective net pension liability was 0.0012753% which was an increase of 0.0004170% from its proportion measured as of August 31, 2014.

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%
5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 100% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

G. Defined Benefit Pension Plan – Continued

9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed for the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

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

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

For the year ended August 31, 2016, the District recognized pension expense of \$135,726 and revenue of \$135,726 for support provided by the State.

At August 31, 2016 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 <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual economic experiences	\$ 2,949	\$ 17,325
Changes in actuarial assumptions	12,393	16,083
Differences between projected and actual investment earnings	58,468	0
Changes in proportion and differences between the employer’s contributions and the proportionate share of contributions	<u>95,310</u>	<u>141</u>
Total as of August 31, 2015	\$ 169,120	\$ 33,549
Contributions paid to TRS subsequent to the measurement date	<u>42,678</u>	<u>0</u>
Total as of August 31, 2016	<u>\$ 211,798</u>	<u>\$ 33,549</u>

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

H. Defined Benefit Pension Plan – Continued

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

Year Ended August 31,	Pension Expense Amount
2017	\$ 23,805
2018	\$ 23,805
2019	\$ 23,805
2020	\$ 41,321
2021	\$ 13,379
Thereafter	\$ 9,456

The net pension liability of \$450,802 is shown as a non-current liability on the statement of position and the following table shows the increases and decreases for the year.

	Beginning Balance	Additions	Retirements	Ending Balance
Net pension liability	\$ 229,264	\$ 259,300	\$ 37,762	\$ 450,802

I. Unavailable Revenue

Unavailable revenue at year end consisted of the following:

	General Fund	Other Funds	Total
Property Taxes	\$ 239,781	\$ 33,523	\$ 273,304

J. 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 federal and state governments as of August 31, 2016, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

Fund	State & Fed Entitlements	Appraisal District	Total
General Fund	\$ 13,095	\$ 7,991	\$ 21,086
Special Revenue Funds	4,724	0	4,724
Debt Service Fund	0	280	280
Total	\$ 17,819	\$ 8,271	\$ 26,090

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
 YEAR ENDED AUGUST 31, 2016

K. Revenue from Local and Intermediate Sources

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

	General <u>Fund</u>	Other <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 2,361,522	\$ 306,382	\$ 2,667,904
Rent	6,337	0	6,337
Investment Income	10,055	333	10,388
Food and Vending Sales	0	60,470	60,470
Co-curricular Student Activities	6,024	0	6,024
Gifts and Bequests	6,021	0	6,021
Fundraisers and Other	25,779	0	25,779
Total	<u>\$ 2,415,738</u>	<u>\$ 367,185</u>	<u>\$ 2,782,923</u>

L. Property and Casualty Coverage

The District has entered into an interlocal participation agreement with the Texas Association of School Boards Risk Management Fund for the purpose of providing modified self-funded property and casualty coverage. The Account is administered by a Board of Trustees, and all account members must be members of the Texas Association of School Boards. The District pays contributions based on a rating system approved by the Board. The Account provides stop-loss coverage at amounts set by the board. The District's coverage includes automobile liability and auto physical damage. The participation agreement terminates September 1, 2016.

M. Shared Service Arrangements

The District participates in various shared service arrangement with the Education Service Center Region XV. The District does not account for revenues or expenditures in these programs and does not report them in their financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center Region XV, nor does the District have a net equity interest in the exigencies that would give rise to a future additional benefit or burden. The fiscal agent manager is responsible for all financial activities of the shared service arrangements. According to information obtained from the region center, the District participates with a number of other school districts in the following programs.

Title II Part A	\$ 2,848
Title III LEP	223
Title I Part C Migrant	2,755
Carl D. Perkins	1,055

N. Prior Period Adjustment

The prior period adjustment in the fund financial statements of \$26,147 represents the expenditures in the general fund for textbooks in the prior year that should have been expensed in the special revenue fund - State Textbook Fund. This had the effect of increasing the general fund balance.

The prior period adjustment in the government-wide financial statements is a combination of the above amount and a capital lease of \$84,421 that should have been recorded in the prior year. The net effect of these two adjustments is a decrease in net position of \$58,274.

REQUIRED SUPPLEMENTARY INFORMATION

COMSTOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT E-1

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0012753%	0.0008583%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 450,802	\$ 229,264
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	952,574	822,751
Total	<u>\$ 1,403,376</u>	<u>\$ 1,052,015</u>
District's Covered-Employee Payroll	\$ 1,384,049	\$ 1,386,759
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	32.57%	16.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "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, 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."

COMSTOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT E-2

	2016	2015
Contractually Required Contribution	\$ 42,678	\$ 37,762
Contribution in Relation to the Contractually Required Contribution	(42,678)	(37,762)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 1,498,608	\$ 1,384,049
Contributions as a Percentage of Covered-Employee Payroll	2.85%	2.73%

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, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "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, 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."

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2016

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

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.

COMSTOCK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
YEAR ENDED AUGUST 31, 2016

Other Demographic Assumptions - Continued

9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

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

REQUIRED TEA SCHEDULES

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.180000	160,813,032
2009	1.040000	0.130000	208,520,000
2010	1.040000	0.130000	188,730,067
2011	1.040000	0.160000	183,758,737
2012	1.040000	0.160000	167,791,803
2013	1.040000	0.175000	166,832,193
2014	1.040000	0.175000	173,196,109
2015	1.040000	0.175000	188,842,434
2016 (School year under audit)	1.170000	0.150000	212,704,701
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 112,344	\$ -	\$ 4,088	\$ 478	\$ (4,905)	\$ 102,873
9,742	-	895	155	(682)	8,010
10,060	-	739	92	(655)	8,574
4,014	-	783	98	(654)	2,479
22,006	-	4,267	533	(334)	16,872
19,283	-	4,405	678	(591)	13,609
36,438	-	4,805	808	(833)	29,992
40,946	-	8,297	1,396	(1,097)	30,156
55,577	-	14,954	2,516	(1,464)	36,643
-	2,807,702	2,336,421	299,543	-	171,738
<u>\$ 310,410</u>	<u>\$ 2,807,702</u>	<u>\$ 2,379,654</u>	<u>\$ 306,297</u>	<u>\$ (11,215)</u>	<u>\$ 420,946</u>

COMSTOCK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 48,600	\$ 48,600	\$ 60,470	\$ 11,870
5800	State Program Revenues	450	450	404	(46)
5900	Federal Program Revenues	40,000	40,000	40,421	421
5020	Total Revenues	89,050	89,050	101,295	12,245
EXPENDITURES:					
0035	Food Services	131,572	139,255	138,668	587
6030	Total Expenditures	131,572	139,255	138,668	587
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,522)	(50,205)	(37,373)	12,832
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	42,522	50,205	37,373	(12,832)
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

COMSTOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 348,860	\$ 307,625	\$ 306,715	\$ (910)
5800	State Program Revenues	-	-	1,991	1,991
5020	Total Revenues	348,860	307,625	308,706	1,081
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	200,000	200,000	200,000	-
0072	Interest on Long Term Debt	67,800	67,800	67,787	13
0073	Bond Issuance Cost and Fees	1,000	1,500	1,450	50
6030	Total Expenditures	268,800	269,300	269,237	63
1200	Net Change in Fund Balances	80,060	38,325	39,469	1,144
0100	Fund Balance - September 1 (Beginning)	137,366	137,366	137,366	-
3000	Fund Balance - August 31 (Ending)	\$ 217,426	\$ 175,691	\$ 176,835	\$ 1,144

COMPLIANCE AND INTERNAL CONTROL SECTION

Reed, McKee & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

3140 EXECUTIVE DRIVE
SAN ANGELO, TEXAS 76904
(325) 942-8984

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS*

Independent Auditor's Report

Board of Trustees
Comstock Independent School District
P.O. Box
Comstock, Texas 78837

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 Comstock Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Comstock Independent School District's basic financial statements, and have issued our report thereon dated November 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Comstock Independent School'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 Comstock Independent School's internal control. Accordingly, we do not express an opinion on the effectiveness of Comstock Independent School'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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 Comstock Independent School 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 Comstock Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reed, McKee & Co., P.C.

Reed, McKee & Co., P.C.
November 9, 2016

COMSTOCK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

I. Summary of the Auditor's Results:

- A. The auditor's report expresses an unqualified opinion on the basic financial statements of the Comstock Independent School District.
- B. No significant deficiencies or material weaknesses relating to the audit of the 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*.
- C. No instances of noncompliance material to the basic financial statements of the Comstock Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

NONE

SCHOOLS FIRST QUESTIONNAIRE

Comstock Independent School District

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	450802
SF13	Pension Expense (6147) at fiscal year-end.	29367