

Comal Independent School District

Annual Financial Report

For the Year Ended August 31, 2011

Comal Independent School District

Annual Financial Report

For the Year Ended August 31, 2011

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Introductory Section

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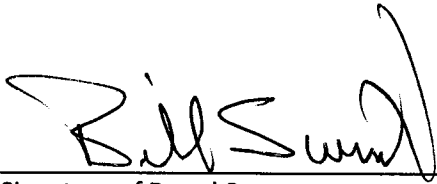
Certificate of Board

Comal Independent School District
Name of School District

Comal
County

046-902
County District Number

We, the undersigned, certify that the attached annual financial report of the above-named school district was reviewed and (check one) approved _____ disapproved for the year ended August 31, 2011, at a meeting of the Board of Trustees of such school district on the 16 day of December, 2011.



Signature of Board Secretary



Signature of Board President

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

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Financial Section

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Independent Auditors' Report

To the Board of Trustees
Comal Independent School District
New Braunfels, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Comal Independent School District (the "District"), as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2011, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Notes A and T, the District implemented the provisions of Government Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of September 1, 2010. The implementation of GASB Statement No. 54 required the beginning fund balances of the special revenue funds to be restated, as described in Note T of the notes to financial statements.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2011, 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund on pages 11 through 19 and 64 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information, as listed in the table of contents, and the accompanying Schedule of Expenditures of Federal Awards, as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Padgett, Stratemann + Co., LLP

Certified Public Accountants
December 7, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of Comal Independent School District’s (the “District”) Annual Financial Report presents our discussion and analysis of the District’s financial performance during the fiscal year ended August 31, 2011. Please read it in conjunction with the District’s financial statements, which follow this section.

Financial Highlights – Fund Financial Statements (Page 28)

- The General Fund reported a net change in fund balance of (\$24,697,295) from last year, with an ending fund balance this year of \$31,579,183. This decrease is due to a transfer of approximately \$30,300,000 to the capital projects fund to fund construction activity.

Financial Highlights – Government-Wide Financial Statements (Pages 22-23)

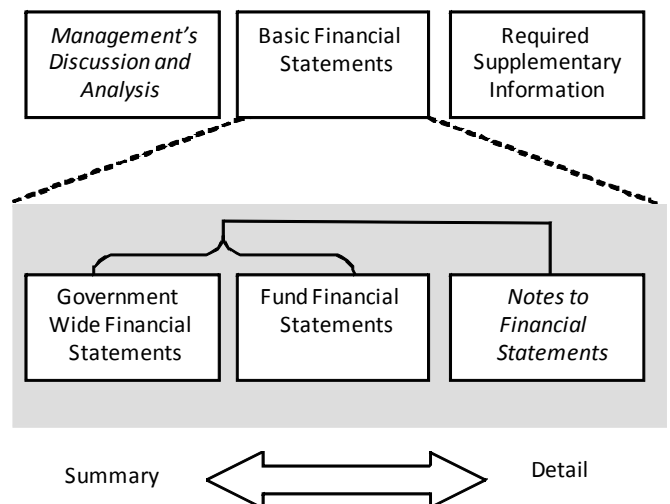
- The District’s total combined governmental activities net assets totaled \$18,789,497 at August 31, 2011.
- During the year, the District’s expenses were \$11,668,031 more than the \$192,391,304 generated in taxes and other revenues for governmental activities.
- The total cost of the District’s programs increased by 7.9% from last year, mainly due to salary increases, rising interest costs, and an increase in Chapter 41 payments.
- An enterprise fund to house catering expenses was created in 2010. It reported unrestricted net assets of \$8,538 and a change in net assets of \$0 for the year ended August 31, 2011.

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.

Table A-1 Required Components of the District’s Annual Financial Report



The *Governmental Funds* statements tell how *general government* services were financed in the *short term*, as well as what remains for future spending.

- *Proprietary Funds* statements offer short- and long-term financial information about activities the government operates like businesses, such as self-insurance services.
- *Fiduciary Funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the 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 financial statements. Table A-1 shows how the required parts of this annual report are arranged and relate to one another.

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 assets includes all the government's assets and liabilities. All 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 assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

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

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 instructional 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 the District uses to keep track of specific sources of funding and spending for particular purposes.

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

The District has Governmental Funds, Proprietary Funds, and Fiduciary 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 Funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the Governmental Funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary Funds* – Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail.
- *Fiduciary Funds* – The District is the trustee, or fiduciary, for resources held for the benefit of others, such as the Student Activity Fund. Fiduciary activities are reported in the statement of fiduciary net assets. The resources accounted for in these funds are not available to finance the District’s operations and are thus excluded from the District’s government-wide financial statements. As the fiduciary, the District is responsible for ensuring these resources are used only for their intended uses.

Financial Analysis of the District as a Whole

Net Assets

The District’s combined governmental activities net assets decreased 37% to \$18,789,497 at August 31, 2011 (see Table A-2).

Table A-2
The District's Net Assets

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Assets			
Cash and cash equivalents	\$ 65,083,319	\$ 110,391,343	(41.04%)
Investments	35,469,078	45,969,934	(22.84%)
Property taxes receivable – net	4,523,032	4,725,915	(4.29%)
Due from other governments	5,105,456	2,643,936	93.10%
Other assets	3,832,304	2,518,579	52.16%
Land	38,111,487	33,663,615	13.21%
Buildings and improvements – net	455,439,042	400,610,769	13.69%
Equipment and vehicles – net	11,328,731	10,894,203	3.99%
Construction in progress	<u>1,295,791</u>	<u>29,976,761</u>	(95.68%)
Total assets	\$ <u>620,188,240</u>	\$ <u>641,395,055</u>	(3.31%)
Liabilities			
Accounts payable	\$ 6,027,524	\$ 15,129,402	(60.16%)
Accrued interest payable	2,253,932	2,955,250	(23.73%)
Accrued liabilities	7,074,983	6,725,851	5.19%
Due to other governments	3,273,575	583,302	461.21%
Deferred revenues	399,076	523,861	(23.82%)
Noncurrent liabilities:			
Due within one year	12,621,528	12,878,742	(2.00%)
Due in more than one year	<u>569,748,125</u>	<u>572,821,089</u>	(0.54%)
Total liabilities	<u>601,398,743</u>	<u>611,617,497</u>	(1.67%)
Net Assets			
Invested in capital assets – net of related debt	(22,794,814)	(17,096,770)	33.33%
Restricted	7,889,414	12,617,493	(37.47%)
Unrestricted	<u>33,694,897</u>	<u>34,256,835</u>	(1.64%)
Total net assets	<u>18,789,497</u>	<u>29,777,558</u>	(36.90%)
Total liabilities and net assets	\$ <u>620,188,240</u>	\$ <u>641,395,055</u>	(3.31%)

Changes in Net Assets

The District's total revenues totaled \$192,391,304. Approximately 66% of the District's revenues came from taxes, 15% from State Foundation Funds, 1% from investment earnings, 13% from grants, and 5% relating to charges for services (see Table A-3).

The total cost of all programs and services was \$204,059,335, of which approximately 53% of these costs are for instructional and student services, including transportation costs.

Table A-3
The District's Revenues and Expenditures

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Revenues			
Program revenues:			
Charges for services	\$ 9,323,040	\$ 7,097,006	31.37%
Operating grants and contributions	25,585,845	17,168,773	49.03%
General revenues:			
Property taxes	128,313,830	125,068,122	2.60%
Investment earnings	366,669	2,442,814	(84.99%)
Grants and contributions not restricted to specific programs	28,801,920	28,766,949	0.12%
Miscellaneous local and intermediate revenue	-	1,538	(100.00%)
Total revenues	<u>192,391,304</u>	<u>180,545,202</u>	6.56%
Expenditures			
Current:			
Instruction	89,707,178	87,750,762	2.23%
Instructional resources and media services	2,122,630	1,969,772	7.76%
Curriculum and instructional staff development	2,080,073	2,471,319	(15.83%)
Instructional leadership	1,993,215	1,875,031	6.30%
School leadership	8,637,843	7,915,924	9.12%
Guidance, counseling, and evaluation services	4,927,897	4,676,009	5.39%
Social work services	1,642,723	1,578,499	4.07%
Health services	1,662,848	1,502,936	10.64%
Student (pupil) transportation	7,981,182	7,239,406	10.25%
Food services	8,384,146	7,859,656	6.67%
Co-curricular/extracurricular activities	5,300,418	3,932,636	34.78%
General administration	3,465,466	3,549,809	(2.38%)
Plant maintenance and operations	16,918,226	16,232,562	4.22%
Security and monitoring services	548,904	588,494	(6.73%)
Data processing services	2,897,243	2,393,439	21.05%
Community services	2,349,443	1,933,111	21.54%
Interest on long-term debt	32,404,579	26,294,376	23.24%
Debt service – bond issuance cost and fees	170,789	-	100.00%
Facilities acquisition and construction	1,464,668	1,079,765	35.65%
Contracted instructional services between public schools (Chapter 41 payments)	8,282,108	7,262,985	14.03%
Other intergovernmental charges	1,117,756	1,073,926	4.08%
Total expenditures	<u>204,059,335</u>	<u>189,180,417</u>	7.86%
Deficiency of revenues under expenditures	\$ <u><u>(11,668,031)</u></u>	\$ <u><u>(8,635,215)</u></u>	35.12%

Governmental Activities

General revenues increased by 1% from the prior year largely due to additional revenue received because of increased enrollment. Expenditures increased during the current year by 8%. The most significant changes were in wage increases, rising interest costs and staffing for new schools.

- Property tax values decreased by approximately \$330,032,000 or 3.4%; property tax rates for maintenance remained unchanged while the rate for debt service increased \$0.06 to \$0.33.

Table A-4 presents the cost of each of the District’s largest functions, as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects state revenues, as well as local tax dollars funded.

