

**COMMUNITY INDEPENDENT
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2016

RUTHERFORD, TAYLOR & COMPANY, P.C.
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COMMUNITY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board.....	3	
FINANCIAL SECTION		
<u>Independent Auditor's Reports:</u>		
Report on Basic Financial Statements	5	
Report on Internal Controls and Compliance (<i>Government Auditing Standards</i>)	7	
Report on Internal Control over Compliance in Accordance with OMB Circular A-133	9	
Schedule of Findings and Questioned Costs	11	
Management's Discussion and Analysis (Required Supplementary Information)	16	
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	25	A-1
Statement of Activities	26	B-1
Fund Financial Statements:		
Balance Sheet – Governmental Funds.....	27	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	28	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds	29	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities	30	C-4
Statement of Net Position – Proprietary Funds	31	D-1
Statement of Revenues, Expenses and Changes in		
Net Position – Proprietary Funds.....	32	D-2
Statement of Cash Flows – Proprietary Funds.....	33	D-3
Statement of Fiduciary Net Position – Fiduciary Funds.....	34	E-1
Notes to the Basic Financial Statements	35	F-1
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund.....	58	G-1
Schedule of District's Proportionate Share of the Net Pension Liability	59	G-2
Schedule of District Contributions	60	G-3
Notes to Required Supplementary Information	61	G-4
<u>Other Supplementary Information:</u>		
Schedule of Delinquent Taxes Receivable.....	64	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency		
School Breakfast and National School Lunch Program.....	65	J-3
Debt Service Fund	66	J-4
Schedule of Required Responses to Selected School FIRST Indicators	67	J-5
<u>Federal Awards Section:</u>		
Schedule of Expenditures of Federal Awards	69	K-1
Notes to the Schedule of Expenditures of Federal Awards	70	K-2

CERTIFICATE OF BOARD

Community Independent School District
Name of School District

Collin
County

043-918
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended June 30, 2016, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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 the Community Independent School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note P to the financial statements, in 2016 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 31, 2016
Greenville, Texas

Rutha Ford, Taylor & Company PC

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Community Independent School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Report on Internal Control – Continued

Purpose of this Report

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

October 31, 2016
Greenville, Texas

Rutherford, Taylor & Company, P.C.

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

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and

Internal Control over Compliance with the Uniform Guidance – Continued

report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

October 31, 2016
Greenville, Texas

Rutherford, Taylor & Company PC

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting	
Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

Federal Awards –

Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs	Special Education Cluster: IDEA B Formula (84.027) IDEA B Preschool (84.173)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Financial Statement Findings (Section II)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Federal Award Findings and Questioned Costs (Section III)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Prior Year Findings (Section IV)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Corrective Action Plans (Section V)

NONE

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

This section of Community Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2016. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

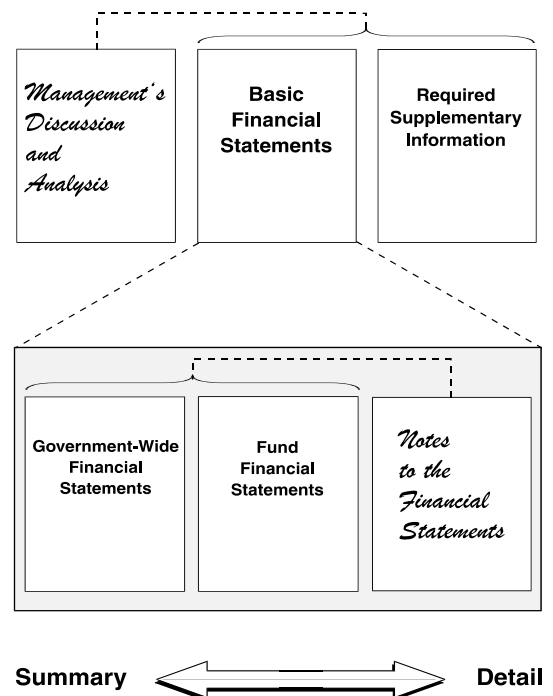
- The District's Net Position was \$ 13,904,666 at June 30, 2016.
- During the year, the District's expenses were \$ 3,235,151 less than the \$ 22,948,526 generated from charges for services and other revenues for governmental activities.
- The total cost of the District's programs increased 8.3% from last year which reflects the District's enrollment growth.
- The General Fund reported a fund balance this year of \$ 9,140,942, an increase of \$ 1,337,218 over the prior year.
- The District issued debt to refund outstanding bonds to achieve lower interest payments.

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 first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

- provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$ 13,904,666 at June 30, 2016.

Community Independent School District's Net Position				Table A-1
	Governmental Activities			Total Percentage Change 2015 - 2016
	2016	2015		
Assets:				
Cash and Investments	\$ 9,465,821	\$ 9,123,404		3.75%
Other Assets	5,789,458	4,887,581		18.45%
Capital Assets less Accumulated Depreciation	30,729,038	31,821,077		-3.43%
Total Assets	\$ 45,984,317	\$ 45,832,062		0.33%
Total Deferred Net Outflow s of Resources	\$ 5,056,089	\$ 1,667,185		203.27%
Liabilities:				
Current Liabilities	\$ 2,016,393	\$ 1,788,366		12.75%
Long-term Liabilities	34,608,359	34,656,230		-0.14%
Total Liabilities	\$ 36,624,752	\$ 36,444,596		0.49%
Total Deferred Net Inflow s of Resources	\$ 510,988	\$ 385,136		32.68%
Net Position:				
Net Investment in Capital Assets	\$ 1,410,287	\$ 2,178,747		-35.27%
Restricted	3,215,539	3,541,205		-9.20%
Unrestricted	9,278,840	4,882,612		90.04%
Total Net Position	\$ 13,904,666	\$ 10,669,515		30.32%

Approximately \$ 2,972,038 of the District's restricted net position represents funds received for debt retirement. Unrestricted net position represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 22,948,526. 42% of the District's revenue comes from local property taxes (See Table A-2). 56% comes from state aid and federal grants, while only 2% relates to charges for services and other miscellaneous revenues, including investment earnings.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

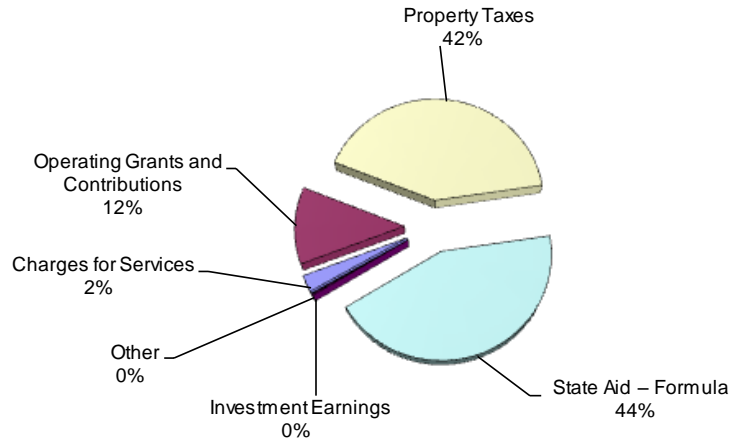
The total cost of all programs and services was \$ 19,713,375. 57% of these costs are for instruction and related staff and student services.

