

**CITY OF COMANCHE,
TEXAS**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S
REPORT

SEPTEMBER 30, 2016

Roberts & McGee, CPA
104 Pine Street, Suite 710
Abilene, Texas 79601
325-701-9502

CITY OF COMANCHE, TEXAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Financial Statements.....	18
Required Supplementary Information:	
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual – General Fund.....	32
Schedule of Changes in Net Pension Liability And Related Ratios	33
Schedule of Contributions with related Notes.....	34
Other Supplementary Information:	
Comparative Schedules of Revenue, Expenditures, and Changes in Fund Balance – General Fund.....	35
Schedule of Revenue, Expenses, and Changes in Net Position Budget (GAAP Basis) and Actual – Systems Fund	36
Comparative Schedules of Revenue, Expenses, and Changes in Net Position – Systems Fund	37
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38

ROBERTS & MCGEE, CPA

104 PINE STREET, SUITE 710
ABILENE, TEXAS 79601
(325) 701-9502

Becky Roberts, CPA
becky.roberts@rm-cpa.net
Cell: 325-665-5239

Stacey McGee, CPA
stacey.mcgee@rm-cpa.net
Cell: 325-201-7244

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Comanche, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Comanche, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Comanche, Texas, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension related schedules on pages 3-8 and 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

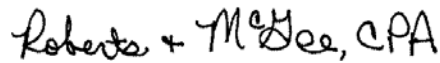
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Comanche, Texas' basic financial statements. The other supplementary schedules on pages 35-37 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2017, on our consideration of the City of Comanche, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Comanche, Texas' internal control over financial reporting and compliance.


Roberts & McGee, CPA

Abilene, Texas,
February 3, 2017

**THE CITY OF COMANCHE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

As management of the City of Comanche, we offer readers of the City of Comanche, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Comanche, Texas for the fiscal year ended September 30, 2016.

Financial Highlights

Government-Wide Financial Statements

- The assets of the City of Comanche exceeded its liabilities at the close of the most recent fiscal year by \$7,630,139 (*net position*). Of this amount, \$1,659,497 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$5,923,107 of the City's equity is invested in capital assets, net of related debt; and \$47,535 of the City's equity is restricted for debt service.
- The City's total assets increased by \$231,619 during the 2016 fiscal year.
- The net position (*equity*) of the City increased by \$242,668 during the 2016 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Comanche's General Fund reported an ending unassigned fund balance of \$210,158. This fund balance reflects an increase of \$66,961 for the current year.
- In the Systems Fund, the net position reflects \$1,398,686 of unrestricted equity, which is a decrease of \$26,834 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Comanche's basic financial statements. The City of Comanche's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of the City of Comanche that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City of Comanche include general administration, public safety, streets, municipal court, culture and recreation, and economic development.

The government-wide financial statements can be found on pages 9-10 of this report.

**THE CITY OF COMANCHE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Fund Financial Statements

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Comanche maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund and the Time Warrant Fund, which is considered to be a non-major fund.

The governmental fund financial statements can be found on pages 11-14 of this report.

The City of Comanche adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget on page 32.

Proprietary fund. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, the City's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund financial statements can be found on pages 15-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-31 of this report.

Other information. The other schedules referred to earlier in connection with the major governmental and proprietary funds are presented immediately following the required supplementary information. These schedules can be found on pages 35-37 of this report.

**THE CITY OF COMANCHE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Comanche, assets exceeded liabilities by \$7,630,139 at the close of the most recent fiscal year.

\$5,923,107 of the City of Comanche's net position (78 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. The City of Comanche uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The City of Comanche's Net Position

	Governmental Activities	
	2016	2015
Current assets	\$ 551,688	\$ 488,703
Capital assets	2,581,502	2,332,399
Total Assets	3,133,190	2,821,102
Deferred outflows of resources - pensions	164,296	47,708
Total assets and deferred outflows of resources	3,297,486	2,868,810
Current liabilities	164,497	172,562
Long-term liabilities	582,335	244,828
Total Liabilities	746,832	417,390
Deferred inflows of resources - pensions	87,751	17,495
Total liabilities and deferred outflows of resource	834,583	434,885
Net investment in capital assets	2,154,557	2,188,465
Restricted	47,535	60,720
Unrestricted	260,811	184,740
Total Net Position	\$ 2,462,903	\$ 2,433,925

	Business-type Activities	
	2016	2015
Current assets	\$ 2,181,840	\$ 2,780,556
Capital assets	6,428,631	5,910,384
Total Assets	8,610,471	8,690,940
Deferred outflows of resources - pension	63,482	18,434
Total assets and deferred outflows of resources	8,673,953	8,709,374
Current liabilities	458,920	673,484
Long-term liabilities	3,013,891	3,075,584
Total Liabilities	3,472,811	3,749,068
Deferred inflows of resources - pension	33,906	6,760
Total liabilities and deferred inflows of resources	3,506,717	3,755,828
Net investment in capital assets	3,768,550	3,528,026
Unrestricted	1,398,686	1,425,520
Total Net Position	\$ 5,167,236	\$ 4,953,546

**THE CITY OF COMANCHE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The City of Comanche's Changes in Net Position

	Governmental Activities		Business-type Activities	
	2016	2015	2016	2015
Revenues:				
Program Revenues:				
Charges for services	\$ 122,439	\$ 92,006	\$ 2,296,687	\$ 2,326,975
Capital grants & contributions			264,500	165,143
Operating grants & contributions	84,803	65,772		
General Revenues				
Property taxes	1,028,722	964,341		
Sales and use taxes	525,884	543,779		
Franchise taxes	193,511	206,041	30,244	31,496
Hotel/motel taxes	72,171	82,168		
Investment earnings	4,916	4,023	8,110	7,815
Miscellaneous income	20,358		108	2,936
Transfers	255,103	385,000	(255,103)	(385,000)
Total Revenues	2,307,907	2,343,130	2,344,546	2,149,365
Expenses				
General administration	347,218	327,276		
Public safety	1,078,101	1,047,010		
Streets	311,880	357,845		
Municipal court	64,194	79,215		
Culture and recreation	231,628	226,296		
Economic development	131,750	145,563		
Water			1,083,395	1,081,265
Waste water			395,861	342,312
Sanitation			504,065	505,608
Interest	12,457	7,073	105,028	109,584
Other	101,701	113,154	42,507	57,642
Total expenses	2,278,929	2,303,432	2,130,856	2,096,411
Increase (decrease) in net position	28,978	39,698	213,690	52,954
Beginning Net Position	2,433,925	2,516,458	4,953,546	4,947,820
Prior period adjustment		(122,231)		(47,228)
Ending Net Position	\$ 2,462,903	\$ 2,433,925	\$ 5,167,236	\$ 4,953,546

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, the City of Comanche uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Comanche's governmental General Fund reported an ending fund balance of \$210,158, which is unassigned and available for spending at the City's discretion.