- The cost of all governmental activities this year was \$204,059,335.
- However, the amount taxpayers paid for these activities through property taxes was only \$128,313,830.
- Costs paid by those who directly benefited from the programs amounted to \$9,323,040. Costs paid by grants and contributions totaled \$25,585,845.
- The cost of all business-type activities this year was \$73,215.

**Table A-4
The District’s Net Cost of Selected District Functions**

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Instruction	\$ 89,707,178	\$ 87,750,762	2.23%
Student (pupil) transportation	7,981,182	7,239,406	10.25%
General administration	3,465,466	3,549,809	(2.38%)
Plant maintenance and operations	16,918,226	16,232,562	4.22%
Interest on long-term debt	32,404,579	26,294,376	23.24%

Financial Analysis of the District’s Funds

The General Fund is the District’s operating fund. At the end of fiscal year 2011, the fund balance totaled \$31,579,183. The fund balance decreased by 44% from 2010, primarily due to a transfer of \$30,321,347 to the Capital Projects Fund to fund construction projects.

The Debt Service Fund accounts for amounts held for the repayment of long-term debt. At the end of fiscal year 2011, the fund balance was \$5,656,472. The fund balance decreased by 50% from 2010, primarily due to debt service payments in excess of tax revenues.

The Capital Projects Fund accounts for the construction activities of the District. At the end of fiscal year 2011, the fund balance totaled \$48,716,422. The fund balance decreased by 26% from 2010. During 2011, the District was able to complete several major construction projects.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. Actual expenditures were \$4,972,761 under final budget amounts. The District’s revenues were \$515,187 above budgeted amounts and are attributed to an increase in state foundation revenues and SHARS funding.

Capital Assets and Debt Administration

Capital Assets

At the end of 2011, the District had invested \$506,175,051 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles, and construction in progress (see Table A-5). This amount represents a net increase (including additions and deductions) of \$31,029,703 or 7%.

**Table A-5
The District’s Capital Assets**

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Land	\$ 38,111,487	\$ 33,663,615	13.21%
Buildings and improvements – net	455,439,042	400,610,769	13.69%
Equipment and vehicles – net	11,328,731	10,894,203	3.99%
Construction in progress	<u>1,295,791</u>	<u>29,976,761</u>	(95.68%)
Net capital assets	<u>\$ 506,175,051</u>	<u>\$ 475,145,348</u>	6.53%

Long-Term Debt

At year-end, the District had \$561,031,865 in outstanding long-term debt, as shown in Table A-6. Of this amount, \$508,685,000 is for general obligation bonds. More detailed information about the District’s debt is presented in the notes to financial statements.

Bond Ratings

The District’s bonds presently carry “AA2” ratings with Moody’s Investor Services and an AA rating with Fitch.

Table A-6
The District's Long-Term Debt

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	
Unlimited Tax School Building and Refunding Bonds, Series 1996	\$ 7,973,446	\$ 9,081,654	(12.20%)
Unlimited Tax School Building Bonds, Series 2001	-	8,710,000	(100.00%)
Unlimited Tax School Building Bonds, Series 2002	-	2,895,000	(100.00%)
Unlimited Tax Refunding Bonds, Series 2004	7,969,090	8,046,505	(0.96%)
Unlimited Tax Refunding Bonds, Series 2005	31,161,031	31,836,413	(2.12%)
Unlimited Tax Refunding Bonds, Series 2005A	60,416,437	60,327,068	0.15%
Unlimited Tax School Building Bonds, Series 2006	100,290,000	101,550,000	(1.24%)
Unlimited Tax Refunding Bonds, Series 2006A	26,398,282	26,581,489	(0.69%)
Unlimited Tax School Building Bonds, Series 2007	81,225,000	81,225,000	-
Unlimited Tax School Building Bonds, Series 2008	4,760,000	5,435,000	(12.42%)
Unlimited Tax School Building Bonds, Series 2008A	155,380,810	158,393,688	(1.90%)
Unlimited Tax School Building Bonds, Series 2009	63,787,769	55,922,443	14.06%
Unlimited Tax Refunding Bonds, Series 2010	12,930,000	12,940,000	(0.08%)
Unlimited Tax Refunding Bonds, Series 2011	<u>8,740,000</u>	<u>-</u>	100.00%
Total bonds payable	561,031,865	562,944,260	(0.34%)
Bond premiums – net	24,875,761	26,198,710	(5.05%)
Compensated absences	1,121,117	1,241,099	(9.67%)
Gain on refinancing of bonds	791,222	852,086	(7.14%)
Loss on refunded bonds – net	(6,078,953)	(6,669,592)	(8.86%)
Arbitrage payable	<u>628,641</u>	<u>1,133,268</u>	(44.53%)
Total long-term debt	<u>\$ 582,369,653</u>	<u>\$ 585,699,831</u>	(0.57%)

Economic Factors and Next Year's Budgets and Rates

- Certified value used for the 2011-2012 budget preparation will be down \$234,000,000 or 2.5% from last year.
- The District's 2012 refined average daily attendance is expected to be 16,806, an increase of 2.7%.

These indicators were taken into account when adopting the General Fund budget for 2011-2012. General Fund revenue (net of Chapter 41 payments) is budgeted to decrease approximately \$3,250,000 or 2.5%, as compared to estimated revenue for 2010-2011. The largest decreases are in payroll, capital projects, and utilities. The District will receive \$5,727 per weighted-average daily attendance ("WADA"), which is \$142 less per WADA than in 2010-11. WADA is expected to increase 416 students in 2011-2012.

If these estimates are realized, the District's budgetary General Fund balance is not expected to increase or decrease by the close of 2012. The District's estimated General Fund balance at August 31, 2012 is a healthy \$31,600,000.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office at Comal Independent School District, 1404 IH-35 North, New Braunfels, Texas 78130.

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Basic Financial Statements

Comal Independent School District

Exhibit A-1 Statement of Net Assets

August 31, 2011

<u>Data Control Codes</u>	<u>1</u>	<u>2</u>	<u>3</u>
	Governmental Activities	Business-Type Activities	Total
Assets			
1110	\$ 65,083,319	\$ (5,052)	\$ 65,078,267
1120	35,469,078	-	35,469,078
1225	4,523,032	-	4,523,032
1240	5,105,456	-	5,105,456
1267	717,240	-	717,240
1290	828,136	16,336	844,472
1310	158,021	-	158,021
1420	2,128,722	-	2,128,722
1490	185	-	185
Capital assets:			
1510	38,111,487	-	38,111,487
1520	455,439,042	-	455,439,042
1530	11,328,731	-	11,328,731
1580	1,295,791	-	1,295,791
1000	<u>\$ 620,188,240</u>	<u>\$ 11,284</u>	<u>\$ 620,199,524</u>
Liabilities			
2110	\$ 6,027,524	\$ 2,746	\$ 6,030,270
2140	2,253,932	-	2,253,932
2150	935,832	-	935,832
2160	4,605,754	-	4,605,754
2177	901	-	901
2180	3,273,575	-	3,273,575
2190	294	-	294
2200	1,532,202	-	1,532,202
2300	399,076	-	399,076
Noncurrent liabilities			
2501	12,621,528	-	12,621,528
2502	569,748,125	-	569,748,125
2000	<u>601,398,743</u>	<u>2,746</u>	<u>601,401,489</u>
Net Assets			
3200	Invested in capital assets – net of related debt	-	(22,794,814)
Restricted for:			
3820	Federal and state grants	-	2,232,942
3850	Debt service	-	5,656,472
3900	Unrestricted	8,538	33,703,435
3000	<u>\$ 18,789,497</u>	<u>\$ 8,538</u>	<u>\$ 18,798,035</u>

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit B-1 Statement of Activities

Year Ended August 31, 2011

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Assets		Total
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
0011	Instruction	\$ 89,707,178	\$ 2,941,280	\$ 12,780,091	\$ (73,985,807)	\$ -	\$ (73,985,807)
0012	Instructional resources and media services	2,122,630	15,188	95,401	(2,012,041)	-	(2,012,041)
0013	Curriculum and instructional staff development	2,080,073	15,188	790,026	(1,274,859)	-	(1,274,859)
0021	Instructional leadership	1,993,215	15,188	224,650	(1,753,377)	-	(1,753,377)
0023	School leadership	8,637,843	60,754	376,218	(8,200,871)	-	(8,200,871)
0031	Guidance, counseling, and evaluation services	4,927,897	30,377	542,539	(4,354,981)	-	(4,354,981)
0032	Social work services	1,642,723	15,188	885,526	(742,009)	-	(742,009)
0033	Health services	1,662,848	15,188	78,250	(1,569,410)	-	(1,569,410)
0034	Student (pupil) transportation	7,981,182	60,754	307,663	(7,612,765)	-	(7,612,765)
0035	Food services	8,384,146	4,134,040	3,496,604	(753,502)	-	(753,502)
0036	Co-curricular/extracurricular activities	5,300,418	1,503,488	122,855	(3,674,075)	-	(3,674,075)
0041	General administration	3,465,466	45,565	215,965	(3,203,936)	-	(3,203,936)
0051	Plant maintenance and operations	16,918,226	121,508	5,141,878	(11,654,840)	-	(11,654,840)
0052	Security and monitoring services	548,904	15,188	113,021	(420,695)	-	(420,695)
0053	Data processing services	2,897,243	30,377	158,815	(2,708,051)	-	(2,708,051)
0061	Community services	2,349,443	15,188	230,039	(2,104,216)	-	(2,104,216)
0072	Interest on long-term debt	32,404,579	227,828	225	(32,176,526)	-	(32,176,526)
0073	Debt service – bond issuance cost and fees	170,789	-	-	(170,789)	-	(170,789)
0081	Facilities acquisition and construction	1,464,668	15,188	26,079	(1,423,401)	-	(1,423,401)
0091	Contracted instructional services between public schools (Chapter 41 payments)	8,282,108	45,565	-	(8,236,543)	-	(8,236,543)
0099	Other intergovernmental charges	1,117,756	-	-	(1,117,756)	-	(1,117,756)
TG	Total governmental activities	204,059,335	9,323,040	25,585,845	(169,150,450)	-	(169,150,450)
Business-type activities:							
01	Food service – catering	73,215	73,215	-	-	-	-
TP	Total primary government	\$ 204,132,550	\$ 9,396,255	\$ 25,585,845	(169,150,450)	-	(169,150,450)
General revenues:							
Property taxes:							
MT	Levied for general purposes				97,519,804	-	97,519,804
DT	Levied for debt service				30,794,026	-	30,794,026
IE	Investment earnings				366,669	-	366,669
GC	Grants and contributions not restricted to specific programs				28,801,920	-	28,801,920
TR	Total general revenues				157,482,419	-	157,482,419
CN	Change in net assets				(11,668,031)	-	(11,668,031)
NB	Net assets at beginning of year – as previously reported				29,777,558	8,538	29,786,096
	Prior period adjustment – Note T				679,970	-	679,970
	Net assets at beginning of year – restated				30,457,528	8,538	30,466,066
NE	Net assets at end of year				\$ 18,789,497	\$ 8,538	\$ 18,798,035