The District's tax collection percentage rate (current and delinquent base tax only) was 100.26%. The total tax collection percentage rate (base tax and penalty and interest) was 101.56%.

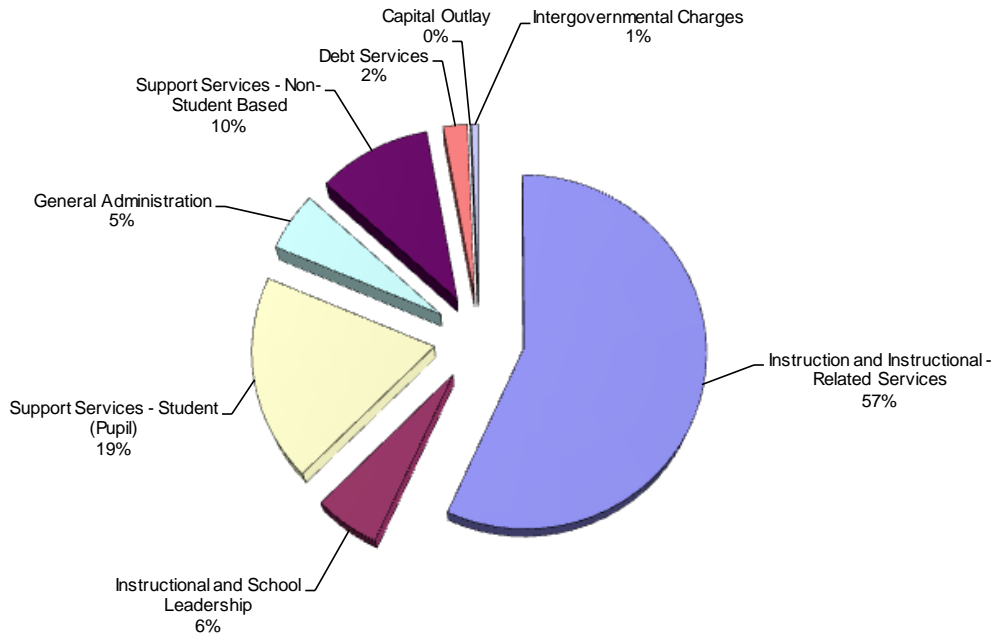
Changes in Community Independent School District's Net Position				Table A-2
	Governmental Activities		Total Percentage Change 2015 - 2016	
	2016	2015		
Program Revenues:				
Charges for Services	\$ 584,483	\$ 412,761		41.60%
Operating Grants and Contributions	2,710,718	2,119,150		27.92%
General Revenues:				
Property Taxes	9,551,267	8,714,834		9.60%
State Aid – Formula	10,027,756	8,637,871		16.09%
Investment Earnings	50,859	28,231		80.15%
Other	23,443	48,020		-51.18%
Total Revenues	<u>\$ 22,948,526</u>	<u>\$ 19,960,867</u>		14.97%
Expenses:				
Instruction	\$ 10,661,371	\$ 8,935,682		19.31%
Instructional Resources and Media Services	387,369	347,057		11.62%
Curriculum and Staff Development	106,818	97,827		9.19%
Instructional Leadership	67,092	-		100.00%
School Leadership	1,118,926	1,027,027		8.95%
Guidance, Counseling and Evaluation Services	691,695	559,889		23.54%
Health Services	197,168	126,267		56.15%
Student (Pupil) Transportation	973,989	928,875		4.86%
Food Services	811,409	765,006		6.07%
Co-curricular/Extracurricular Activities	1,027,900	841,500		22.15%
General Administration	1,067,118	733,653		45.45%
Plant Maintenance and Operations	2,038,926	1,810,591		12.61%
Security and Monitoring Services	65,711	60,136		9.27%
Data Processing Services	15,294	4,035		279.03%
Community Services	8,156	-		100.00%
Debt Service	347,726	1,839,754		-81.10%
Payments for Shared Service Arrangements	65,789	64,186		2.50%
Other Intergovernmental Charges	60,918	60,299		1.03%
Total Expenses	<u>\$ 19,713,375</u>	<u>\$ 18,201,784</u>		8.30%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 3,235,151</u>	<u>\$ 1,759,083</u>		-83.91%
Increase (Decrease) in Net Position	<u>\$ 3,235,151</u>	<u>\$ 1,759,083</u>		-83.91%
Net Position - Beginning (July 1)	\$ 10,669,515	\$ 10,353,429		3.05%
Prior Period Adjustment	-	(1,442,997)		-100.00%
Net Position - Beginning, as Restated	<u>\$ 13,904,666</u>	<u>\$ 8,910,432</u>		56.05%
Net Position - Ending (June 30)	<u>\$ 13,904,666</u>	<u>\$ 10,669,515</u>		30.32%

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

Sources of Revenue for Fiscal Year 2016 - See Table A-2



Functional Expenses for Fiscal Year 2016 - See Table A-2



COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

- Table A-3 presents the cost of selected District functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all government activities this year was \$ 19,713,375.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 9,551,267.
- Some of the cost was paid by those who directly benefited from the programs, \$ 584,483, or
- By grants and contributions, \$ 2,710,718.

Community Independent School District's Net Cost of Selected District Functions							Table A-3
	Total Cost of Services		%	Net Cost of Services		%	
	2016	2015	Change	2016	2015	Change	
Instruction	\$10,661,371	\$ 8,935,682	19.31%	\$ 9,995,358	\$ 8,247,451	21.19%	
School Leadership	1,118,926	1,027,027	8.95%	1,115,134	971,394	14.80%	
General Administration	1,067,118	733,653	45.45%	1,063,557	709,219	49.96%	
Plant Maintenance and Operations	2,038,926	1,810,591	12.61%	1,222,186	1,792,016	-31.80%	
Debt Service	347,726	1,839,754	-81.10%	(106,272)	1,380,393	-107.70%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 22,713,420. This represents an increase of \$ 2,775,923, or 13.92%, from the prior year revenues of \$ 19,937,497. The change represents additional state aid due to increased enrollment and attendance, as well as a significant increase in property tax collections.

Expenditures in the governmental funds totaled \$ 20,424,070. This represents an increase of \$ 2,394,255, or 13.28%, from the prior year expenditures of \$ 18,029,815. The change represents the general increase of costs related to the operations of the District. General cost of living and other operational costs increased during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 679,956 below final General Fund budget amounts. The most significant variance occurred in the area of Plant Maintenance and Operations.