Fund Budgetary Highlights

The original budget reflected a balanced budget. There were no budget amendments made during the year ended September 30, 2016. The actual expenditures were \$145,868 more than the adjusted budgeted amounts. The largest expense variance occurred in the capital outlay, since the purchase of the new city hall building was not budgeted in the general fund. Actual revenues were \$103,671 less than was budgeted. Other financing sources were \$316,500 over budget due to the loan proceeds issued to purchase the new building which were also not budgeted in the general fund.

**THE CITY OF COMANCHE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

The original budget for the Systems Fund reflected a balanced budget. There were no budget amendments made during the year ended September 30, 2016, Actual operating expenses were \$7,558 less than the budgeted amounts, and actual revenues were \$17,476 more than was budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets The City of Comanche's investment in capital assets for its governmental activities amounts to \$2,581,502 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$6,428,631 (net of accumulated depreciation) as of September 30, 2016. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

**The City of Comanche's Capital Assets
(net of depreciation)**

		Governmental Activities 2016	Governmental Activities 2015
Land	\$	465,528	\$ 465,528
Buildings and improvements		784,912	536,242
Infrastructure		1,001,034	938,818
Equipment		330,028	391,811
Total	\$	2,581,502	\$ 2,332,399

		Business-type Activities 2016	Business-type Activities 2015
Land	\$	28,600	\$ 28,600
Building improvements		2,012	4,124
Infrastructure		6,225,339	5,757,703
Equipment		172,680	119,957
Total	\$	6,428,631	\$ 5,910,384

Additional information on the City of Comanche's capital assets can be found in Note 5 on pages 23 and 24 of this report.

Debt Administration

The City of Comanche has long term debt in the form of time warrants and certificates of obligation within the governmental activities of the City and certificates of obligation and a note payable within the business-type activities. As of September 30, 2016, the City had long term liabilities as follows:

Governmental Activities:

Certificates of Obligation \$ 426,945

Business-type Activities:

Certificates of Obligation \$ 2,985,000
Note Payable \$ 34,619

**THE CITY OF COMANCHE, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

Additional information on the City of Comanche's long term debt can be found in Note 6 on pages 24 through 26 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

1. The City of Comanche adopted a 2016 property tax rate effective for its 2017 fiscal year of .709905 per \$100 property valuation which is the same rate as the 2015 prior year tax rate.
 - The 2017 fiscal year budget was approved by the City Council in September of 2016. The General Fund budget reflects a balanced budget at \$2,516,942, which is approximately \$148,000 more than the 2016 budget. The Systems Fund budget for 2017 is \$2,495,380, which reflects a increase over the 2016 budget of approximately \$173,000.

Requests for Information

This financial report is designed to provide a general overview of the City of Comanche's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Comanche, 114 W. Central, Comanche, Texas 76801.

BASIC FINANCIAL STATEMENTS

CITY OF COMANCHE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Comanche TEDC
<u>ASSETS</u>				
Cash and cash equivalents	\$ 174,972	\$ 790,330	\$ 965,302	\$ 49,033
Restricted cash and cash equivalents		398,554	398,554	
Investments		709,812	709,812	352,920
Receivables:				
Taxes, net	276,174		276,174	45,627
Accounts, net	100,542	190,819	291,361	
Inventory		92,325	92,325	
Non-depreciable capital assets	465,528	28,600	494,128	354,299
Depreciable capital assets, net	2,115,974	6,400,031	8,516,005	73,903
TOTAL ASSETS	3,133,190	8,610,471	11,743,661	875,782
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	164,296	63,482	227,778	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,297,486	8,673,953	11,971,439	875,782
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	35,258	160,112	195,370	
Accrued compensated absences	15,791	11,913	27,704	
Accrued interest payable	3,299	6,404	9,703	
Due to other governmental entities	73,160		73,160	
Deposits		200,431	200,431	
Unearned grant revenue				
Long term liabilities:				
Due within one year	36,989	80,060	117,049	10,106
Due after one year:				
Loan payable				55,325
Net pension liability	192,379	74,332	266,711	
Certificates of obligation	389,956	2,939,559	3,329,515	
TOTAL LIABILITIES	746,832	3,472,811	4,219,643	65,431
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	87,751	33,906	121,657	
<u>NET POSITION</u>				
Net Position:				
Net investment in capital assets	2,154,557	3,768,550	5,923,107	362,771
Restricted for debt service	47,535		47,535	
Unrestricted	260,811	1,398,686	1,659,497	447,580
TOTAL NET POSITION	\$ 2,462,903	\$ 5,167,236	\$ 7,630,139	\$ 810,351

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General administration	\$ 347,218	\$ 9,131	\$	\$
Public safety	1,078,101	65,021	9,616	
Streets	311,880			
Municipal court	64,194	9,667		
Culture and recreation	231,628	34,420		
Economic development	131,750		75,187	
Other	101,701	4,200		
Interest	12,457			
Total governmental activities	<u>2,278,929</u>	<u>122,439</u>	<u>84,803</u>	
Business-type activities:				
Water utilities	739,656	836,984		264,500
Water works	343,739	413,404		
Waste water	395,861	336,168		
Sanitation	504,065	710,131		
Garage	42,507			
Interest	105,028			
Total business-type activities	<u>2,130,856</u>	<u>2,296,687</u>		<u>264,500</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,409,785</u>	<u>\$ 2,419,126</u>	<u>\$ 84,803</u>	<u>\$ 264,500</u>
Component unit:				
Comanche TEDC:				
Economic development	\$ 434,747	\$	\$	\$
Total component units	<u>\$ 434,747</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

GENERAL REVENUES:

Taxes:

Property taxes

Sales and use taxes

Franchise taxes

Hotel/motel taxes

Investment income

Miscellaneous income

Transfers

Total general revenues

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
PRIMARY GOVERNMENT			COMPONENT UNIT
Governmental Activities	Business-type Activities	Total	Comanche TEDC
\$ (338,087)		\$ (338,087)	
(1,003,464)		(1,003,464)	
(311,880)		(311,880)	
(54,527)		(54,527)	
(197,208)		(197,208)	
(56,563)		(56,563)	
(97,501)		(97,501)	
(12,457)		(12,457)	
<u>(2,071,687)</u>		<u>(2,071,687)</u>	
	361,828	361,828	
	69,665	69,665	
	(59,693)	(59,693)	
	206,066	206,066	
	(42,507)	(42,507)	
	<u>(105,028)</u>	<u>(105,028)</u>	
	430,331	430,331	
<u>(2,071,687)</u>	<u>430,331</u>	<u>(1,641,356)</u>	
			(434,747)
			(434,747)
1,028,722		1,028,722	
525,884		525,884	262,942
193,511	30,244	223,755	
72,171		72,171	
4,916	8,110	13,026	2,588
20,358	108	20,466	640
<u>255,103</u>	<u>(255,103)</u>		
<u>2,100,665</u>	<u>(216,641)</u>	<u>1,884,024</u>	<u>266,170</u>
28,978	213,690	242,668	(168,577)
<u>2,433,925</u>	<u>4,953,546</u>	<u>7,387,471</u>	<u>978,928</u>
<u>\$ 2,462,903</u>	<u>\$ 5,167,236</u>	<u>\$ 7,630,139</u>	<u>\$ 810,351</u>

CITY OF COMANCHE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Time Warrant Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 124,138	\$ 50,834	\$ 174,972
Receivables:			
Accounts, net	100,542		100,542
Property tax, net	66,984	5,267	72,251
Sales tax	136,882		136,882
Hotel/motel tax	18,067		18,067
Franchise tax	48,974		48,974
Due from other governments			
TOTAL ASSETS	\$ 495,587	\$ 56,101	\$ 551,688
LIABILITIES:			
Accounts payable and accrued expenses	\$ 35,258		\$ 35,258
Accrued compensated absences	15,791		15,791
Accrued interest payable		3,299	3,299
Due to other governmental entities	73,160		73,160
Deferred revenue	161,220	5,267	166,487
Total Liabilities	285,429	8,566	293,995
FUND BALANCE:			
Unassigned	210,158		210,158
Restricted for debt service		47,535	47,535
Total Fund Balance	210,158	47,535	257,693
TOTAL LIABILITIES AND FUND BALANCE	\$ 495,587	\$ 56,101	\$ 551,688

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total Fund Balances - Governmental Funds	\$	257,693
--	----	---------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$5,174,073 and the accumulated depreciation was \$2,841,674. The net effect of the beginning balances for capital assets (net of depreciation) in the governmental activities is an increase to net position.		2,332,399
---	--	-----------

Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. There were current year capital asset purchases of \$398,285 in the General Fund.		398,285
--	--	---------

Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$149,182 is to decrease net position.		(149,182)
---	--	-----------

Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. The net effect of recognizing long term debt in the governmental activities is a decrease to net position of \$426,945.		(426,945)
---	--	-----------

Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. Deferred revenue of \$166,487 is recognized in the government-wide financial statements. This results in an increase in net position.		166,487
--	--	---------

Included on the government-wide financial statements is the recognition of the City's proportionate share of the net pension liability of \$192,379, a deferred outflow of resources of \$164,296, and a deferred inflow of resources of \$87,751. The net effect is to decrease net position.		(115,834)
--	--	-----------

Net Position of Governmental Activities	\$	2,462,903
---	----	-----------

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Time Warrant Fund	Total Governmental Funds
REVENUE:			
Franchise tax revenue	\$ 193,511	\$	\$ 193,511
Property tax revenue	996,995	32,528	1,029,523
Sales tax revenue	525,884		525,884
Hotel/motel tax revenue	72,171		72,171
Intergovernmental revenue	84,803		84,803
Fines and forfeitures	35,885		35,885
Charges for service	75,479		75,479
Investment earnings	4,683	233	4,916
Miscellaneous income	20,358		20,358
Total Revenue	2,009,769	32,761	2,042,530
EXPENDITURES:			
Current:			
City council	38,886		38,886
Administration	205,568		205,568
Police	728,993		728,993
Fire	60,991		60,991
Streets	275,670		275,670
Library	75,562		75,562
Airport	7,761		7,761
Emergency management	19,555		19,555
Animal control	98,989		98,989
Parks and pool	123,064		123,064
Cemetery	37,400		37,400
Tax assessor	93,839		93,839
Senior citizens	38,063		38,063
Community center	7,528		7,528
Legal	3,285		3,285
Municipal court	63,547		63,547
Volunteer fire department	105,742		105,742
Economic development	55,076		55,076
Community development	76,607		76,607
Debt service:			
Principal retired		33,989	33,989
Interest		12,457	12,457
Capital outlay	398,285		398,285
Total Expenditures	2,514,411	46,446	2,560,857
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(504,642)	(13,685)	(518,327)
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	317,000		317,000
Transfers in	254,603	500	255,103
Total other financing sources (uses)	571,603	500	572,103
CHANGE IN FUND BALANCE	66,961	(13,185)	53,776
FUND BALANCE AT BEGINNING OF YEAR	143,197	60,720	203,917
FUND BALANCE AT END OF YEAR	\$ 210,158	\$ 47,535	\$ 257,693

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016

Net Change in Fund Balances - Governmental Funds	\$	53,776
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The current year capital asset purchases in the General Fund were \$398,285.		398,285
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$149,182 is to decrease net position.		(149,182)
The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net decrease to net position of \$283,011.		(283,011)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$10,274. This results in an increase in net position.		10,274
Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$28,623. The City's share of the unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$29,787. The net effect is an decrease in net position.		(1,164)
Change in Net Position of Governmental Activities	\$	28,978