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit C-1 Balance Sheet – Governmental Funds

August 31, 2011

Data Control Codes		10 General Fund
	Assets	
1110	Cash and cash equivalents	\$ 4,330,572
1120	Investments	35,057,364
1225	Property taxes receivable – net	3,577,892
1240	Due from other governments	2,449,978
1260	Due from other funds	4,319
1290	Other receivables	819,350
1310	Inventory	158,021
1490	Other current assets	<u>185</u>
1000	Total assets	\$ <u>46,397,681</u>
	Liabilities	
2110	Accounts payable	\$ 2,067,673
2150	Payroll deductions and withholdings	935,832
2160	Accrued wages payable	4,412,413
2170	Due to other funds	3,302
2180	Due to other governments	3,255,790
2190	Due to student groups	294
2200	Accrued expenditures	557,466
2300	Deferred revenues	<u>3,585,728</u>
2000	Total liabilities	<u>14,818,498</u>
	Fund Balances	
	Nonspendable:	
3410	Inventory	158,021
	Restricted:	
3450	Federal and state grant programs	-
3470	Capital acquisition program	-
3480	Retirement of long-term debt	-
3490	Other purposes	-
	Committed:	
3590	Construction	-
3600	Unassigned	<u>31,421,162</u>
3000	Total fund balances	<u>31,579,183</u>
4000	Total liabilities and fund balances	\$ <u>46,397,681</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 5,639,237	\$ 51,690,637	\$ (5,227)	\$ 61,655,219
17,235	394,479	-	35,469,078
945,140	-	-	4,523,032
-	-	2,655,478	5,105,456
-	3,381	718,326	726,026
-	-	8,786	828,136
-	-	-	158,021
-	-	-	185
<u>\$ 6,601,612</u>	<u>\$ 52,088,497</u>	<u>\$ 3,377,363</u>	<u>\$ 108,465,153</u>
\$ -	\$ 3,350,909	\$ 546,218	\$ 5,964,800
-	-	-	935,832
-	-	193,341	4,605,754
-	3,381	3,004	9,687
-	17,785	-	3,273,575
-	-	-	294
-	-	2,779	560,245
945,140	-	399,076	4,929,944
<u>945,140</u>	<u>3,372,075</u>	<u>1,144,418</u>	<u>20,280,131</u>
-	-	-	158,021
-	-	690,332	690,332
-	18,395,075	-	18,395,075
5,656,472	-	-	5,656,472
-	-	1,542,613	1,542,613
-	30,321,347	-	30,321,347
-	-	-	31,421,162
<u>5,656,472</u>	<u>48,716,422</u>	<u>2,232,945</u>	<u>88,185,022</u>
<u>\$ 6,601,612</u>	<u>\$ 52,088,497</u>	<u>\$ 3,377,363</u>	<u>\$ 108,465,153</u>

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Comal Independent School District

Exhibit C-1R Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

August 31, 2011

Total fund balances – Governmental Funds balance sheet	\$ 88,185,022
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	602,180,315
Accumulated depreciation used in governmental activities is not reported in the funds.	(96,005,264)
Payables for bond principal, which are not due and payable in the current period, are not reported in the funds.	(561,031,865)
Accrued interest payable, which is not due in the current period, is not recorded in the funds.	(2,253,932)
Certain property tax revenues are deferred in the funds and are included in the governmental activities.	4,530,868
The deferred loss on debt refundings is not reported in the funds.	6,078,953
Capitalized bond issuance costs are not reported in the funds.	2,128,722
Unamortized gain from debt refinancing is not reported in the funds.	(791,222)
Bond premium and discounts on bonds are not reported in the funds.	(24,875,761)
Compensated absences are recorded in governmental activities and not in the funds – long-term portion.	(747,404)
The net assets of the Internal Service Funds are reported in governmental activities.	2,019,706
Arbitrage payable, which is not due in the current period, is not reported in the funds.	<u>(628,641)</u>
Net assets of governmental activities – statement of net assets	<u>\$ 18,789,497</u>

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit C-2

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended August 31, 2011

Data Control Codes		General Fund
	Revenues	
5700	Local and intermediate sources	\$ 99,851,543
5800	State program revenues	33,422,750
5900	Federal program revenues	<u>1,426,788</u>
5020	Total revenues	<u>134,701,081</u>
	Expenditures	
	Current:	
0011	Instruction	69,901,807
0012	Instructional resources and media services	1,808,687
0013	Curriculum and instructional staff development	1,103,271
0021	Instructional leadership	1,665,491
0023	School leadership	7,691,086
0031	Guidance, counseling, and evaluation services	4,113,424
0032	Social work services	621,434
0033	Health services	1,499,318
0034	Student (pupil) transportation	8,274,610
0035	Food services	-
0036	Co-curricular/extracurricular activities	3,752,685
0041	General administration	3,054,163
0051	Plant maintenance and operations	10,889,305
0052	Security and monitoring services	400,472
0053	Data processing services	2,860,664
0061	Community services	-
	Debt service:	
0071	Principal on long-term debt	14,459
0072	Interest on long-term debt	-
0073	Bond issuance costs and fees	-
	Capital outlay:	
0081	Facilities acquisition and construction	2,095,340
	Intergovernmental:	
0091	Contracted instructional services between public schools (Chapter 41 payments)	8,282,108
0099	Other intergovernmental charges	<u>1,117,757</u>
6030	Total expenditures	<u>129,146,081</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>5,555,000</u>
	Other Financing Sources (Uses)	
7911	Bond proceeds	-
7913	Capital leases	69,052
7915	Transfers in	-
7916	Premium (discount) on issuance of bonds	-
8911	Transfers out	(30,321,347)
8949	Payment for bond refunding	<u>-</u>
7080	Total other financing sources (uses)	<u>(30,252,295)</u>
1200	Net change in fund balances	<u>(24,697,295)</u>
0100	Fund balances at beginning of year – as previously reported	56,276,478
	Prior period adjustment – Note T	<u>-</u>
	Net assets at beginning of year – restated	<u>56,276,478</u>
3000	Fund balances at end of year	<u>\$ 31,579,183</u>

The accompanying notes are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 30,783,263	\$ 223,029	\$ 7,632,040	\$ 138,489,875
-	-	1,226,262	34,649,012
-	-	18,265,137	19,691,925
<u>30,783,263</u>	<u>223,029</u>	<u>27,123,439</u>	<u>192,830,812</u>
-	2,389,275	8,907,966	81,199,048
-	103,723	15,135	1,927,545
-	1,026	731,019	1,835,316
-	0	142,022	1,807,513
-	159,643	3,129	7,853,858
-	-	351,366	4,464,790
-	-	864,957	1,486,391
-	11,392	3,288	1,513,998
-	67,526	1,650	8,343,786
-	-	7,614,133	7,614,133
-	89,750	1,126,083	4,968,518
-	-	80,317	3,134,480
-	26,427	4,695,390	15,611,122
-	-	102,753	503,225
-	-	63,184	2,923,848
-	-	2,157,989	2,157,989
8,769,583	-	2,275	8,786,317
27,580,214	17,785	226	27,598,225
101,468	-	-	101,468
-	44,473,542	-	46,568,882
-	-	-	8,282,108
-	-	-	1,117,757
<u>36,451,265</u>	<u>47,340,089</u>	<u>26,862,882</u>	<u>239,800,317</u>
<u>(5,668,002)</u>	<u>(47,117,060)</u>	<u>260,557</u>	<u>(46,969,505)</u>
8,740,000	-	-	8,740,000
-	-	-	69,052
-	30,321,347	-	30,321,347
93,486	-	-	93,486
-	-	-	(30,321,347)
<u>(8,834,087)</u>	<u>-</u>	<u>-</u>	<u>(8,834,087)</u>
<u>(601)</u>	<u>30,321,347</u>	<u>-</u>	<u>68,451</u>
<u>(5,668,603)</u>	<u>(16,795,713)</u>	<u>260,557</u>	<u>(46,901,054)</u>
11,325,075	65,512,135	1,292,418	134,406,106
-	-	679,970	679,970
<u>11,325,075</u>	<u>65,512,135</u>	<u>1,972,388</u>	<u>135,086,076</u>
<u>\$ 5,656,472</u>	<u>\$ 48,716,422</u>	<u>\$ 2,232,945</u>	<u>\$ 88,185,022</u>