Resources available were \$ 670,762 in excess of final General Fund budget amounts. The favorable variance was the result of increased tax collections and state program revenue related to enrollment and attendance.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2016, the District had invested \$ 48,007,021 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Community Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2016	2015	2015 - 2016
Land	\$ 307,960	\$ 307,960	0.00%
Buildings and Improvements	44,300,482	44,300,482	0.00%
Equipment	1,207,340	1,072,769	12.54%
Vehicles	2,191,239	2,023,567	8.29%
Totals at Historical Cost	\$ 48,007,021	\$ 47,704,778	0.63%
Total Accumulated Depreciation	(17,277,983)	(15,883,701)	8.78%
Net Capital Assets	<u>\$ 30,729,038</u>	<u>\$ 31,821,077</u>	-3.43%

DEBT

Bond Ratings -
The District's bonds presently
carry "AAA" ratings.

At year end, the District had \$ 31,619,383 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Community Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2016	2015	2015 - 2016
Bonds Payable	\$ 26,674,952	\$ 27,842,674	-4.19%
Other Debt Payable	4,944,431	5,554,542	-10.98%
Total Debt Payable	<u>\$ 31,619,383</u>	<u>\$ 33,397,216</u>	-5.32%

COMMUNITY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

ECONOMIC FACTORS

The District's property valuation has increased due to housing development and other commercial expansions in the North Central Texas region. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The District's taxpayers have approved the increase to \$1.17 the maximum allowed under state law. The state funding formula was modified to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to continue at a steady rate. Housing has begun expanding at the rate similar to other north central Texas communities. These economic conditions should allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2015-2017 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held constitutional. Future legislative sessions could produce minor changes to funding for student populations. The legal process ended the challenges by the various interested parties including the State. State funding will continue under the present system until legislative changes occur.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Dr. Roosevelt Nivens, Superintendent.

BASIC FINANCIAL STATEMENTS

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

1

Data Control Codes		Governmental Activities
	ASSETS	
1110	Cash and Investments	\$ 9,465,821
1225	Property Taxes Receivable, Net	999,290
1240	Due from Other Governments	4,782,226
1290	Other Receivables (Net)	866
1300	Inventories	5,562
1410	Unrealized Expenses	1,514
	Capital Assets:	
1510	Land	307,960
1520	Buildings and Improvements, Net	29,626,908
1530	Furniture and Equipment, Net	794,170
1000	Total Assets	\$ 45,984,317
	DEFERRED OUTFLOWS OF RESOURCES:	
1705	Deferred Outflows - Pensions	\$ 1,946,208
1701	Deferred Outflows - Refunding	3,109,881
1700	Total Deferred Outflows of Resources	\$ 5,056,089
	LIABILITIES	
2110	Accounts Payable	\$ 190,374
2140	Interest Payable	455,333
2165	Accrued Liabilities	1,360,349
2300	Unearned Revenue	10,337
	Noncurrent Liabilities:	
2501	Due within one year	1,421,951
2502	Due in more than one year	30,197,431
2540	Net Pension Liability	2,988,977
2000	Total Liabilities	\$ 36,624,752
	DEFERRED INFLOWS OF RESOURCES:	
2605	Deferred Inflows - Pensions	\$ 510,988
2600	Total Deferred Inflows of Resources	\$ 510,988
	NET POSITION	
3200	Net Investment in Capital Assets	\$ 1,410,287
	Restricted For:	
3820	Federal and State Programs	189,333
3850	Debt Service	2,972,038
3890	Other Purposes	54,168
3900	Unrestricted	9,278,840
3000	Total Net Position	\$ 13,904,666

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

		1	3	4	Net (Expense) Revenue and Changes in Net Position
		Program Revenues			
			Operating		
		Charges for	Grants and		Governmental
Codes	Functions/Programs	Expenses	Services	Contributions	Activities
Governmental Activities:					
11	Instruction	\$ 10,661,371	\$ 16,370	\$ 649,643	\$ (9,995,358)
12	Instructional Resources and Media Services	387,369	-	1,302	(386,067)
13	Curriculum and Staff Development	106,818	-	30,811	(76,007)
21	Instructional Leadership	67,092	-	231	(66,861)
23	School Leadership	1,118,926	-	3,792	(1,115,134)
31	Guidance, Counseling and Evaluation Services	691,695	-	295,224	(396,471)
33	Health Services	197,168	-	686	(196,482)
34	Student (Pupil) Transportation	973,989	-	2,945	(971,044)
35	Food Services	811,409	325,057	545,259	58,907
36	Co-Curricular/Extracurricular Activities	1,027,900	93,551	50,996	(883,353)
41	General Administration	1,067,118	-	3,561	(1,063,557)
51	Plant Maintenance and Operations	2,038,926	145,000	671,740	(1,222,186)
52	Security and Monitoring services	65,711	-	236	(65,475)
53	Data Processing Services	15,294	-	52	(15,242)
61	Community Services	8,156	4,505	6	(3,645)
72	Interest on Long-term Debt	63,945	-	453,998	390,053
73	Debt Issuance Costs and Fees	283,781	-	-	(283,781)
93	Payments for Shared Service Arrangements	65,789	-	236	(65,553)
99	Other Intergovernmental Charges	60,918	-	-	(60,918)
TG	Total Governmental Activities	\$ 19,713,375	\$ 584,483	\$ 2,710,718	\$ (16,418,174)
TP	Total Primary Government	\$ 19,713,375	\$ 584,483	\$ 2,710,718	\$ (16,418,174)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				\$ 6,872,746
DT	Property Taxes, Levied for Debt Service				2,678,521
IE	Investment Earnings				50,859
GC	Grant and Contributions Not Restricted to Specific Programs				10,027,756
MI	Miscellaneous				23,443
TR	Total General Revenues				\$ 19,653,325
CN	Change in Net Position				\$ 3,235,151
NB	Net Position - Beginning (July 1)				10,669,515
	Net Position - Ending (June 30)				\$ 13,904,666