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

	Systems Fund
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 790,330
Restricted cash and cash equivalents	398,554
Investments	709,812
Accounts receivable, net	190,819
Inventory	92,325
Total Current Assets	2,181,840
Noncurrent Assets:	
Non-depreciable capital assets	28,600
Depreciable capital assets, net	6,400,031
Total Noncurrent Assets	6,428,631
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension	63,482
Total Assets and Deferred Outflows of Resources	8,673,953
LIABILITIES:	
Accounts payable	160,112
Accrued interest payable	6,404
Compensated absences	11,913
Utility deposits	200,431
Unearned grant revenue	
Long term liabilities:	
Due within one year	80,060
Due after one year:	
Net pension liability	74,332
Certificates of obligation	2,939,559
Total Liabilities	3,472,811
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension	33,906
NET POSITION:	
Net investment in capital assets	3,768,550
Unrestricted	1,398,686
Total Net Position	\$ 5,167,236

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2016

	Systems Fund
OPERATING REVENUE:	
Service revenue	\$ 2,238,516
Franchise tax	30,244
Other sales and charges	58,171
Total Operating Revenue	2,326,931
OPERATING EXPENSES:	
Water utilities	739,656
Water works	343,739
Waste water	395,861
Sanitation	504,065
Garage	42,507
Total Operating Expenses	2,025,828
Operating Income	301,103
NON-OPERATING REVENUE (EXPENSES)	
Interest income	8,110
Grant income	264,500
Miscellaneous income	108
Interest expense	(105,028)
Total Non-operating Revenue (Expenses)	167,690
NET INCOME BEFORE OPERATING TRANSFERS	468,793
OPERATING TRANSFERS	
Transfers out	(255,103)
CHANGE IN NET POSITION	213,690
NET POSITION BEGINNING OF YEAR	4,953,546
NET POSITION END OF YEAR	\$ 5,167,236

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2016

	Systems Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 2,338,569
Payments to suppliers	(1,249,673)
Payments to employees and related taxes and benefits	(364,217)
Payments to others	(160,430)
Net cash provided by operating activities	<u>564,249</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers out	(255,103)
From other governments	45,472
Miscellaneous income	108
Net cash used by noncapital financing activities	<u>(209,523)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal payments on long-term debt	(74,594)
Interest payments on long-term debt	(107,035)
Acquisition and construction of capital assets	(766,134)
Capital grant proceeds	26,022
Net cash used by capital and related financing activities	<u>(921,741)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	8,110
Proceeds from investments	33,043
Net cash provided by investing activities	<u>41,153</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(525,862)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,714,746</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>1,188,884</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 301,103
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	247,887
(Increase) Decrease in accounts receivable	(4,838)
(Increase) Decrease in inventory	(823)
Increase (Decrease) in accounts payable	5,148
Increase (Decrease) in compensated absences	(1,154)
Increase (Decrease) in customer deposits	16,476
Increase (Decrease) in pension liability	450
Net cash provided by operating activities	<u>\$ 564,249</u>

The accompanying notes are an integral part of the financial statements.

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2016

Note 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of the City of Comanche, Texas have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to city units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

REPORTING ENTITY

The City of Comanche, Texas is a general law municipality operating under an elected Mayor and City Council. The duty of this council is to pass, establish and cause to be enforced all ordinances and to do all other things necessary and proper for the carrying out and execution of the powers and duties specified in the City charter. The City's major operations include water, sewer, sanitation, streets, public safety, culture and recreation, public improvements, and general administrative services.

In conformity with U.S. generally accepted accounting principles, the City has considered all potential component units. This report includes the financial statements of the component unit for which the City is considered to be financially accountable. The basic criterion is the governing body's ability to exercise oversight responsibility which includes financial interdependency, selection of governing authority, the designation of management, and accountability for fiscal matters.

Discretely Presented Component Unit

The component unit column in the government-wide financial statements includes the financial data of the Comanche, Texas Economic Development Corporation (CTEDC). It is listed in a separate column to emphasize that it is legally separate from the City.

The Comanche, Texas Economic Development Corporation is governed by a five member board appointed by the City Council. The CTEDC's purpose is to promote and develop commercial, industrial and manufacturing enterprises, and to promote and encourage employment and the public welfare on behalf of the citizens of the City. These activities are funded by sales and use tax collected within the limits of the City of Comanche. Financial statements of the component unit may be obtained directly from the CTEDC.

Related Entities

The financial statements of the City of Comanche, Texas do not include the assets, liabilities or the results of operations of an airport, which is jointly owned with Comanche County. Each entity owns 50%, and the airport is governed by a six member board to which each entity appoints three members. The airport leases hanger space and sells fuel. Operations are supplemented by contributions of \$3,000 per year from each entity, along with payment of various other airport expenses.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, hotel/motel taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental fund:

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

The City reports the Time Warrant Fund as a non-major governmental fund.

The City reports the following major proprietary fund:

Systems Fund - This enterprise fund is used to account for the activities of the City's water, sewer, sanitation, and garage services which are financed and operated in a manner similar to private business enterprises - where the intent of the government body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

CITY OF COMANCHE, TEXAS

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and sanitation services are charges to customers for sales and services. Operating expense for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

BUDGETARY CONTROL

An annual budget is submitted to the City Council in accordance with the City Charter. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance. Budgets for the General Fund, Time Warrant Fund, and Systems Fund operations are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end. Amended budgets were prepared during the current fiscal year. Encumbrance accounting is not utilized by the City.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During fiscal year 2016 in the general fund, expenditures exceeded the budget in several expenditure functions including capital outlay and in total. During fiscal year 2016 in the systems fund, expenses exceeded the budget in two departments, but not in total. Funds were available to cover all unbudgeted expenditures.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

STATEMENT OF CASH FLOWS

For purposes of the statement of cash flows, all cash and cash investments with a maturity of three months or less are considered to be cash equivalents.

INVENTORY

Inventory is valued at the lower of cost or market. Inventories of the proprietary fund consist of supplies held for consumption.

RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and tax receivables are shown net of an allowance for uncollectibles.

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are stated at historical cost or estimated cost if actual historical cost is not available. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the lives is not capitalized.

Capital assets in the proprietary fund are capitalized and are depreciated on the straight-line method over the estimated useful lives of the respective assets. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. The estimated useful lives of fixed assets are as follows:

Buildings and Improvements	10 - 40 years
Infrastructure	20 - 40 years
Equipment	5 - 20 years

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows of resources for the differences between expected and actual experience related to the pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

COMPENSATED ABSENCES

The City Council has adopted a policy whereby employees are paid lump sum payments of unused vacation and comp time if they leave City employment and have met prescribed conditions. As of September 30, 2016, the current liability for accrued compensated absences was \$15,791 in the General Fund and \$11,913 in the Systems Fund.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and addition to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value.