Comal Independent School District

Exhibit C-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities

August 31, 2011

Net change in fund balances – total Governmental Funds	\$ (46,901,054)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the statement of activities.	46,949,385
The depreciation of capital assets used in governmental activities is not reported in the funds.	(15,685,333)
The disposal of real or personal property is not recorded in the funds.	(234,348)
Interest accrued on capital appreciation bonds is not expensed in the funds.	(9,847,605)
The bond payments and refundings are expensed in the funds.	11,685,000
Amortization of bond premiums are not reported as an expense in the statement of net assets.	1,416,434
The loss on refunding bonds is expensed in the funds.	(590,639)
Amortization of gain from debt refinancing is not recorded in the funds.	60,864
Bond issuance costs on issued bonds are expensed in the funds.	96,500
Amortization of bond issuance costs are expensed in governmental activities.	(165,821)
Amortization of loss on refunded debt is expensed in governmental activities.	8,815,000
Interest accrued on bonds is not reported in the funds.	701,318
The bond proceeds are recorded as other sources in the funds and as increases to long-term debt on the statement of net assets.	(8,740,000)
Bond premium and discounts on issued bonds are capitalized in the statement of net assets.	(93,485)
The change in compensated absences is recorded in governmental activities and not in the funds.	79,988
The change in General Fund property tax deferred revenue is not reported in the funds.	(232,985)
The change in debt service property tax deferred revenue is not reported in the funds.	30,102
The net revenue of the Internal Service Funds is reported in the governmental activities and not in the funds.	484,021
The change in the arbitrage liability is not reported in the funds.	504,627
Change in net assets of governmental activities – statement of activities	\$ <u>(11,668,031)</u>

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit D-1 Statement of Net Assets – Proprietary Funds

August 31, 2011

<u>Data Control Codes</u>		<u>Business-Type Activities</u>	<u>Governmental Activities</u>
		<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>
	Assets		
1110	Cash and cash equivalents	\$ (5,052)	\$ 3,428,100
1290	Other receivables	<u>16,336</u>	<u>-</u>
1000	Total assets	<u><u>\$ 11,284</u></u>	<u><u>\$ 3,428,100</u></u>
	Liabilities		
2110	Accounts payable	\$ 2,746	\$ 62,725
2200	Accrued expenses	<u>-</u>	<u>1,345,669</u>
2000	Total liabilities	<u><u>\$ 2,746</u></u>	<u><u>\$ 1,408,394</u></u>
	Net Assets		
3900	Unrestricted net assets	<u>8,538</u>	<u>2,019,706</u>
3000	Total net assets	<u><u>\$ 8,538</u></u>	<u><u>\$ 2,019,706</u></u>

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit D-2

Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds

Year Ended August 31, 2011

<u>Data Control Codes</u>		<u>Business-Type Activities</u>	<u>Governmental Activities</u>
		<u>Total Enterprise Funds</u>	<u>Total Internal Service Funds</u>
	Operating Revenues		
5700	Local and intermediate sources	\$ <u>73,215</u>	\$ <u>1,173,264</u>
5020	Total operating revenues	<u>73,215</u>	<u>1,173,264</u>
	Operating Expenses		
6100	Payroll costs	3,052	689,243
6200	Professional and contracted services	204	-
6300	Supplies and materials	<u>69,959</u>	<u>-</u>
6030	Total operating expenses	<u>73,215</u>	<u>689,243</u>
1300	Change in net assets	-	484,021
0100	Fund balance at beginning of year	<u>8,538</u>	<u>1,535,685</u>
3000	Fund balance at end of year	\$ <u><u>8,538</u></u>	\$ <u><u>2,019,706</u></u>

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit D-3 Statement of Cash Flows – Proprietary Funds

Year Ended August 31, 2011

	Business-Type Activities	Governmental Activities
	Total Enterprise Funds	Total Internal Service Funds
Cash Flows From Operating Activities		
Cash received from customers	\$ 73,215	\$ 1,173,264
Cash paid to suppliers	(69,959)	-
Cash paid to employees	(21,995)	(643,962)
Cash paid to professionals and contractors	(204)	-
	(18,943)	529,302
Net cash provided by (used in) operating activities	(18,943)	529,302
Cash and cash equivalents at beginning of year	13,891	2,898,798
Cash and cash equivalents at end of year	\$ (5,052)	\$ 3,428,100
Reconciliation of Change in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Change in net assets	\$ -	\$ 484,021
Changes in:		
Increase in accounts payable	2,344	31,073
Increase in interfund receivables	(12,887)	-
Decrease in interfund payables	(8,400)	-
Decrease in accrued expenses	-	14,208
	(18,943)	45,281
Total adjustments	(18,943)	45,281
Net cash provided by (used in) operating activities	\$ (18,943)	\$ 529,302

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit E-1 Statement of Fiduciary Net Assets – Fiduciary Funds

August 31, 2011

<u>Data Control Codes</u>		<u>Agency Fund</u>	<u>Private-Purpose Trust Fund</u>
		<u>Student Activity Funds</u>	<u>Scholarship Nonexpendable Trust Fund</u>
	Assets		
1110	Cash and cash equivalents	\$ 1,601,539	\$ 125,590
1260	Due from other funds	<u>901</u>	<u>-</u>
1000	Total assets	<u><u>\$ 1,602,440</u></u>	<u><u>\$ 125,590</u></u>
	Liabilities		
2110	Accounts payable	\$ 140,372	\$ -
2170	Due to other funds	717,240	-
2190	Due to student groups	<u>744,828</u>	<u>-</u>
2000	Total liabilities	<u>1,602,440</u>	<u>-</u>
	Net Assets		
	Reserved fund balances:		
3490	Other reserves of fund balances	<u>-</u>	<u>125,590</u>
3000	Total net assets	<u>-</u>	<u>125,590</u>
4000	Total liabilities and net assets	<u><u>\$ 1,602,440</u></u>	<u><u>\$ 125,590</u></u>

The accompanying notes are an integral part of this statement.

Comal Independent School District

Exhibit E-2

Statement of Changes in Fiduciary Net Assets – Fiduciary Funds

Year Ended August 31, 2011

	<u>Private-Purpose Trust Fund</u>
	<u>Scholarship Nonexpendable Trust Fund</u>
Additions	
Investment income	\$ 168
Gifts and bequests	250
Total additions	<u>418</u>
Deductions	
Scholarship awards	<u>2,200</u>
Total deductions	<u>2,200</u>
Change in net assets	(1,782)
Net assets at beginning of year	<u>127,372</u>
Net assets at end of year	<u>\$ 125,590</u>

The accompanying notes are an integral part of this statement.

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Comal Independent School District

Notes to Financial Statements

August 31, 2011

Note A – Summary of Significant Accounting Policies

The basic financial statements of Comal Independent School District (the “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 (“TEA”) *Financial Accountability System Resource Guide* (“Resource 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 Trustees (the “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 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 TEA or the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties of the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by GASB in its Statement No. 14, *The Financial Reporting Entity*, and there are no component units included within the reporting entity. The District is exempt from federal income taxes.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-Wide Statements: The statement of net assets and 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 are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities 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. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues classified as program revenues are presented as general revenues.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

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.

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 – The District accounts for tax revenues and the payment of principal and interest on long-term debt in this fund.

Capital Projects Fund – The District accounts for proceeds from the sale of bonds and revenues and expenditures related to authorized construction and other capital asset acquisitions in this fund. The Board approves project budgets, not annual appropriated budgets.

In addition, the District reports the following fund types.

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of the specified project periods.

Enterprise Fund – This fund is used to account for the catering revenues and expenditures for District related meetings.

Internal Service Funds – These funds are used to account for revenues and expenses related to services provided to parties inside the District for workers' compensation insurance. 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 Fund – This fund is 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 of fiduciary resources to individuals, private organizations, or other governments.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

Fiduciary Funds – These funds are reported in the Fiduciary Funds financial statements. However, because the assets are held in a trustee or agency capacity and are therefore unable to support District programs, these funds are not included in the government-wide statements.

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 and 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. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and qualifying expenditures have been incurred.

Governmental Funds 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, other than grants, reported in the Governmental Funds to be available if the revenues are collected within 60 days after year-end. Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred and all eligibility requirements have been met, except in the food service special revenue fund, where revenue is recognized based on the number of students served. 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 general long-term debt, claims and judgments, rebateable arbitrage and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Funds received but unearned are reflected in deferred revenues, and funds expended but not yet received are shown as receivables.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Deferred Expenses and Inventory

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred expenditures.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

Inventories of supplies on the balance sheet are stated at weighted-average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend assets' lives is 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	20-40 years
Equipment	5-15 years
Vehicles	10-15 years

d. Property Taxes Receivable, Other Receivables, and Payable Balances

The District believes 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.

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

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

Allowances for uncollectible tax receivables within the General Fund and the Debt Service Fund total \$802,002 and \$211,858, respectively, which are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

e. Compensated Absences

The payment of accrued sick leave will apply to those employees who were hired prior to July 31, 2009 and retire under the Teacher Retirement System of Texas (“TRS”) while they are employed by the District and have at least five years of continuous service with the District. Compensation for any other type of absence does not accumulate, including vacations. The liability totaled \$1,121,117 as of August 31, 2011.

f. Interfund Activity

Interfund activity results from loans, services 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 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 “Transfers” line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single “Internal Balances” line on the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management’s estimates.

h. Data Control Codes

Data control codes appear in the rows and above the columns of certain financial statements. TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

i. Budgets

The official budget was prepared for adoption for all required Governmental Funds types. The following procedures are followed in establishing the budgetary data:

- (1) Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.
- (3) Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. During the year, several amendments were necessary.

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

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. The District had the following budget amendments during the year. All budget appropriations lapse at year-end.