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes	10	50	Other	98
	General	Debt	Governmental	Total
	Fund	Service	Funds	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
1110 Cash and Investments	\$ 6,064,429	\$ 2,943,822	\$ 284,364	\$ 9,292,615
1225 Property Taxes Receivable, Net	762,088	237,202	-	999,290
1240 Due from Other Governments	4,414,102	243,159	124,965	4,782,226
1290 Other Receivables	-	-	713	713
1300 Inventories	5,562	-	-	5,562
1410 Unrealized Expenditures	1,514	-	-	1,514
1000 Total Assets	\$ 11,247,695	\$ 3,424,183	\$ 410,042	\$ 15,081,920
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 71,890	\$ -	\$ 24,757	\$ 96,647
2140 Interest Payable	-	27,354	-	27,354
2150 Payroll Deductions & Withholdings	(2,074)	-	-	(2,074)
2160 Accrued Wages Payable	1,178,846	-	72,991	1,251,837
2200 Accrued Expenses	96,003	-	14,583	110,586
2300 Unearned Revenues	-	-	10,337	10,337
2000 Total Liabilities	\$ 1,344,665	\$ 27,354	\$ 122,668	\$ 1,494,687
DEFERRED INFLOWS OF RESOURCES				
2600 Deferred Inflows of Resources	\$ 762,088	\$ 237,202	\$ -	\$ 999,290
2600 Total Deferred Inflows of Resources	\$ 762,088	\$ 237,202	\$ -	\$ 999,290
FUND BALANCES				
Nonspendable Fund Balances:				
3410 Investment in Inventory	\$ 5,562	\$ -	\$ -	\$ 5,562
3430 Prepaid Items	1,514	-	-	1,514
Restricted Fund Balances:				
3450 Federal or State Funds Grants	-	-	189,333	189,333
3480 Retirement of Long Term Debt	-	3,159,627	-	3,159,627
3490 Other Restrictions of Fund Balance	-	-	54,185	54,185
Committed Fund Balances:				
3545 Other Committed Fund Balance	-	-	43,856	43,856
3600 Unassigned	9,133,866	-	-	9,133,866
3000 Total Fund Balances	\$ 9,140,942	\$ 3,159,627	\$ 287,374	\$ 12,587,943
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,247,695	\$ 3,424,183	\$ 410,042	\$ 15,081,920

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balances - Balance Sheet (governmental funds)	\$ 12,587,943
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not reported in the funds.	30,729,038
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	999,290
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	79,632
Payables for bond principal which are not due in the current period are not reported in the funds.	(26,597,951)
Payables for bond interest which are not due in the current period are not reported in the funds.	(427,979)
Payables for notes which are not due in the current period are not reported in the funds.	(417,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	85,200
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	3,109,881
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,988,977)
Deferred Resource Inflows related to TRS are not reported in the funds.	(510,988)
Deferred Resource Outflows related to TRS are not reported in the funds.	1,946,208
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(2,330,631)
Bond premiums are amortized in the SNA but not in the funds.	(2,359,000)
Net position of governmental activities - Statement of Net Position	<u>\$ 13,904,666</u>

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 7,158,512	\$ 2,689,665	\$ 424,041	\$ 10,272,218
5800 State Program Revenues	10,694,918	453,998	274,904	11,423,820
5900 Federal Program Revenues	57,626	-	959,756	1,017,382
5020 Total Revenues	\$ 17,911,056	\$ 3,143,663	\$ 1,658,701	\$ 22,713,420
EXPENDITURES				
Current:				
0011 Instruction	\$ 9,257,583	\$ -	\$ 392,205	\$ 9,649,788
0012 Instructional Resources and Media Services	363,615	-	-	363,615
0013 Curriculum and Staff Development	84,163	-	21,098	105,261
0021 Instructional Leadership	64,845	-	244	65,089
0023 School Leadership	1,060,439	-	928	1,061,367
0031 Guidance, Counseling and Evaluation Services	401,322	-	265,331	666,653
0033 Health Services	191,198	-	-	191,198
0034 Student (Pupil) Transportation	971,699	-	-	971,699
0035 Food Services	-	-	757,044	757,044
0036 Co-Curricular/Extracurricular Activities	779,383	-	38,086	817,469
0041 General Administration	995,629	-	14,705	1,010,334
0051 Plant Maintenance and Operations	2,009,867	-	-	2,009,867
0052 Security and Monitoring Services	65,711	-	-	65,711
0053 Data Processing Services	33,438	-	-	33,438
0061 Community Services	1,690	-	6,466	8,156
0071 Principal on Long-term Debt	143,592	1,082,654	-	1,226,246
0072 Interest on Long-term Debt	9,457	1,001,190	-	1,010,647
0073 Debt Issuance Cost and Fees	-	283,781	-	283,781
0093 Payments for Shared Service Arrangements	65,789	-	-	65,789
0099 Other Intergovernmental Charges	60,918	-	-	60,918
6030 Total Expenditures	\$ 16,560,338	\$ 2,367,625	\$ 1,496,107	\$ 20,424,070
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 1,350,718	\$ 776,038	\$ 162,594	\$ 2,289,350
OTHER FINANCING SOURCES (USES)				
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 9,300,000	\$ -	\$ 9,300,000
7915 Transfers In	-	-	13,500	13,500
7916 Premium or Discount on Issuance of Bonds	-	1,392,496	-	1,392,496
8911 Transfers Out	(13,500)	-	-	(13,500)
8949 Other Uses	-	(11,910,767)	-	(11,910,767)
7080 Net Other Financing Sources (Uses)	\$ (13,500)	\$ (1,218,271)	\$ 13,500	\$ (1,218,271)
1200 Net Changes in Fund Balances	\$ 1,337,218	\$ (442,233)	\$ 176,094	\$ 1,071,079
0100 Fund Balances - Beginning (July 1)	7,803,724	3,601,860	111,280	11,516,864
3000 Fund Balances - Ending (June 30)	\$ 9,140,942	\$ 3,159,627	\$ 287,374	\$ 12,587,943

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net change in fund balances - Total Governmental Funds	\$ 1,071,079
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	302,243
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,394,282)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(8,619)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	243,725
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	12,865,549
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,083,042
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	66,204
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	77,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	117,699
(Increase) decrease in accrued interest expense from beginning of period to end of period.	(125,779)
The net revenue (expense) of internal service funds is reported with governmental activities.	79,586
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds	(9,300,000)
Bond premiums are reported in the funds but not in the SOA.	(1,392,496)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource	250,378
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPO	75,472
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	79,204
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(854,854)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,235,151</u>

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2016

Data Control Codes			Nonmajor Internal Service Fund
			Insurance Fund
	ASSETS		
1110	Cash and Investments	\$	173,206
1290	Other Receivables		153
1000	Total Assets	\$	173,359
	LIABILITIES		
2110	Accounts Payable	\$	93,727
2000	Total Liabilities	\$	93,727
	NET ASSETS		
3900	Unrestricted Net Position	\$	79,632
3000	Total Net Position	\$	79,632

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

Data Control Codes			Nonmajor Internal Service Fund	
			Insurance Fund	
OPERATING REVENUES				
5700	Local and Intermediate Sources		\$	134,866
5020	Total Operating Revenues		\$	134,866
OPERATING EXPENSES				
6400	Other Operating Costs		\$	55,280
6030	Total Operating Expenses		\$	55,280
1300	Change in Net Position		\$	79,586
0100	Net Position - Beginning (July 1)			46
3300	Net Position - Ending (June 30)		\$	79,632