NOTE 2: DEPOSITS AND INVESTMENTS

Custodial credit risk – deposits. Deposits in financial institutions are carried at cost which approximates fair value. At September 30, 2016, the City had cash and cash investments, which represents cash on hand, demand deposits and savings accounts at federally insured local banks. At September 30, 2016, the City's deposits were fully secured by federal depository insurance and pledged securities held by the City's agent in the City's name.

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2: DEPOSITS AND INVESTMENTS - continued

Statutes authorize the City to invest in obligations of the U.S. Treasury or the State of Texas, certain repurchase agreements, common trust funds, certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation, and other investments specifically authorized by Chapter 2256 Public Funds Investment Act (PFIA) and Chapter 2257 Collateral for Public Funds of the Texas Government Code. The City is in compliance with the requirements of the PFIA.

The following are the City's investments at September 30, 2016.

	Carrying Value	Market Value
Certificates of Deposit	\$ 709,812	\$ 709,812

The following are the CTEDC's investments at September 30, 2016.

	Carrying Value	Market Value
Certificates of Deposit	\$ 352,920	\$ 352,920

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable in the General Fund consists mainly of warrants receivable. The net warrants receivable balance is \$100,042, which is net of an allowance of \$81,853 at September 30, 2016.

Accounts receivable in the Systems Fund consists of customer water, sewer and sanitation services receivable. The net receivable balance at September 30, 2016 is \$190,819, which is net of an allowance of \$83,771.

NOTE 4: TAXES RECEIVABLE

Property taxes are levied on October 1 on property values assessed. Property taxes are due upon receipt and are considered delinquent if not paid by the following February 1. 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 taxes are collected and remitted to the City by the Comanche County Tax Office. The tax rate to finance general governmental services and service the debt for the City's time warrants for the year ended September 30, 2016 was \$.709905 per \$100 valuation.

Property taxes are recorded as receivable and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related taxes are collected. An allowance for the uncollectible portion of the property tax receivable is also estimated.

Property taxes receivable (net) is computed as follows:

	General Fund	Time Warrant Fund
Property taxes receivable	\$ 100,084	\$ 9,173
Less: Allowance for uncollectible taxes	<u>(33,100)</u>	<u>(3,906)</u>
Property taxes receivable (net)	<u>\$ 66,984</u>	<u>\$ 5,267</u>

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5: CAPITAL ASSETS

A summary of changes in governmental capital assets is as follows:

<u>Government Activities:</u>	Balance September 30, 2015	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2016
Capital assets, not being depreciated:				
Land	\$ 465,528	\$	\$	\$ 465,528
Total capital assets, not being depreciated	<u>465,528</u>	<u></u>	<u></u>	<u>465,528</u>
Capital assets being depreciated:				
Buildings and improvements	1,374,785	306,349		1,681,134
Infrastructure	2,136,104	91,936		2,228,040
Equipment	1,197,656			1,197,656
Total assets being depreciated	<u>4,708,545</u>	<u>398,285</u>	<u></u>	<u>5,106,830</u>
Less accumulated depreciation for:				
Buildings and improvements	(838,543)	(57,679)		(896,222)
Infrastructure	(1,197,287)	(29,719)		(1,227,006)
Equipment	(805,844)	(61,784)		(867,628)
Total accumulated depreciation	<u>(2,841,674)</u>	<u>(149,182)</u>	<u></u>	<u>(2,990,856)</u>
Total capital assets being depreciated, net	<u>1,866,871</u>	<u>249,103</u>	<u></u>	<u>2,115,974</u>
Governmental activities capital assets, net	<u>\$ 2,332,399</u>	<u>\$ 249,103</u>	<u>\$</u>	<u>\$ 2,581,502</u>

A summary of changes in business-type capital assets is as follows:

<u>Business-type activities:</u>	Balance September 30, 2015	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2016
Capital assets, not being depreciated:				
Land	\$ 28,600	\$	\$	\$ 28,600
Total capital assets, not being depreciated	<u>28,600</u>	<u></u>	<u></u>	<u>28,600</u>
Capital assets being depreciated:				
Buildings and improvements	76,956			76,956
Infrastructure	7,586,080	675,972		8,262,052
Equipment	398,128	90,162		488,290
Total assets being depreciated	<u>8,061,164</u>	<u>766,134</u>	<u></u>	<u>8,827,298</u>
Less accumulated depreciation for:				
Buildings and improvements	(72,831)	(2,113)		(74,944)
Infrastructure	(1,828,378)	(208,335)		(2,036,713)
Equipment	(278,171)	(37,439)		(315,610)
Total accumulated depreciation	<u>(2,179,380)</u>	<u>(247,887)</u>	<u></u>	<u>(2,427,267)</u>
Total capital assets being depreciated, net	<u>5,881,784</u>	<u>518,247</u>	<u></u>	<u>6,400,031</u>
Business-type activities capital assets, net	<u>\$ 5,910,384</u>	<u>\$ 518,247</u>	<u>\$</u>	<u>\$ 6,428,631</u>

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5: CAPITAL ASSETS - continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	\$ 63,696
Streets	36,107
Culture and recreation	28,181
Other	<u>21,198</u>
	<u>\$ 149,182</u>
Business-type activities:	
Water works	\$ 154,003
Waste water	91,771
Garage	<u>2,113</u>
	<u>\$ 247,887</u>

A summary of changes in Comanche, Texas Economic Development Corporation's capital assets is as follows:

<u>CTEDC</u>	Balance September 30, 2015	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2016
Capital assets, not being depreciated:				
Land	\$ 354,299	\$	\$	\$ 354,299
Total capital assets, not being depreciated	<u>354,299</u>			<u>354,299</u>
Capital assets being depreciated:				
Buildings and improvements	98,104			98,104
Equipment	5,202			5,202
Total assets being depreciated	<u>103,306</u>			<u>103,306</u>
Less accumulated depreciation for:				
Buildings and improvements	(21,575)	(3,345)		(24,920)
Equipment	(4,195)	(288)		(4,483)
Total accumulated depreciation	<u>(25,770)</u>	<u>(3,633)</u>		<u>(29,403)</u>
Total capital assets being depreciated, net	<u>77,536</u>	<u>(3,633)</u>		<u>73,903</u>
Business-type activities capital assets, net	\$ <u>431,835</u>	\$ <u>(3,633)</u>	\$	\$ <u>428,202</u>