	<u>Original Budget</u>	<u>Increase</u>	<u>Amended Budget</u>
General Fund	\$ 134,185,894	\$ 30,321,347	\$ 164,507,241
Debt Service Fund	36,458,654	601	36,459,255
Food Service Fund	<u>8,050,063</u>	<u>-</u>	<u>8,050,063</u>
	<u>\$ 178,694,611</u>	<u>\$ 30,321,948</u>	<u>\$ 209,016,559</u>

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

j. Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget.

k. Arbitrage Payable

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury (the "Treasury") for investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had an arbitrage liability totaling \$628,641 as of August 31, 2011, which is included in noncurrent liabilities in the statement of net assets. No recognition is made in the Governmental Funds until rebatable amounts are actually due and payable to the federal government.

l. Deferred Revenues

Deferred revenues arise principally from amounts received from the state that relate to the subsequent fiscal year.

m. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

n. Fund Balance

Beginning with fiscal year 2011, the District implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 revised the reporting and disclosure of fund balances of governmental funds. Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the Governmental Funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form. The "not in spendable form" criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that the District can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. The committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted or committed. In Governmental Funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board, a District official delegated that authority by the Board, or by resolution.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other Governmental Funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

o. Comparative Data

Comparative data for the prior year has not been presented in the government-wide or fund statements.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note A – Summary of Significant Accounting Policies (continued)

p. Investments

The District's general policy is to report short-term investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists that guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at time of purchase. The term "nonparticipating" means the investment's value does not vary with market interest changes. Nonnegotiable certificates of deposit ("CDs") are examples of nonparticipating interest-earning investment contracts.

Note B – Compliance and Accountability

1. Financing-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balance or fund net assets at year-end, if any, along with remarks that address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note C – Deposits and Investments

Cash Deposits

The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2011, the carrying amount of the District's cash deposits totaled \$3,842,723, and the bank balance totaled \$4,512,072. The District also had \$4,775 in petty cash. The District's cash deposits as of and for the year ended August 31, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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

- a. Depository: Wells Fargo Bank
- b. The highest combined balances of cash, savings, and time deposit accounts totaled \$12,355,987 and occurred during the month of August 2011.
- c. The market value of securities pledged as of the date of the highest combined balance on deposit was zero, due to the FDIC program Wells Fargo participates in. The total amount of FDIC coverage at the time of the largest combined balance was unlimited due to the FDIC's temporary Transaction Account Guarantee Program, which provides full coverage for noninterest-bearing transaction deposit accounts held at financial institutions that agree to participate in the program through December 31, 2012. After this point, pledge collateral will be utilized to obtain the necessary coverage.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for CDs.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note C – Deposits and Investments (continued)

The Act requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments that are allowable for the District. These include, with certain restrictions: (1) obligations of the Treasury, certain United States agencies, and the state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by investing in investment pools which have no stated maturity date; therefore, the funds are always available to meet operational needs. The investment policy of the District governs that investments be selected by the following objectives, in order of priority: (a) preservation and safety of principal, (b) liquidity, and (c) yield. Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

<u>Description</u>	<u>Weighted- Average Maturity</u>	<u>Days to Maturity</u>	<u>Fair Value</u>
LOGIC Investment Fund	Less than 60 days	Daily	\$ 19,471,906
Lone Star Pool Investment Fund	Less than 60 days	Daily	13,278,515
TexPool Investment Fund	Less than 60 days	Daily	25,726,467
Money market fund	Daily	Daily	2,436,740
Wells Fargo money market fund	Daily	Daily	2,121,445
Master repurchase agreement	December 1, 2011	92	393,450
Freddie Mac – discount note	September 6, 2011	6	6,999,979
Freddie Mac – discount note	October 7, 2011	37	6,999,860
Freddie Mac – discount note	November 4, 2011	65	6,999,748
Freddie Mac – discount note	December 2, 2011	93	6,999,643
Federal Home Loan – discount note	January 12, 2012	134	6,999,223
Total investments and cash equivalents			\$ 98,426,976

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note C – Deposits and Investments (continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the District's investment policy and the Act and the actual rating as of year-end for each investment:

<u>Description</u>	<u>Minimum Legal Rating</u>	<u>Investment Rating</u>	<u>Fair Value</u>	<u>Percentage Invested</u>
LOGIC Investment Fund	AAAm	AAAm	\$ 19,471,906	19.8%
Lone Star Corporate Overnight Plus Fund	AAAf	AAA	3,013,704	3.1%
Lone Star Government Overnight Fund	AAAm	AAA	10,264,811	10.4%
TexPool Investment Fund	AAAm	AAAm	25,726,467	26.1%
Money market fund	AAA	Aaa	2,436,740	2.5%
Wells Fargo money market fund	AAA	Aaa	2,121,445	2.2%
Master repurchase agreement	N/A	Baa3	393,450	0.4%
Freddie Mac – discount note	AAA	AA+	6,999,979	7.1%
Freddie Mac – discount note	AAA	AA+	6,999,860	7.1%
Freddie Mac – discount note	AAA	AA+	6,999,748	7.1%
Freddie Mac – discount note	AAA	AA+	6,999,643	7.1%
Federal Home Loan – discount note	AAA	AA+	6,999,223	7.1%
Total investments and cash equivalents			<u>\$ 98,426,976</u>	<u>100.0%</u>

Concentration of Credit Risk

The District is required to disclose investments in any one issuer that represents 5% or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Act. There were no investments in any one issuer (other than United States Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note C – Deposits and Investments (continued)

Public Funds Investment Pools

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

The District’s investments in pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. The District believes that the pools in which it invests operate as 2a7-like pools, as described in GASB Statement No. 59, *Financial Instruments Omnibus*.

Note D – Due From Other Governments

The District participates in a variety of federal, state, and local programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal, state, and local governments as of August 31, 2011 are summarized below and are reported on the government-wide statement of net assets as due from other governments:

	Federal Grants Passed Through TEA	State Grants Passed Through TEA	Total
General Fund	\$ -	\$ 2,449,978	\$ 2,449,978
Other Governmental Funds	<u>2,556,185</u>	<u>99,293</u>	<u>2,655,478</u>
	<u>\$ 2,556,185</u>	<u>\$ 2,549,271</u>	<u>\$ 5,105,456</u>

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note E – Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and from other funds at August 31, 2011 consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental activities:		
General Fund	\$ 4,319	\$ 3,302
Capital Projects Funds	3,381	3,381
Other Governmental Funds	<u>718,326</u>	<u>3,004</u>
	726,026	9,687
Fiduciary Funds:		
Student Activity Funds	<u>901</u>	<u>717,240</u>
	<u>\$ 726,927</u>	<u>\$ 726,927</u>

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

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note F – Capital Assets

Capital asset activity at August 31, 2011 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 33,663,615	\$ 4,447,872	\$ -	\$ 38,111,487
Construction in progress	29,976,761	1,212,232	29,893,202	1,295,791
Total capital assets not being depreciated	63,640,376	5,660,104	29,893,202	39,407,278
Capital assets being depreciated:				
Buildings and improvements	468,292,970	68,497,547	961,055	535,829,462
Equipment and vehicles	24,564,222	2,684,935	305,582	26,943,575
Total capital assets being depreciated	492,857,192	71,182,482	1,266,637	562,773,037
Less accumulated depreciation for:				
Buildings and improvements	67,682,201	13,440,223	732,004	80,390,420
Equipment and vehicles	13,670,019	2,245,110	300,285	15,614,844
Total accumulated depreciation	81,352,220	15,685,333	1,032,289	96,005,264
Total capital assets being depreciated – net	411,504,972	55,497,149	234,348	466,767,773
Governmental activities capital assets – net	\$ 475,145,348	\$ 61,157,253	\$ 30,127,550	\$ 506,175,051

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note F – Capital Assets (continued)

Depreciation was charged to functions as follows:

Instruction	\$ 8,968,565
Instructional resources and media services	201,321
Curriculum and instructional staff development	252,581
Instructional leadership	191,637
School leadership	809,047
Guidance, counseling, and evaluation services	477,911
Social work services	161,330
Health services	153,608
Student (pupil) transportation	739,903
Food services	803,296
Co-curricular/extracurricular activities	401,935
General administration	362,808
Plant maintenance and operations	1,659,049
Security and monitoring services	60,147
Data processing services	244,621
Community services	<u>197,574</u>
	<u>\$ 15,685,333</u>

Note G – Deferred Revenues

Deferred revenues at August 31, 2011 consisted of the following:

Technology allotment	\$ 322,089
Advanced Placement incentives	14,141
Other miscellaneous	<u>62,846</u>
	<u>\$ 399,076</u>

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note H – Long-Term Obligations

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Interest and Sinking Fund. These bonds were issued as school building bonds or refunding bonds. Interest rates on the bonds range from 3.00% to 7.65%.

Interest expense totaled \$32,404,579 for the year ended August 31, 2011. Cash paid for interest totaled \$24,649,575. Interest accrued on capital appreciation bonds for the year ended August 31, 2011 totaled \$9,847,605

Changes in long-term obligations for the year ended August 31, 2011 are as follows:

	<u>Interest Rate Payable</u>	<u>Original Issue</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:							
General obligation	3.00% to						
bonds	7.65%	\$ 586,550,000	\$ 515,460,000	\$ 8,740,000	\$ 15,515,000	\$ 508,685,000	\$ 6,855,000
Capital appreciation							
bonds	N/A	<u>20,692,139</u>	<u>47,484,260</u>	<u>9,847,605</u>	<u>4,985,000</u>	<u>52,346,865</u>	<u>4,506,156</u>
Total governmental activities		<u>\$ 607,242,139</u>	<u>\$ 562,944,260</u>	<u>\$ 18,587,605</u>	<u>\$ 20,500,000</u>	<u>\$ 561,031,865</u>	<u>\$ 11,361,156</u>

The following is a schedule of the required payments for these general obligation bonds:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 11,361,156	\$ 26,888,461	\$ 38,249,617
2013	11,649,403	26,543,915	38,193,318
2014	12,396,996	26,179,019	38,576,015
2015	13,189,665	25,813,131	39,002,796
2016	14,078,363	25,287,637	39,366,000
2017-2021	81,522,076	115,460,129	196,982,205
2022-2026	97,516,437	97,301,399	194,817,836
2027-2031	132,405,000	71,034,911	203,439,911
2032-2036	164,325,000	37,314,341	201,639,341
2037-2041	<u>22,587,769</u>	<u>3,801,012</u>	<u>26,388,781</u>
	<u>\$ 561,031,865</u>	<u>\$ 455,623,955</u>	<u>\$ 1,016,655,820</u>

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note I – Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended August 31, 2011 was as follows:

Description	Balance Outstanding at September 1, 2010	Additions Current Year	Retired Current Year	Balance Outstanding at August 31, 2011	Amounts Due Within One Year
Bonds payable	\$ 562,944,260	\$ 18,587,605	\$ 20,500,000	\$ 561,031,865	\$ 11,361,156
Bond premiums – net	26,198,710	93,485	1,416,434	24,875,761	1,416,434
Compensated absences	1,241,099	373,713	493,695	1,121,117	373,713
Gain on refinancing of bonds	852,086	-	60,864	791,222	60,863
Loss on refunded bonds – net	(6,669,592)	-	(590,639)	(6,078,953)	(590,638)
Arbitrage payable	1,133,268	-	504,627	628,641	-
	<u>\$ 585,699,831</u>	<u>\$ 19,054,803</u>	<u>\$ 22,384,981</u>	<u>\$ 582,369,653</u>	<u>\$ 12,621,528</u>

In addition, gains earned on the refinancing of bond debt are deferred and amortized over the life of the refinanced debt.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent bond proceeds.