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2016

	Nonmajor Internal Service Fund
	Insurance Fund
Cash Flows from Operating Activities:	
Cash Receipts from Quasi External Interfund Transfers	\$ 134,712
Cash Payments for Reinsurance and Administrative Fees	(31,690)
Cash Payments for Claims	(25,331)
Net Cash Provided by (Used for) Operating Activities	\$ 77,691
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ 77,691
Cash and Investments - Beginning (July 1)	95,515
Cash and Investments - Ending (June 30)	\$ 173,206
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 79,586
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Receivable	(153)
Increase (Decrease) in Claims Liability	(1,742)
Net Cash Provided by (Used for) Operating Activities	\$ 77,691

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

Data Control Codes		Agency Funds Student Agency
	ASSETS	
1110	Cash and Investments	\$ 171,583
1000	Total Assets	\$ 171,583
	LIABILITIES	
2190	Due to Student Groups	\$ 171,583
2000	Total Liabilities	\$ 171,583
	NET POSITION	
3800	Held in Trust	\$ -
3000	Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies

The basic financial statements of the Community Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNP) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The board can commit specific types of resources to specific purposes which are included as special revenue funds.

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Agency Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance fiduciary resources to individuals, private organizations, or other governments.

b. **Measurement Focus – Basis of Accounting**

Government-wide, Proprietary and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies (Continued)

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
Total	\$	<u>-0-</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies (Continued)

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Other Governmental	Total
Nonspendable				
Investment in Inventory	\$ 5,562	\$ -	\$ -	\$ 5,562
Prepaid Items	1,514	-	-	1,514
Restricted				
Child Nutrition Program	-	-	189,333	189,333
Retirement of Long Term Debt	-	3,159,627	-	3,159,627
Scholarship Fund	-	-	54,168	54,168
Capital Projects	-	-	17	17
Committed				
Afterschool Care	-	-	(639)	(639)
Campus Activity Funds	-	-	44,495	44,495
Unassigned	9,133,866	-	-	9,133,866
Totals	<u>\$ 9,140,942</u>	<u>\$ 3,159,627</u>	<u>\$ 287,374</u>	<u>\$ 12,587,943</u>

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies (Continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Furniture and Equipment	3-15

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior periods.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

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

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

8. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Summary of Significant Accounting Policies (Continued)

9. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

10. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/deletions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

12. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

13. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At year end, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal period.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

B. Deposits, Securities and Investments (Continued)

District investments include investments in TexSTAR and TexPool, external investment pools. All TexPool and TexSTAR investments are reported at share price (fair value) and are presented as cash and investments.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAM by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

The following table categorizes the District's investments at year end:

	Credit Rating	Fair Value
TexPool	AAAM	\$ 1,407,820
TexSTAR	AAAM	301,468
Total		<u>\$ 1,709,288</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

B. Deposits, Securities and Investments (Continued)

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: Independent Bank, Farmersville, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 12,022,248.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 12,058,593 and occurred during the month of January 2016.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District did not appear to be significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District did not appear to be exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2016, the District did not appear to be exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2016, the District did not appear to be exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2016, the District did not appear to be exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1, 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 October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

C. Property Taxes (Continued)

The District levied taxes on property within the District at \$ 1.1700 to fund general operations and \$ 0.4550 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 579,255,903.

D. Capital Assets

Capital asset activities for the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 307,960	\$ -	\$ -	\$ 307,960
Total Capital Assets not being Depreciated	\$ 307,960	\$ -	\$ -	\$ 307,960
Capital Assets being Depreciated:				
Building and Improvements	\$ 44,300,482	\$ -	\$ -	\$ 44,300,482
Equipment	1,072,769	134,571	-	1,207,340
Vehicles	2,023,567	167,672	-	2,191,239
Total Capital Assets being Depreciated	\$ 47,396,818	\$ 302,243	\$ -	\$ 47,699,061
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 13,466,343	\$ 1,207,231	\$ -	\$ 14,673,574
Equipment	936,893	58,087	-	994,980
Vehicles	1,480,465	128,964	-	1,609,429
Total Accumulated Depreciation	\$ 15,883,701	\$ 1,394,282	\$ -	\$ 17,277,983
Total Capital Assets being Depreciated, Net	\$ 31,513,117	\$ (1,092,039)	\$ -	\$ 30,421,078
Governmental Activities Capital Assets, Net	\$ 31,821,077	\$ (1,092,039)	\$ -	\$ 30,729,038

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 867,597
Instructional Resources and Media Services	14,539
School Leadership	24,105
Guidance, Counseling and Evaluation Services	3,097
Health Services	220
Student (Pupil) Transportation	130,708
Food Services	37,363
Co-curricular/Extracurricular Activities	259,471
General Administration	29,692
Plant Maintenance and Operations	27,097
Data Processing	393
Total	<u>\$ 1,394,282</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

E. Long Term Obligations

Long-Term Obligation Activity

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation Bonds	\$ 27,842,674	\$ 9,300,000	\$ 10,467,723	\$ 26,674,951	\$ 1,339,951
Capital Leases Payable	66,204	-	66,204	-	-
Loans	417,000	-	77,000	340,000	82,000
Accreted Interest Payable	3,754,886	427,526	1,851,781	2,330,631	-
Bond Premium (Discount)	1,316,452	1,042,548	85,200	2,273,800	-
Total Governmental Activities	\$ 33,397,216	\$ 10,770,074	\$ 12,547,908	\$ 31,619,382	\$ 1,421,951

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

The District issued "Community Independent School District Unlimited Tax Refunding Bonds, Series 2016," totaling \$ 8,410,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building and Refunding Bonds, Series 2007

The bonds are dated December 15, 2015 and were issued January 14, 2016. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2025.

As a result of the refunding, the District decreased its debt service requirements by \$ 1,993,730. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 1,493,241.

The District also issued "Community Independent School district Unlimited Refunding Bonds, Series 2016A," totaling \$ 890,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building and Refunding Bonds, Series 2001

The bonds are dated April 15, 2016 and were issued May 19, 2016. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2032.

As a result of the refunding, the District decreased its debt service requirements by \$ 2,995,723. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 1,069,286.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

E. Long Term Obligations (Continued)

Bonds outstanding at year end are as follows:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax Building and Refunding Bonds, Series 2001	5.3752%	\$ 2,996,026	\$ 109,951
Unlimited Tax Building and Refunding, Series 2007	4.8220%	23,601,022	4,290,000
Unlimited Tax Refunding, Series 2008	3.5773%	5,350,000	3,690,000
Unlimited Tax Refunding, Series 2013	2.9862%	630,000	630,000
Unlimited Tax Refunding, Series 2015	2.6847%	8,765,000	8,655,000
Unlimited Tax Refunding, Series 2016	2.8653%	8,410,000	8,410,000
Unlimited Tax Refunding, Series 2016A	1.6143%	890,000	890,000
Totals			<u>\$ 26,674,951</u>

Debt service requirements on bonded debt are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2017	\$ 1,339,951	\$ 1,387,273	\$ 2,727,224
2018	1,065,000	1,000,611	2,065,611
2019	1,140,000	975,192	2,115,192
2020	1,235,000	859,944	2,094,944
2021	1,300,000	817,329	2,117,329
2022 - 2026	6,075,000	4,319,346	10,394,346
2027 - 2031	4,160,000	4,172,756	8,332,756
2032 - 2036	6,740,000	1,755,863	8,495,863
2037 - 2041	3,620,000	140,906	3,760,906
Totals	<u>\$ 26,674,951</u>	<u>\$ 15,429,220</u>	<u>\$ 42,104,171</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year end.