Depreciation expense was charged to functions/programs of the component unit as follows:

Economic development	\$ <u>3,633</u>
----------------------	-----------------

NOTE 6: LONG TERM DEBT

The City finances capital asset purchases through time warrants, notes payable, and certificates of obligation. The time warrants are governmental activity debts and are funded through appropriations of the ad valorem tax revenue each year. The certificates of obligation are governmental activity and business-type activity debt and are secured by both taxes and water and sewer revenue. A schedule of the City's transactions in the long term debt for the year ended September 30, 2016 is as follows:

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6: LONG TERM DEBT - continued

	<u>Balance</u> <u>September 30,</u> <u>2015</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>September 30,</u> <u>2016</u>
<u>Government Activities:</u>				
Certificates of Obligation	\$ 143,934	\$ 317,000	\$ (33,989)	\$ 426,945
<u>Business-type Activities:</u>				
Note Payable	45,213		(10,594)	34,619
Certificates of Obligation	<u>3,049,000</u>		<u>(64,000)</u>	<u>2,985,000</u>
Total Primary Government	<u>\$ 3,238,147</u>	<u>\$ 317,000</u>	<u>\$ (108,583)</u>	<u>\$ 3,446,564</u>

Long-term debts of the governmental activities are as follows:

	<u>Interest Rate</u>	<u>Payment/Terms</u>	<u>Amount</u>
<u>Certificates of Obligation:</u>			
Comanche National Bank	4.40%	Annual payments thru 2021	\$ 119,945
Comanche National Bank	1.25% to 4.50%	Annual payments thru 2036	307,000
			<u>\$ 426,945</u>

The annual aggregate maturities for the governmental activities at September 30, 2016 are as follows:

<u>Year Ended</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 36,989	\$ 51,707	\$ 88,696
2018	36,989	50,489	87,478
2019	36,989	49,244	86,233
2020	37,989	48,962	86,951
2021	37,989	47,654	85,643
2022-2026	74,000	112,345	186,345
2027-2031	85,000	111,795	196,795
2032-2036	<u>81,000</u>	<u>89,971</u>	<u>170,971</u>
	<u>\$ 426,945</u>	<u>\$ 562,167</u>	<u>\$ 989,112</u>

Long-term debts of the business-type activities are as follows:

	<u>Interest Rate</u>	<u>Payment/Terms</u>	<u>Amount</u>
<u>Certificates of Obligation:</u>			
USDA Rural Development-Series 2001	4.50%	Annual payments thru 2040	\$ 514,000
USDA Rural Development-Series 2003	4.25%	Annual payments thru 2043	620,000
Texas Water Dev. Board-Series 2013	Variable	Annual payments thru 2043	645,000
Texas Water Dev. Board-Series 2013A	Variable	Annual payments thru 2044	720,000
USDA Rural Development-Series 2014	3.25%	Annual payments thru 2053	486,000
<u>Note Payable:</u>			
Comanche National Bank	4.25%	Annual payments thru 2019	34,619
			<u>\$ 3,019,619</u>

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6: LONG TERM DEBT - continued

The annual aggregate maturities for the business-type activities at September 30, 2016 are as follows:

Year Ended September 30	Principal	Interest	Total
2017	\$ 80,060	\$ 105,493	\$ 185,553
2018	86,530	103,553	190,083
2019	88,029	101,186	189,215
2020	77,000	98,703	175,703
2021	78,000	96,590	174,590
2022-2026	412,000	446,076	858,076
2027-2031	487,000	371,291	858,291
2032-2036	580,000	275,266	855,266
2037-2041	663,000	157,970	820,970
2042-2046	328,000	49,606	377,606
2047-2051	97,000	19,727	116,727
2052-2053	43,000	4,192	47,192
	<u>\$ 3,019,619</u>	<u>\$ 1,829,653</u>	<u>\$ 4,849,272</u>

The Comanche, Texas Economic Development Corporation financed the purchase of land for development purposes in May 2012 through a loan from the seller, the Comanche Industrial Foundation, Inc. The loan amount was \$102,950 to be repaid over ten years in annual installments beginning on May 4, 2014. The loan is at an interest rate of 3.0%. The loan balance at September 30, 2016 was \$65,431.

The annual aggregate maturities for the CTEDC at September 30, 2016 are as follows:

Year Ended September 30	Principal	Interest	Total
2017	\$ 10,106	\$ 1,963	\$ 12,069
2018	10,409	1,660	12,069
2019	10,722	1,347	12,069
2020	11,043	1,026	12,069
2021	11,374	695	12,069
2022	11,777	292	12,069
	<u>\$ 65,431</u>	<u>\$ 6,983</u>	<u>\$ 72,414</u>

NOTE 7: TRANSFERS

During the year ended September 30, 2016, the City transferred \$255,103 from the Systems Fund to the General Fund to supplement other funding sources.

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8: RISK FINANCING

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The City has purchased commercial insurance to insure against these losses. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 9: COMMITMENTS AND CONTINGENCIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursement by the grantor agencies for expenses disallowed under terms and conditions specified in the grant agreement.

Note 10: PENSION PLAN

A. Plan Description

The City of Comanche participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interests.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City for the plan years 2014 and 2015 were as follows:

Employee deposit rate:	5.0%
Employer deposit rate (2015)	5.30%
Matching ratio (City to employee):	1 to 1
Years required for vesting:	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 10: PENSION PLAN - continued

Employees covered by benefit terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	13
Active employees	27
Total	61

C. Contributions

The contribution rates for employees in the TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability

Employees for the City of Comanche were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Comanche were 5.30% and 4.98% in calendar years 2015 and 2016 respectively. The City’s contributions to TMRS for the year ended September 30, 2016 were \$52,022, and were equal to the required contributions.

D. Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Health Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7.0% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 10: PENSION PLAN - continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target assets allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.750%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as 12/31/2014	\$ 2,981,722	\$ 2,780,859	\$ 200,863
Changes for the year:			
Service cost	75,706		75,706
Interest	205,531		205,531
Change of benefit terms			
Difference between expected and actual experience	(134,179)		(134,179)
Changes of assumptions	19,381		19,381
Contributions – employer		48,081	(48,081)
Contributions – employee		51,029	(51,029)
Net Investment Income		4,103	(4,103)
Benefit Payments, including refunds of employee contributions	(166,843)	(166,843)	
Administrative expense		(2,499)	2,499
Other changes		(123)	123
Net Changes	(404)	(66,252)	65,848
Balance 12/31/2015	\$ 2,981,318	\$ 2,714,607	\$ 266,711

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 10: PENSION PLAN - continued

Sensitivity of the Net Pension Liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	\$ 602,078	\$ 266,711	\$ (14,284)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tnrs.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the City recognized pension expense of \$53,629.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		\$ 121,657
Changes in actuarial assumptions	15,065	
Difference between projected and actual investment earnings	173,031	
Contributions subsequent to the measurement date	39,682	
Total	\$ 227,778	\$ 121,657

\$39,682 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2017	\$ 12,511
2018	12,511
2019	15,830
2020	25,587
2021	0
Thereafter	0
Total	\$ 66,439

CITY OF COMANCHE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Note 11: SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB. The City offered supplemental death benefits to active employees and retirees during plan years 2015 and 2016.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2016, 2015, and 2014 were \$3,089, \$3,015 and \$3,041, respectively which equaled the required contributions each year.

Schedule of Contribution Rates:
(Retiree-only portion of the rate)

<u>Plan\ Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percent of ARC Contributed</u>
2013	0.10%	0.10%	100%
2014	0.11%	0.11%	100%
2015	0.12%	0.12%	100%
2016	0.12%	0.12%	100%

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COMANCHE, TEXAS
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Amended Budget	Actual	
REVENUE:				
Franchise tax revenue	\$ 215,000	\$ 215,000	\$ 193,511	\$ (21,489)
Property tax revenue	1,024,820	1,024,820	996,995	(27,825)
Sales tax revenue	575,000	575,000	525,884	(49,116)
Hotel/motel tax revenue	70,000	70,000	72,171	2,171
Intergovernmental revenue	80,500	80,500	84,803	4,303
Fines and forfeitures	37,500	37,500	35,885	(1,615)
Charges for services	89,420	89,420	75,479	(13,941)
Investment earnings	3,700	3,700	4,683	983
Miscellaneous income	17,500	17,500	20,358	2,858
Total Revenues	<u>2,113,440</u>	<u>2,113,440</u>	<u>2,009,769</u>	<u>(103,671)</u>
EXPENDITURES:				
Current:				
City council	25,010	25,010	38,886	(13,876)
Administration	214,360	214,360	205,568	8,792
Police	737,178	737,178	728,993	8,185
Fire	112,022	112,022	60,991	51,031
Streets	460,578	460,578	275,670	184,908
Library	74,772	74,772	75,562	(790)
Airport	7,356	7,356	7,761	(405)
Emergency management	17,646	17,646	19,555	(1,909)
Animal control	94,858	94,858	98,989	(4,131)
Parks and pool	138,071	138,071	123,064	15,007
Cemetery	35,000	35,000	37,400	(2,400)
Tax assessor	95,717	95,717	93,839	1,878
Senior citizens	38,400	38,400	38,063	337
Community center	8,800	8,800	7,528	1,272
Legal	5,260	5,260	3,285	1,975
Municipal court	66,172	66,172	63,547	2,625
Volunteer fire department	105,000	105,000	105,742	(742)
Economic development	56,906	56,906	55,076	1,830
Community development	75,437	75,437	76,607	(1,170)
Capital outlay			398,285	(398,285)
Total expenditures	<u>2,368,543</u>	<u>2,368,543</u>	<u>2,514,411</u>	<u>(145,868)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(255,103)	(255,103)	(504,642)	(249,539)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt			317,000	317,000
Transfers in	255,103	255,103	254,603	(500)
Total Other Financing Sources (Uses)	<u>255,103</u>	<u>255,103</u>	<u>571,603</u>	<u>316,500</u>
CHANGE IN FUND BALANCE			66,961	66,961
FUND BALANCES AT BEGINNING OF YEAR	<u>143,197</u>	<u>143,197</u>	<u>143,197</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 143,197</u>	<u>\$ 143,197</u>	<u>\$ 210,158</u>	<u>\$ 66,961</u>

CITY OF COMANCHE, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)
YEARS ENDED DECEMBER 31

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 75,706	\$ 80,806
Interest (on the Total Pension Liability)	205,531	199,695
Changes of benefit terms		-
Difference between expected and actual experience	(134,179)	(31,148)
Change of Assumptions	19,381	-
Benefit payments, including refunds of employee contributions	<u>(166,843)</u>	<u>(160,020)</u>
Net Change in Total Pension Liability	(404)	89,333
Total Pension Liability - Beginning	<u>2,981,722</u>	<u>2,892,389</u>
Total Pension Liability - Ending (a)	<u>\$ 2,981,318</u>	<u>\$ 2,981,722</u>
 Plan Fiduciary Net Position		
Contributions - Employer	51,029	\$ 57,601
Contributions - Employee	48,081	50,706
Net Investment Income	4,103	153,359
Benefit payments, including refunds of employee contributions	(166,843)	(160,020)
Administrative Expense	(2,499)	(1,601)
Other	<u>(123)</u>	<u>(132)</u>
Net Change in Plan Fiduciary Net Position	(66,252)	99,913
Plan Fiduciary Net Position - Beginning	<u>2,780,859</u>	<u>2,680,946</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,714,607</u>	<u>\$ 2,780,859</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 266,711</u>	<u>\$ 200,863</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	91.05%	93.26%
 Covered Employee Payroll	\$ 957,093	\$ 1,014,116
 Net Pension Liability as a Percentage of Covered Employee Payroll	27.87%	19.81%

CITY OF COMANCHE, TEXAS
SCHEDULE OF CONTRIBUTIONS
Last 10 Years (will ultimately be displayed)
YEARS ENDED SEPTEMBER 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially Determined Contribution	\$ 58,703	\$ 54,314	52,022
Contributions in relation to the actuarially determined contribution	<u>58,703</u>	<u>54,314</u>	<u>52,022</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
Covered employee payroll	<u>\$ 1,023,012</u>	<u>\$ 1,005,076</u>	<u>1,029,665</u>
Contributions as a percentage of covered payroll	5.74%	5.40%	5.05%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31st and become effective in January, 13 months later