Details of invested in capital assets – net of related debt at August 31, 2010 is as follows:

Net capital assets, including construction in progress	\$ 506,175,051
Unamortized bond premiums – net	(24,875,761)
Unamortized gain on refinancing of debt	791,222
Construction related trade payables	(3,350,909)
Bonds payable – net of accreted interest	(529,377,139)
Unamortized loss on bond refundings	6,078,953
Unspent bond proceeds	<u>21,763,769</u>
Net assets invested in capital assets – net of related debt	<u>\$ (22,794,814)</u>

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note J – Revenues From Local and Intermediate Sources

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 96,422,738	\$ 30,438,818	\$ -	\$ -	\$ 126,861,556
Food sales	-	-	-	4,073,286	4,073,286
Investment earnings	122,933	19,340	223,029	1,367	366,669
Penalties, interest, and other fees	1,330,051	325,105	-	-	1,655,156
Tuition and fees	29,996	-	-	2,227,802	2,257,798
Co-curricular/extracurricular activities	320,337	-	-	-	320,337
Gifts and bequests	-	-	-	49,099	49,099
Other charges	1,625,488	-	-	1,280,486	2,905,974
	<u>\$ 99,851,543</u>	<u>\$ 30,783,263</u>	<u>\$ 223,029</u>	<u>\$ 7,632,040</u>	<u>\$ 138,489,875</u>

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note K – General Fund Federal Source Revenues

Federal revenue included in the General Fund for the year ended August 31, 2011 is as follows:

<u>Program or Source</u>	<u>Federal CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
ROTC	12.999	\$ 195,379	\$ 208,218
School Health and Related Services ("SHARS")	N/A	917,519	N/A
Medicaid Administration Costs	93.778	19,505	N/A
Indirect cost:			
National School Breakfast Program/ National School Lunch Program/ Comal Safe Schools Healthy Students Consortium ("CSSHSC") Keystone Program	10.553/ 10.555	80,317	3,313,561
Title I, Part A – Improving Basic Programs	84.184L	105,691	1,281,705
Title I, Part A, ARRA/Stimulus	84.010A	21,750	1,297,513
ESEA Title I, Part C – Migrant	84.389A	5,218	309,980
IDEA-B, Formula	84.011	590	35,488
IDEA-B, Formula, ARRA LEA	84.027	48,617	2,904,400
IDEA-B, Preschool	84.391A	15,441	917,369
IDEA-B, Preschool, ARRA LEA	84.173	994	59,056
Carl D. Perkins Basic Formula Grant	84.392A	54	3,037
Comal Alcohol Reduction Team	84.048	2,035	120,920
Title III, Part A – LEP	84.184	6,305	361,139
Title II, Part A – Teacher and Principal Training and Recruiting	84.365A 84.367A	1,594 5,779	95,314 344,823
		<u>\$ 1,426,788</u>	<u>\$ 11,252,523</u>

Note L – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note M – Pension Plan

1. Plan Description

The District contributes to TRS, a public employee retirement system. TRS is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the state of Texas. TRS provides service and disability retirement benefits and death benefits to plan members and beneficiaries. TRS operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701-2698, or by calling 1-800-223-8778.

2. Funding Policy

State law provides a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.580% for fiscal year 2009, and a member contribution rate of 6.400% for each year. In certain instances, the District is required to make all or a portion of the state's contribution. Contribution requirements are not actuarially determined, but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.000% of the member's annual compensation and a state contribution rate of not less than 6.000% and not more than 10.000% of the aggregate annual compensation of all members of TRS during the fiscal year and (2) a state statute prohibits benefit improvements or contribution reductions 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. State contributions made to TRS on behalf of the District's employees for the years ended August 31, 2011, 2010, and 2009 totaled \$5,930,540, \$4,669,901, and \$3,314,778, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ended August 31, 2011, 2010, and 2009 totaled \$1,412,612, \$1,280,210, and \$1,084,494, respectively, and were equal to the required contributions for each year.

3. Medicare Part D

Federal legislation enacted in January 2006, known as Medicare Part D, established prescription drug coverage for Medicare beneficiaries. One provision of the law allows the Texas Public School Retired Employees Group Insurance Program ("TRS-Care") to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$216,146, \$232,676, and \$207,174 for the years ended August 31, 2011, 2010, and 2009, respectively.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note N – School District Retiree Health Plan

1. Plan Description

The District contributes to TRS-Care, a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. The statutory authority for the program is the Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701-2698, or by calling 1-800-223-8778.

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 1.00% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, and 2009. Per the Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the state's contributions to TRS-Care totaled \$513,829, \$508,742, and \$676,341, respectively; the active member contributions totaled \$607,011, \$601,235, and \$566,117, respectively; and the District's contributions totaled \$513,627, \$508,747, and \$626,770, respectively, which equaled the required contributions each year.

Note O – Health Care Coverage

During the year ended August 31, 2011, employees of the District were covered by a fully insured health insurance plan (the "Plan"). The District contributed \$370 per month, per employee to the Plan. Employees, at their option, authorize payroll withholdings to pay contributions for dependents.

Note P – Workers' Compensation

During the year ended August 31, 2011, employees of the District were covered by a workers' compensation insurance plan. Contributions are made based upon statutory rates established for the District's various types of employees. A third-party administrator, Texas Association of School Boards ("TASB"), acts on behalf of the self-funded pool. The District opted not to purchase individual stop-loss coverage; however, it is protected against unanticipated catastrophic aggregate loss by stop-loss coverage purchased by TASB. Stop-loss coverage is in effect for claims exceeding the District's aggregate claims liability of \$1,345,669.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note P – Workers' Compensation (continued)

Changes in claims payable are as follows:

	<u>Years Ending August 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Claims payable at beginning of year	\$ 1,331,461	\$ 976,427	\$ 1,085,835
Claims paid	(5,902,167)	(5,517,088)	(5,201,410)
Claims incurred	<u>5,916,375</u>	<u>5,872,122</u>	<u>5,092,002</u>
Claims payable at end of year	<u>\$ 1,345,669</u>	<u>\$ 1,331,461</u>	<u>\$ 976,427</u>

Based upon reports prepared by TASB, the amount of claims, which could be paid based upon an evaluation of claims made for incidents occurring prior to August 31, 2011, totals \$1,345,669. This amount has been accrued by the District in the Internal Service Funds.

Note Q – Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2011.

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note R – Construction Commitments

As of August 31, 2011, the District was obligated under the terms of an agreement for the construction of the following projects:

<u>Project Name</u>	<u>Contract Amount</u>	<u>Paid to Date</u>	<u>Commitment Balance Remaining*</u>	<u>Retainage Payable Amount**</u>
Smithson Valley High School – Package A	\$ 10,966,192	\$ 10,958,984	\$ 7,208	\$ 4,000
Smithson Valley High School – Package B	13,861,500	13,840,574	20,926	8,000
Smithson Valley High School – Package C	14,100,810	14,064,544	36,266	13,000
Canyon Lake High School Field House	3,137,367	2,751,363	386,004	139,301
Kinder Ranch Elementary School	14,393,115	13,491,237	901,878	710,065
Hill Country Transportation	4,364,815	3,868,558	496,257	203,608
Indian Springs Elementary School	<u>15,535,259</u>	<u>455,649</u>	<u>15,079,610</u>	<u>23,982</u>
	<u>\$ 76,359,058</u>	<u>\$ 59,430,909</u>	<u>\$ 16,928,149</u>	<u>\$ 1,101,956</u>

* The remaining balance includes the retainage amount payable at August 31, 2011.

** The retainage payable is included in accounts payable at August 31, 2011.

Note S – Lease Commitments

The District leases equipment and a portion of its facilities pursuant to noncancellable operating lease agreements expiring through 2012. Rental expense totaled approximately \$179,959 for the year ended August 31, 2011.