Loans

The District issued various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes.

The following schedules list the outstanding loans at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Maintenance Tax Notes, Series 2014	2.4983%	\$ 417,000	\$ 340,000

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

E. Long Term Obligations (Continued)

Debt service requirements on loans are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2017	\$ 82,000	\$ 7,475	\$ 89,475
2018	84,000	5,400	89,400
2019	86,000	3,275	89,275
2020	88,000	1,100	89,100
Totals	<u>\$ 340,000</u>	<u>\$ 17,250</u>	<u>\$ 357,250</u>

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS's defined benefit pension plan operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.texas.gov.

2. Benefits Provided

TRS administers retirement and disability annuities, and death survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. 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 or exceeds 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's). Ad hoc post-employment benefit changes, including ad hoc COLA's can be granted by the Texas Legislature as noted in the Plan Description above.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Pension Plan (Continued)

3. Contributions

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to the members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the system an amount equal to the current employer contribution rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, 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. Employee contribution rates are set in state statute, 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. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016. Contribution amounts for fiscal 2015 are as follows:

	Contributions Required and Made	
Member (Employee)	\$	603,113
Non-Employer Contributing Agency (State On Behalf)	\$	478,694
District (Employer)	\$	250,378

Contribution rates for the plan fiscal year (September to August) 2014 and 2015 are as follows:

	Contribution Rates Plan Fiscal Year	
	2015	2016
Member (Employee)	6.7%	7.2%
District (Employer)	6.8%	6.8%
Non-Employer Contributing Agency (State On Behalf)	6.8%	6.8%

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Pension Plan (Continued)

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

At August 31, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability, 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 net pension liability	\$ 2,988,977
State's proportionate share of the net pension liability associated with the District	<u>5,712,917</u>
Total	<u>\$ 8,701,894</u>

The net pension liability was measured as of August 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating entities. At August 31, 2015, the District's proportion was 0.0084557% which was an increase of 0.0037423% from its proportion measured as of August 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$ 813,999 and revenue of \$ 813,999 for support provided by the State.

At August 31, 2015, the District report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,193	\$ 114,869
Changes of actuarial assumptions	68,061	106,634
Net difference between projected and actual earnings on pension plan investments	736,119	288,604
Changes in proportion and different between District contributions and proportionate share of contributions	<u>855,203</u>	<u>881</u>
Total	<u>\$ 1,675,576</u>	<u>\$ 510,988</u>

At June 30, 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 Resources	Deferred Inflows of Resources
Total Amounts per August 31, 2015 measurement data	\$ 1,675,576	\$ 510,988
Contribution paid to TRS subsequent to the measurement data	<u>270,632</u>	<u>-</u>
Total Financial Statement Amounts	<u>\$ 1,946,208</u>	<u>\$ 510,988</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ 212,076
2018	212,076
2019	212,078
2020	308,276
2021	123,238
Thereafter	96,844

5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The active mortality rates were based on the 1994 Group Annuity Mortality Table set back 6 year for both males and females. The Post-retirement mortality rates were based on client specific tables multiplied by 80%. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2014 and adopted on September 24, 2015. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2015, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2015 they contained significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees has decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

The following assumptions were applied to this measurement period:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Smoothed Market
Actuarial Assumption:	
Discount Rate	8.00%
Long-term expected Investment Rate of Return *	8.00%
Salary Increases *	3.50% to 9.80%
Payroll Growth Rate	2.50%

* Includes Inflation of 2.50%

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Pension Plan (Continued)

6. 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 fiscal 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 new pension 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 expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension on pension plan investment 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 weighing 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:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
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 Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

F. Pension Plan (Continued)

7. Discount Rate Sensitivity Analysis

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (7%) or 1 – percentage point higher (9%) than the current rate:

	1% Decrease	Current Rate	1% Increase
District's proportional share of the net pension liability	\$ 4,683,164	\$ 2,988,977	\$ 1,577,825

8. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

Net Pension Liability	August 31, 2015	August 31, 2014
Total Pension Liability	\$ 163,887,375,172	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	(128,538,706,212)	(132,779,243,085)
Net Pension Liability	<u>\$ 35,348,668,960</u>	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	78.43%	83.25%

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at 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 Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

G. School District Retiree Health Plan (Continue)

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014 and 2013. Per Texas Insurance Code, Chapters 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 are shown in the table below for fiscal years 2015-2013.

Contribution Rates			
Year	Active Member	State	District
2016	0.65%	1.00%	0.55%
2015	0.65%	1.00%	0.55%
2014	0.65%	1.00%	0.55%

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 87,731 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 32,658 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Program.

H. Risk Management

Health Care

During the year ended, employees of the Community Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 300 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to Teacher Retirement System of Texas (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Community Independent School District and Teacher Retirement System of Texas (Aetna) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2015 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$ 109,221 for the 15-16 fiscal year. Additionally, the District incurred fixed costs of \$ 37,003 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

H. Risk Management (Continued)

The accrued liability for workers' compensation self-insurance of \$ 93,727 includes \$ 51,584 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in the workers' compensation claims liability amounts in fiscal periods 2016 and 2015 are represented below:

	2016	2015
Beginning Claims Liability	\$ 95,469	\$ 107,021
Claims Incurred (Reduced)	42,045	42,187
Claims Paid	<u>(43,787)</u>	<u>(53,739)</u>
Ending Claims Liability	<u>\$ 93,727</u>	<u>\$ 95,469</u>

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District does not appear to be involved in any litigation as of year end.