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years
Asset Valuation Method	10 Year smoothed market: 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.0% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

CITY OF COMANCHE, TEXAS
COMPARATIVE SCHEDULES OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GENERAL FUND
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	General Fund	
	2016	2015
REVENUE:		
Franchise tax revenue	\$ 193,511	\$ 206,041
Property tax revenue	996,995	907,837
Sales tax revenue	525,884	543,779
Hotel/motel tax revenue	72,171	82,168
Intergovernmental revenue	84,803	65,772
Fines and forfeitures	35,885	23,139
Charges for services	75,479	78,463
Investment earnings	4,683	3,742
Miscellaneous income	20,358	25,092
Total Revenue	2,009,769	1,936,033
EXPENDITURES:		
Current:		
City council	38,886	27,264
Administration	205,568	185,694
Police	728,993	734,803
Fire	60,991	52,542
Streets	275,670	321,524
Library	75,562	71,155
Airport	7,761	8,314
Emergency management	19,555	17,933
Animal control	98,989	81,148
Parks	123,064	116,712
Cemetery	37,400	37,500
Tax assessor	93,839	94,896
Senior citizens	38,063	48,863
Community center	7,528	8,396
Legal	3,285	18,657
Municipal court	63,547	79,041
Volunteer fire department	105,742	99,443
Economic development	55,076	58,744
Community development	76,607	87,275
Capital outlay	398,285	131,915
Total Expenditures	2,514,411	2,281,819
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(504,642)	(345,786)
OTHER FINANCING SOURCES (USES)		
Proceeds from debt issuance	317,000	
Transfers in	254,603	385,000
Total other financing sources (uses)	571,603	385,000
CHANGE IN FUND BALANCE	66,961	39,214
FUND BALANCE AT BEGINNING OF YEAR	143,197	103,983
FUND BALANCE AT END OF YEAR	\$ 210,158	\$ 143,197

CITY OF COMANCHE, TEXAS
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (GAAP BASIS) AND ACTUAL - SYSTEMS FUND
YEAR ENDED SEPTEMBER 30, 2016

	Systems Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Amended Budget	Actual	
OPERATING REVENUE:				
Service revenue	\$ 2,216,500	\$ 2,216,500	\$ 2,238,516	\$ 22,016
Franchise tax	30,500	30,500	30,244	(256)
Other sales and charges	62,455	62,455	58,171	(4,284)
Total Operating Revenue	<u>2,309,455</u>	<u>2,309,455</u>	<u>2,326,931</u>	<u>17,476</u>
OPERATING EXPENSES:				
Water utilities	711,632	711,632	739,656	(28,024)
Water works	388,835	388,835	343,739	45,096
Waste water	346,862	346,862	395,861	(48,999)
Sanitation	531,000	531,000	504,065	26,935
Garage	55,057	55,057	42,507	12,550
Total Operating Expenses	<u>2,033,386</u>	<u>2,033,386</u>	<u>2,025,828</u>	<u>7,558</u>
Operating Income	<u>276,069</u>	<u>276,069</u>	<u>301,103</u>	<u>25,034</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	9,100	9,100	8,110	(990)
Grant income			264,500	264,500
Miscellaneous income	3,600	3,600	108	(3,492)
Interest expense	(33,666)	(33,666)	(105,028)	(71,362)
Total Non-operating Revenues (Expenses)	<u>(20,966)</u>	<u>(20,966)</u>	<u>167,690</u>	<u>188,656</u>
NET INCOME BEFORE OPERATING TRANSFERS	255,103	255,103	468,793	213,690
OPERATING TRANSFERS				
Transfers out	(255,103)	(255,103)	(255,103)	
CHANGE IN NET POSITION			213,690	213,690
NET POSITION BEGINNING OF YEAR	<u>4,953,546</u>	<u>4,953,546</u>	<u>4,953,546</u>	
NET POSITION END OF YEAR	<u>\$ 4,953,546</u>	<u>\$ 4,953,546</u>	<u>\$ 5,167,236</u>	<u>\$ 213,690</u>

CITY OF COMANCHE, TEXAS
COMPARATIVE SCHEDULES OF REVENUE, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	Systems Fund	
	2016	2015
OPERATING REVENUE:		
Service revenue	\$ 2,238,516	\$ 2,238,761
Franchise tax	30,244	31,496
Other sales and charges	58,171	88,214
Total Operating Revenue	<u>2,326,931</u>	<u>2,358,471</u>
OPERATING EXPENSES:		
Water utilities	739,656	734,981
Water works	343,739	346,284
Waste water	395,861	342,312
Sanitation	504,065	505,608
Garage	42,507	57,642
Total Operating Expenses	<u>2,025,828</u>	<u>1,986,827</u>
Operating Income	<u>301,103</u>	<u>371,644</u>
NON-OPERATING REVENUE (EXPENSES)		
Interest income	8,110	7,815
Grant income	264,500	165,143
Miscellaneous income	108	2,936
Interest expense	(105,028)	(109,584)
Total Non-operating Revenue (Expenses)	<u>167,690</u>	<u>66,310</u>
NET INCOME BEFORE OPERATING TRANSFERS	468,793	437,954
OPERATING TRANSFERS		
Transfers out	<u>(255,103)</u>	<u>(385,000)</u>
CHANGE IN NET POSITION	213,690	52,954
NET POSITION BEGINNING OF YEAR	4,953,546	4,947,820
Prior period adjustment	<u>(47,228)</u>	<u>(47,228)</u>
NET POSITION END OF YEAR	<u>\$ 5,167,236</u>	<u>\$ 4,953,546</u>

ROBERTS & MCGEE, CPA

104 PINE STREET, SUITE 710
ABILENE, TEXAS 79601
(325) 701-9502

Becky Roberts, CPA
becky.roberts@rm-cpa.net
Cell: 325-665-5239

Stacey McGee, CPA
stacey.mcgee@rm-cpa.net
Cell: 325-201-7244

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

To the Honorable Mayor
Members of the City Council
City of Comanche, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Comanche, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Comanche, Texas' basic financial statements, and have issued our report thereon dated February 3, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Roberts + McGee, CPA
Roberts & McGee, CPA

Abilene, Texas
February 3, 2017