Future minimum lease payments under noncancellable operating leases as of August 31, 2011 were as follows:

<u>Year Ending August 31,</u>	<u>Operating Leases</u>
2012	\$ <u>14,997</u>
Future minimum lease payments	\$ <u><u>14,997</u></u>

Comal Independent School District

Notes to Financial Statements

August 31, 2011

(Continued)

Note T – Prior Period Adjustment

During 2011, the District implemented the provisions of GASB Statement No. 54 and the following adjustments were made to beginning fund balance to reclassify Campus Activity Funds from Agency Funds to Special Revenue Funds:

Special Revenue Fund – nonmajor:	
Change in type from Agency Funds	\$ <u>679,970</u>

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

Comal Independent School District

Exhibit G-1 Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2011

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Revenues					
5700	Local and intermediate sources	\$ 100,967,836	\$ 100,967,836	\$ 99,851,543	\$ (1,116,293)
5800	State program revenues	32,706,132	32,706,132	33,422,750	716,618
5900	Federal program revenues	<u>511,926</u>	<u>511,926</u>	<u>1,426,788</u>	<u>914,862</u>
5020	Total revenues	<u>134,185,894</u>	<u>134,185,894</u>	<u>134,701,081</u>	<u>515,187</u>
Expenditures					
Current:					
Instruction and instructional-related services:					
0011	Instruction	71,446,051	71,011,551	69,901,807	1,109,744
0012	Instructional resources and media services	1,804,780	1,834,780	1,808,687	26,093
0013	Curriculum and instructional staff development	<u>1,257,537</u>	<u>1,257,537</u>	<u>1,103,271</u>	<u>154,266</u>
	Total instruction and instructional-related services	<u>74,508,368</u>	<u>74,103,868</u>	<u>72,813,765</u>	<u>1,290,103</u>
Instructional and school leadership:					
0021	Instructional leadership	1,717,105	1,717,105	1,665,491	51,614
0023	School leadership	<u>7,701,056</u>	<u>7,761,056</u>	<u>7,691,086</u>	<u>69,970</u>
	Total instructional and school leadership	<u>9,418,161</u>	<u>9,478,161</u>	<u>9,356,577</u>	<u>121,584</u>
Support services – student (pupil):					
0031	Guidance, counseling, and evaluation services	4,171,756	4,171,756	4,113,424	58,332
0032	Social work services	673,043	673,043	621,434	51,609
0033	Health services	1,505,058	1,535,058	1,499,318	35,740
0034	Student (pupil) transportation	7,977,937	8,277,937	8,274,610	3,327
0036	Co-curricular/extracurricular activities	<u>4,126,346</u>	<u>4,126,346</u>	<u>3,752,685</u>	<u>373,661</u>
	Total support services – student (pupil)	<u>18,454,140</u>	<u>18,784,140</u>	<u>18,261,471</u>	<u>522,669</u>
Administrative support services:					
0041	General administration	<u>3,485,292</u>	<u>3,485,292</u>	<u>3,054,163</u>	<u>431,129</u>
	Total administrative support services	<u>3,485,292</u>	<u>3,485,292</u>	<u>3,054,163</u>	<u>431,129</u>

Comal Independent School District

Exhibit G-1 Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2011

(Continued)

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Expenditures (continued)					
Current (continued):					
Support services – nonstudent based:					
0051	Plant maintenance and operations	\$ 12,049,552	\$ 12,049,552	\$ 10,889,305	\$ 1,160,247
0052	Security and monitoring services	469,735	469,735	400,472	69,263
0053	Data processing services	<u>3,173,632</u>	<u>3,173,632</u>	<u>2,860,664</u>	<u>312,968</u>
	Total support services – nonstudent based	<u>15,692,919</u>	<u>15,692,919</u>	<u>14,150,441</u>	<u>1,542,478</u>
Debt service:					
0071	Principal on long-term debt	<u>-</u>	<u>14,500</u>	<u>14,459</u>	<u>41</u>
	Total debt service	<u>-</u>	<u>14,500</u>	<u>14,459</u>	<u>41</u>
Capital outlay:					
0081	Facilities acquisition and construction	<u>2,132,569</u>	<u>2,132,569</u>	<u>2,095,340</u>	<u>37,229</u>
	Total capital outlay	<u>2,132,569</u>	<u>2,132,569</u>	<u>2,095,340</u>	<u>37,229</u>
Intergovernmental charges:					
0091	Contracted instructional services between public schools (Chapter 41 payments)	9,374,182	9,374,182	8,282,108	1,092,074
0099	Other intergovernmental charges	<u>1,120,263</u>	<u>1,120,263</u>	<u>1,117,757</u>	<u>2,506</u>
	Total intergovernmental charges	<u>10,494,445</u>	<u>10,494,445</u>	<u>9,399,865</u>	<u>1,094,580</u>
6030	Total expenditures	<u>134,185,894</u>	<u>134,185,894</u>	<u>129,146,081</u>	<u>5,039,813</u>
1100	Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>5,555,000</u>	<u>5,555,000</u>
Other Financing Sources (Uses)					
7913	Capital leases	-	-	69,052	(69,052)
8911	Transfers out	<u>-</u>	<u>(30,321,347)</u>	<u>(30,321,347)</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>(30,321,347)</u>	<u>(30,252,295)</u>	<u>(69,052)</u>
1200	Net change in fund balance	-	(30,321,347)	(24,697,295)	5,624,052
0100	Fund balance at beginning of year	<u>56,276,478</u>	<u>56,276,478</u>	<u>56,276,478</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 56,276,478</u>	<u>\$ 25,955,131</u>	<u>\$ 31,579,183</u>	<u>\$ 5,624,052</u>

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Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and is not considered a part of the basic financial statements. It may, however, include information that is required by other entities.

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Comal Independent School District

Exhibit G-2 Budgetary Comparison Schedule – Debt Service Fund

Year Ended August 31, 2011

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Revenues					
5700	Local and intermediate sources	\$ 31,639,416	\$ 31,639,416	\$ 30,783,263	\$ (856,153)
5020	Total revenues	<u>31,639,416</u>	<u>31,639,416</u>	<u>30,783,263</u>	<u>(856,153)</u>
Expenditures					
Debt service:					
0071	Principal on long-term debt	8,768,583	8,769,583	8,769,583	-
0072	Interest on long-term debt	27,588,603	27,587,603	27,580,214	7,389
0073	Bond issuance costs and fees	<u>101,468</u>	<u>101,468</u>	<u>101,468</u>	<u>-</u>
	Total debt service	<u>36,458,654</u>	<u>36,458,654</u>	<u>36,451,265</u>	<u>7,389</u>
6030	Total expenditures	<u>36,458,654</u>	<u>36,458,654</u>	<u>36,451,265</u>	<u>7,389</u>
1100	Deficiency of revenues under expenditures	<u>(4,819,238)</u>	<u>(4,819,238)</u>	<u>(5,668,002)</u>	<u>(848,764)</u>
Other Financing Sources (Uses)					
7911	Bond proceeds	-	8,740,000	8,740,000	-
7916	Premium on issuance of bonds	-	93,486	93,486	-
8949	Payment for bond refunding	<u>-</u>	<u>(8,834,087)</u>	<u>(8,834,087)</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>-</u>	<u>(601)</u>	<u>(601)</u>	<u>-</u>
1200	Net change in fund balance	(4,819,238)	(4,819,839)	(5,668,603)	(848,764)
0100	Fund balance at beginning of year	<u>11,325,075</u>	<u>11,325,075</u>	<u>11,325,075</u>	<u>-</u>
3000	Fund balance at end of year	<u>\$ 6,505,837</u>	<u>\$ 6,505,236</u>	<u>\$ 5,656,472</u>	<u>\$ (848,764)</u>

Comal Independent School District

Exhibit J-1

Schedule of Delinquent Taxes Receivable

Year Ended August 31, 2011

Year Ended August 31,	1	2	3
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes
	<u>Maintenance</u>	<u>Debt Service</u>	
2001 and prior years	Various	Various	Various
2002	1.5000	0.3500	\$ 3,489,408,332
2003	1.4800	0.3200	3,922,833,922
2004	1.5000	0.3300	4,283,910,917
2005	1.5000	0.3200	4,676,992,812
2006	1.5000	0.3000	5,314,008,517
2007	1.3700	0.2700	6,354,736,880
2008	1.0400	0.2700	7,778,654,665
2009	1.0400	0.2700	9,185,595,424
2010	1.0400	0.2700	9,631,118,413
2011 (school year under audit)	1.0400	0.3300	9,301,085,689
1000 Totals			

9000 – Portion of row 1000 for taxes paid into tax increment zone under Chapter 311, Tax Code

10	20	30	30a	40	50
<u>Beginning Balance at September 1, 2010</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance at August 31, 2011</u>
\$ 265,020	\$ -	\$ 17,411	\$ 2,986	\$ 10,010	\$ 254,633
167,608	-	5,989	1,398	2,021	162,242
147,867	-	8,296	1,794	2,485	140,262
236,034	-	31,648	6,961	10,112	207,537
268,431	-	40,452	8,628	12,529	231,880
296,302	-	67,842	13,572	44,047	258,935
438,308	-	115,076	22,674	97,882	398,440
482,822	-	124,071	32,209	53,733	380,275
854,790	-	337,514	87,620	24,544	454,200
2,628,070	-	1,304,656	338,695	(145,272)	839,447
<u>-</u>	<u>126,709,981</u>	<u>94,423,989</u>	<u>29,965,404</u>	<u>(111,546)</u>	<u>2,209,042</u>
<u>\$ 5,785,252</u>	<u>\$ 126,709,981</u>	<u>\$ 96,476,944</u>	<u>\$ 30,481,941</u>	<u>\$ 545</u>	<u>\$ 5,536,893</u>

Comal Independent School District

Exhibit J-2

Schedule of Expenditures for Computation of Indirect Cost for 2011-2012 – General and Special Revenue Funds