J. Commitments and Contingencies

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

K. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Alternative Education SSA	Caddo Mills Independent School District	Alternative Education
Collin County Juvenile Justice	Plano Independent School District	Juvenile Justice Education
Block Grants	Region X -Education Service Center	Title V Part A Title IV Part A Title III LEP Carl Perkins Voc. Ed. Learn & Serve

L. Revenue from Local and Intermediate Sources

During the year ended, the District received revenue from local and intermediate sources consisting of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
Property Tax Collections	\$ 6,884,145	\$ 2,675,742	\$ -	\$ 9,559,887
Investment Income	36,543	13,923	392	50,858
Food Service Income	-	-	325,057	325,057
Gifts and Bequests	-	-	53,547	53,547
Extracurricular Activities	53,011	-	-	53,011
Other	184,813	-	45,045	229,858
Total	<u>\$ 7,158,512</u>	<u>\$ 2,689,665</u>	<u>\$ 424,041</u>	<u>\$ 10,272,218</u>

M. Receivables

Receivables at year end, for the District's individual major funds and aggregate non-major funds, including any applicable allowances for uncollectible amounts are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Total</u>
Due from Other Governments	\$ 4,414,102	\$ 243,159	\$ 124,965	\$ 4,782,226
Property Taxes	846,764	263,558	-	1,110,322
Less Allowance for Uncollectible Property Taxes	(84,676)	(26,356)	-	(111,032)
Due from Other	-	-	713	713
Net Receivables	<u>\$ 5,176,190</u>	<u>\$ 480,361</u>	<u>\$ 125,678</u>	<u>\$ 5,782,229</u>

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

N. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle-up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
Current Year Earnings	\$ 312,983	\$ 9,712,473	\$ 94,374	\$ 379,275
Prior Year Settle Up	-	2,300	(20,403)	752
Financial Statement Earnings	\$ 312,983	\$ 9,714,773	\$ 73,971	\$ 380,027
Amounts Received	(224,273)	(5,389,311)	(28,791)	(182,048)
Receivable (Overpayment) *	<u>\$ 88,710</u>	<u>\$ 4,325,462</u>	<u>\$ 45,180</u>	<u>\$ 197,979</u>
Remaining CY Payments	88,710	2,219,278	-	-
CY Underpayments (Overpayment)	-	2,106,184	45,180	197,979

* Overpayments are represented as Unearned Revenue for both government wide and for governmental fund financial statements.

O. Subsequent Events

The District's management has evaluated subsequent events through October 31, 2016, the date which the financial statements were available for use

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

P. Change in Accounting Principles

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

- Statement No. 72, *Fair Value Measurement and Application*
 - Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
 - Statement No. 77, *Tax Abatement Disclosures*
- a) Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b) The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- c) Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue.

Q. Transfers To and From Other Funds

Transfer to and from other funds during the year ended, consisted of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Campus Activity Fund	\$ 13,500	Clear deficit

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

Data Control Codes				Variance with Final Budget Positive (Negative)	
Budgeted Amounts					
Original				Final	
Actual					
REVENUES					
5700	Local and Intermediate Sources	\$ 6,289,692	\$ 6,857,181	\$ 7,158,512	\$ 301,331
5800	State Program Revenues	9,400,613	10,283,113	10,694,918	411,805
5900	Federal Program Revenues	95,000	100,000	57,626	(42,374)
5020	Total Revenues	\$ 15,785,305	\$ 17,240,294	\$ 17,911,056	\$ 670,762
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 8,883,312	\$ 9,310,932	\$ 9,257,583	\$ 53,349
0012	Instructional Resources and Media Services	373,280	447,205	363,615	83,590
0013	Curriculum and Staff Development	128,751	112,336	84,163	28,173
	Total Instruction and Instr. Related Services	\$ 9,385,343	\$ 9,870,473	\$ 9,705,361	\$ 165,112
Instructional and School Leadership:					
0021	Instructional Leadership	\$ -	\$ 65,700	\$ 64,845	\$ 855
0023	School Leadership	1,095,392	1,153,440	1,060,439	93,001
	Total Instructional and School Leadership	\$ 1,095,392	\$ 1,219,140	\$ 1,125,284	\$ 93,856
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 397,103	\$ 440,876	\$ 401,322	\$ 39,554
0033	Health Services	195,396	209,296	191,198	18,098
0034	Student (Pupil) Transportation	910,464	1,021,624	971,699	49,925
0036	Co-Curricular/Extracurricular Activities	549,105	859,272	779,383	79,889
	Total Support Services - Student (Pupil)	\$ 2,052,068	\$ 2,531,068	\$ 2,343,602	\$ 187,466
Administrative Support Services:					
0041	General Administration	\$ 680,580	\$ 1,028,371	\$ 995,629	\$ 32,742
	Total Administrative Support Services	\$ 680,580	\$ 1,028,371	\$ 995,629	\$ 32,742
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 2,058,242	\$ 2,155,397	\$ 2,009,867	\$ 145,530
0052	Security and Monitoring Services	70,500	76,000	65,711	10,289
0053	Data Processing Services	-	37,064	33,438	3,626
	Total Support Services - Nonstudent Based	\$ 2,128,742	\$ 2,268,461	\$ 2,109,016	\$ 159,445
Ancillary Services:					
0061	Community Services	\$ 2,500	\$ 2,500	\$ 1,690	\$ 810
	Total Ancillary Services	\$ 2,500	\$ 2,500	\$ 1,690	\$ 810
Debt Service:					
0071	Principal on Long-Term Debt	\$ 250,000	\$ 143,600	\$ 143,592	\$ 8
0072	Interest on Long-term Debt	15,000	15,719	9,457	6,262
	Total Debt Service	\$ 265,000	\$ 159,319	\$ 153,049	\$ 6,270
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 96,962	\$ 96,962	\$ 65,789	\$ 31,173
0099	Other Intergovernmental Charges	60,000	64,000	60,918	3,082
	Total Intergovernmental Charges	\$ 156,962	\$ 160,962	\$ 126,707	\$ 34,255
6030	Total Expenditures	\$ 15,766,587	\$ 17,240,294	\$ 16,560,338	\$ 679,956
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 18,718	\$ -	\$ 1,350,718	\$ 1,350,718
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	\$ -	\$ -	\$ (13,500)	\$ (13,500)
	Net Other Financing Sources (Uses)	\$ -	\$ -	\$ (13,500)	\$ (13,500)
1200	Net Change in Fund Balance	\$ 18,718	\$ -	\$ 1,337,218	\$ 1,337,218
0100	Fund Balance - Beginning (July 1)	7,803,724	7,803,724	7,803,724	-
3000	Fund Balance - Ending (June 30)	\$ 7,822,442	\$ 7,803,724	\$ 9,140,942	\$ 1,337,218

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0084557%	0.0047134%
District's proportionate share of the net pension liability	\$ 2,988,977	\$ 1,259,014
State's proportionate share of the net pension liability associated with the District	<u>5,712,917</u>	<u>4,756,952</u>
Total	<u>\$ 8,701,894</u>	<u>\$ 6,015,966</u>
District's covered-employee payroll (for Measurement Year)	\$ 9,003,688	\$ 8,304,679
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	33.20%	15.16%
Plan fiduciary net position as a percentage of the total pension liability	78.43%	83.25%

Note: Only two years of data is presented in accordance with GASB 68, paragraph 138. "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."