Year Ended August 31, 2011

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt.'s Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll costs	\$ -	\$ 59,052	\$ 363,214	\$ 1,886,923	\$ -	\$ 371,466	\$ 2,680,655
6149	Fringe benefits – unused leave for separating employees in Function 41 and related Function 53	-	-	2,402	(708)	-	1,350	3,044
6149	Fringe benefits – unused leave for separating employees in all functions except Function 41 and related Function 53	-	-	-	-	-	-	-
6211	Legal services	-	-	142,065	-	-	-	142,065
6212	Audit services	-	-	-	65,750	-	-	65,750
6213	Tax appraisal and collection	-	39,700	-	-	-	1,117,756	1,157,456
621X	Other professional services	1,864	-	339	30,000	-	3,740	35,943
6220	Tuition and transfer payments	-	-	-	-	-	-	-
6230	Education service centers	-	-	-	-	-	85,612	85,612
6240	Construction, maintenance, and repair	-	-	75	-	43,878	69,940	113,893
6250	Utilities	-	-	-	-	-	2,466	2,466
6260	Rentals	1,454	-	1,454	46,724	-	374	50,006
6290	Miscellaneous construction	962	-	4,013	104,072	-	1,464	110,511
6310	Operational supplies and materials	-	-	-	-	-	136	136
6320	Textbooks and reading materials	-	-	198	2,998	-	-	3,196
6330	Testing materials	-	-	-	-	-	-	-
63XX	Other supplies and materials	306	-	8,314	85,141	-	59,433	153,194
6410	Travel, subsistence, and stipends	5,767	-	5,500	15,715	-	3,735	30,717
6420	Insurance and bonding costs	-	-	71	44,662	-	-	44,733
6430	Election costs	6,464	-	-	42,197	-	-	48,661
6490	Miscellaneous operating	33,717	-	9,881	-	-	3	43,601
6500	Debt service	-	-	-	-	-	-	-
6600	Capital outlay	-	-	-	-	-	52,730	52,730
Total		\$ 50,534	\$ 98,752	\$ 537,526	\$ 2,323,474	\$ 43,878	\$ 1,770,205	\$ 4,824,369
Total expenditures for General and Special Revenue Funds								\$ 156,008,963
Less deductions of unallowable costs								
Fiscal Year								
Total capital outlay (6600)								(10) \$ 2,473,300
Total debt and lease (6500)								(11) \$ 16,959
Plant maintenance (Function 51, 6100-6400)								(12) \$ 15,284,142
Food (Function 35, 6341, and 6499)								(13) \$ 2,624,505
Stipends (6413)								(14) \$ -
Column 4 (above) – total indirect cost								<u>\$ 2,323,474</u>
Subtotal								<u>22,722,380</u>
Net allowed direct cost								<u>\$ 133,286,583</u>
Cumulative								
Total cost of buildings before depreciation (1520)								(15) \$ 535,829,462
Historical cost of buildings over 50 years old								(16) \$ 1,969,568
Amount of federal money in building cost (net of #16)								(17) \$ -
Total cost of furniture and equipment before depreciation (1530 and 1540)								(18) \$ 26,943,575
Historical cost of furniture and equipment over 16 years old								(19) \$ 1,366,633
Amount of federal money in furniture and equipment (net of #19)								(20) \$ 780,384

(8) Note A – There is \$572,133 of Function 53 expenditures included in this report as administrative costs, \$1,117,756 in Function 99 expenditures for appraisal district costs.

Comal Independent School District

Exhibit J-4

Budgetary Comparison Schedule Required by the Texas Education Agency – National School Breakfast and Lunch Programs

Year Ended August 31, 2011

<u>Data Control Codes</u>	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>		
Revenues					
5700	Local and intermediate sources	\$ 5,005,326	\$ 5,005,326	\$ 4,202,364	\$ (802,962)
5800	State program revenues	231,142	231,142	201,359	(29,783)
5900	Federal program revenues	<u>2,813,595</u>	<u>2,813,595</u>	<u>3,319,497</u>	<u>505,902</u>
5020	Total revenues	<u>8,050,063</u>	<u>8,050,063</u>	<u>7,723,220</u>	<u>(326,843)</u>
Expenditures					
Current:					
Support services – student (pupil):					
0035	Food services	<u>7,840,294</u>	<u>7,839,694</u>	<u>7,614,133</u>	<u>225,561</u>
	Total support services – student (pupil)	<u>7,840,294</u>	<u>7,839,694</u>	<u>7,614,133</u>	<u>225,561</u>
Administrative support services:					
0041	General administration	<u>79,769</u>	<u>80,369</u>	<u>80,317</u>	<u>52</u>
	Total administrative support services	<u>79,769</u>	<u>80,369</u>	<u>80,317</u>	<u>52</u>
Support services – nonstudent based:					
0051	Plant maintenance and operations	<u>130,000</u>	<u>130,000</u>	<u>103,494</u>	<u>26,506</u>
	Total support services – nonstudent based	<u>130,000</u>	<u>130,000</u>	<u>103,494</u>	<u>26,506</u>
6030	Total expenditures	<u>8,050,063</u>	<u>8,050,063</u>	<u>7,797,944</u>	<u>252,119</u>
1200	Net change in fund balance	-	-	(74,724)	(74,724)
0100	Fund balance at beginning of year	<u>758,445</u>	<u>758,445</u>	<u>758,445</u>	-
3000	Fund balance at end of year	<u>\$ 758,445</u>	<u>\$ 758,445</u>	<u>\$ 683,721</u>	<u>\$ (74,724)</u>

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Federal Awards

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Independent Auditors' 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*

To the Board of Trustees
Comal Independent School District
New Braunfels, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Comal Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 7, 2011. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and the Public Funds Investment Act, 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* and the Public Funds Investment Act.

We noted certain matters that we reported to management of the District in a separate letter dated December 7, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann + Co., LLP

Certified Public Accountants
December 7, 2011

Independent Auditors' Report on Compliance
With Requirements That Could Have a Direct and Material
Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133

To the Board of Trustees
Comal Independent School District
New Braunfels, Texas

Compliance

We have audited Comal Independent School District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, federal and state awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann + Co., LLP

Certified Public Accountants
December 7, 2011

Comal Independent School District

Schedule of Findings and Questioned Costs

Year Ended August 31, 2011

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

2. Federal Awards

Type of auditors' report issued on compliance for major programs: Unqualified

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	IDEA B cluster
84.391A	IDEA-B, Formula/IDEA-B, Preschool
84.392A	IDEA-B Preschool, ARRA LEA
10.553	National School Breakfast Program
10.555	National School Lunch Program
84.394A	ARRA Title XIV, SFSF
84.184L	Comal Safe Schools Healthy Students Consortium ("CSSHSC") Keystone Program
84.410A	Education Jobs Fund

Dollar threshold used to distinguish between type A and type B programs: \$ 560,645

Auditee qualified as low-risk auditee? X Yes _____ No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

Comal Independent School District

Summary Schedule of Prior Audit Findings

Year Ended August 31, 2011

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if not Implemented</u>
None	-	No prior year findings.

Comal Independent School District

Corrective Action Plan

Year Ended August 31, 2011

Program	Corrective Action Plan
None	No current year findings.

Comal Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2011

Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>United States Department of Education:</u>				
282	Comal Safe Schools Healthy Students Consortium ("CSSHSC") Keystone Program*	84.184L	Q184L070020	\$ 1,281,705
281	Comal Alcohol Reduction Team	84.184	N/A	<u>361,139</u>
				<u>1,642,844</u>
<u>Passed Through State Department of Education:</u>				
211	Title I, Part A – Improving Basic Programs	84.010A	11610101046902	1,297,513
285	Title I, Part A, ARRA/Stimulus	84.389A	11610101046902	309,980
212	ESEA Title I, Part C – Migrant	84.011	11615001046902	35,488
224	IDEA-B, Formula*	84.027	116600010469026000	2,904,400
283	IDEA-B, Formula, ARRA LEA*	84.391A	116600010469026000	917,369
225	IDEA-B, Preschool*	84.173	116610010469026000	59,056
284	IDEA-B, Preschool, ARRA LEA*	84.392A	116610010469026000	3,037
244	Carl D. Perkins Basic Formula Grant	84.048	11420006046902	120,920
263	Title III, Part A – LEP	84.365A	11671001046902	95,314
266	ARRA Title XIV, SFSE*	84.394A	11557001046902	4,589,896
289	Title VI, Part A – Summer School – LEP	84.369A	69550902	7,520
255	Title II, Part A – Teacher and Principal Training and Recruiting	84.367A	11694501046902	344,823
287	Education Jobs Fund*	84.410A	11550101046902	<u>2,644,869</u>
Total Passed Through State Department of Education				<u>13,330,185</u>
Total United States Department of Education				<u>14,973,029</u>
<u>United States Department of Defense:</u>				
619	ROTC	12.999	N/A	208,218
288	DoDEA	12.030	4NW62	<u>173,842</u>
Total United States Department of Defense				<u>382,060</u>

*Audited as major programs.

Comal Independent School District

Exhibit K-1 Schedule of Expenditures of Federal Awards

Year Ended August 31, 2011

(Continued)

<u>Data Control Codes</u>	<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Agriculture:</u>				
Passed Through State Department of Agriculture:				
240	National School Breakfast Program*	10.553	71401001	\$ 762,017
240	National School Lunch Program*	10.555	247-901 & 71301001	<u>2,557,480</u>
Total United States Department of Agriculture				<u>3,319,497</u>
<u>United States Department of Health and Human Services:</u>				
Passed Through State Department of Human Services:				
199	Medicaid Administration Costs	93.778	N/A	<u>19,505</u>
Total United States Department of Health and Human Services				<u>19,505</u>
Total Expenditures of Federal Awards				18,694,091
199	SHARS	N/A	N/A	917,519
199	Indirect Cost – Child Nutrition	N/A	N/A	<u>80,315</u>
Total Federal Revenue per Exhibit C-2				<u>\$ 19,691,925</u>

*Audited as major programs.

Comal Independent School District

Notes to Schedule of Expenditures of Federal Awards

Year Ended August 31, 2011

1. The District utilizes the fund types specified in TEA's Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. As a general practice, unused balances are returned to the grantor at the close of specified project periods.

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

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

Federal grant funds are considered to be earned to the extent of expenditures are made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and federal grant programs 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 August 31, 2011, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingency.
4. SHARS is not considered a federal award for the evaluation of the Single Audit Act and, therefore, is shown as a reconciling item on the Schedule of Expenditures of Federal Awards.

Comal Independent School District

Exhibit L

Schedule of Required Responses to Selected First Indicators

August 31, 2011

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 31,654,726