COMMUNITY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST 10 FISCAL YEARS

	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 309,637	\$ 211,689
Contributions in relations to the contractual required contributions	<u>(309,637)</u>	<u>(211,689)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 10,655,503	\$ 8,824,280
Contributions as a percentage of covered employee payroll	2.91%	2.40%

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

Note: Only two years of date is presented in accordance with GASB 68, paragraph 138. "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."

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Budget

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

1. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

A. Changes of Assumptions

Economic Assumptions

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

Mortality Assumptions

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

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

A. Changes of Assumptions (Continued)

Other Demographic Assumptions

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

Actuarial Methods and Policies

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

B. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2016

Tax Roll Year	Last Ten Years Ended June 30	1	2	3	10	20	30	30a	40	50
		Tax Rates		Assessed/Appraised	Beginning	Current	Maintenance	Debt Service	Entire	Ending
		Maintenance	Debt Service	Value For School Tax Purposes	Balance 7/01/2015	Year's Total Levy	Tax Collections	Tax Collections	Year's Adjustments	Balance 6/30/2016
XXXX	2007 and Prior Years	Various	Various	Various	\$ 330,305	\$ -	\$ 2,691	\$ 331	\$ (18,227)	\$ 309,056
2007	2008	1.040000	0.455000	344,681,290	40,802	-	1,623	710	(1,367)	37,102
2008	2009	1.040000	0.455000	411,502,876	48,228	-	2,832	1,239	(1,365)	42,792
2009	2010	1.040000	0.455000	442,881,070	45,427	-	2,760	1,208	(1,317)	40,142
2010	2011	1.040000	0.455000	457,547,313	74,161	-	12,230	5,351	4,523	61,103
2011	2012	1.040000	0.455000	466,665,151	86,500	-	14,293	6,253	3,207	69,161
2012	2013	1.170000	0.455000	464,899,076	98,687	-	19,399	7,544	3,334	75,078
2013	2014	1.170000	0.445000	489,152,569	131,188	-	25,663	9,980	5,015	100,560
2014	2015	1.170000	0.445000	529,794,052	264,601	-	99,163	37,715	(1,879)	125,844
2015	2016	1.170000	0.455000	579,255,903	-	9,412,908	6,614,325	2,572,239	23,140	249,484
1000 TOTALS					\$ 1,119,899	\$ 9,412,908	\$ 6,794,979	\$ 2,642,570	\$ 15,064	\$ 1,110,322

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

Data Control Codes	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 462,000	\$ 282,000	\$ 325,449	\$ 43,449
5800	State Program Revenues	31,637	31,637	23,970	(7,667)
5900	Federal Program Revenues	314,459	496,959	521,289	24,330
5020	Total Revenues	\$ 808,096	\$ 810,596	\$ 870,708	\$ 60,112
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 807,367	\$ 810,596	\$ 757,044	\$ 53,552
	Total Support Services - Student (Pupil)	\$ 807,367	\$ 810,596	\$ 757,044	\$ 53,552
6030	Total Expenditures	\$ 807,367	\$ 810,596	\$ 757,044	\$ 53,552
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 729	\$ -	\$ 113,664	\$ 113,664
1200	Net Change in Fund Balance	\$ 729	\$ -	\$ 113,664	\$ 113,664
0100	Fund Balance - Beginning (July 1)	75,669	75,669	75,669	-
3000	Fund Balance - Ending (June 30)	\$ 76,398	\$ 75,669	\$ 189,333	\$ 113,664

COMMUNITY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and Intermediate Sources	\$ 2,158,271	\$ 2,158,271	\$ 2,689,665	\$ 531,394
5800	State Program Revenues	270,124	270,124	453,998	183,874
5020	Total Revenues	\$ 2,428,395	\$ 2,428,395	\$ 3,143,663	\$ 715,268
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,083,042	\$ 2,483,042	\$ 1,082,654	\$ 1,400,388
0072	Interest on Long-term Debt	1,227,387	1,227,387	1,001,190	226,197
0073	Debt Issuance Costs and Fees	2,800	2,800	283,781	(280,981)
	Total Debt Service	\$ 2,313,229	\$ 3,713,229	\$ 2,367,625	\$ 1,345,604
6030	Total Expenditures	\$ 2,313,229	\$ 3,713,229	\$ 2,367,625	\$ 1,345,604
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 115,166	\$ (1,284,834)	\$ 776,038	\$ 2,060,872
OTHER FINANCIING SOURCES USES					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 9,300,000	\$ 9,300,000
7916	Premium or Discount on Issuance of Bonds	-	-	1,392,496	1,392,496
8949	Other Uses	-	-	(11,910,767)	(11,910,767)
7080	Net Other Financing Sources and Uses	\$ -	\$ -	\$ (1,218,271)	\$ (1,218,271)
1200	Net Change in Fund Balance	\$ 115,166	\$ (1,284,834)	\$ (442,233)	\$ 842,601
0100	Fund Balance - Beginning (July 1)	3,601,860	3,601,860	3,601,860	-
3000	Fund Balance - Ending (June 30)	\$ 3,717,026	\$ 2,317,026	\$ 3,159,627	\$ 842,601

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

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other Sources of information concerning nonpayment of any terms of any debt Agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the Financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material Weaknesses in internal controls over financial reporting and compliance For local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more Than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial Statements at fiscal year-end.	\$ 2,330,631
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,988,977
SF13	Pension Expense (6147) at fiscal year-end.	\$ 116,373

FEDERAL AWARDS SECTION

COMMUNITY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(2A) Pass-Through Grantor's Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Education Service Center, Region X:			
ESEA Title III Part A - LEP	84.365	15671001057950	\$ 28,600
ESEA Title II Part A - Teacher & Principal Training	84.367	15694501057950	30,511
ESEA Title I Part A - Improving Basic Programs	84.010	15610101057950	<u>83,316</u>
Total passed through Education Service Center, Region X			<u>\$ 142,427</u>
Passed through the Texas Education Agency:			
IDEA-B Formula (B) *	84.027	156600010439186600	\$ 293,369
IDEA-B Preschool (B) *	84.173	156600010439186611	<u>2,671</u>
Total passed through the Texas Education Agency			<u>\$ 296,040</u>
Total Department of Education			<u>\$ 438,467</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program (A)	10.553	0600	\$ 103,170
National School Lunch Program (A)	10.555	0600	363,860
Commodity Supplemental Food Program	10.565	043011A	<u>54,259</u>
Total Department of Agriculture			<u>\$ 521,289</u>
Total Expenditure of Federal Awards			<u>\$ 959,756</u>

* Denotes Major Program

Program Clusters:

A- Child Nutrition

B - Special Education

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

COMMUNITY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Community Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at year end.

C. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$ 959,756
School Health and Related Services	<u>57,626</u>
Federal Revenue (Exhibit C-3)	<u>\$ 1,017,382</u>