

**COMMERCE INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2015**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
*Certified Public Accountants*  
2802 Washington Street  
Greenville, Texas 75401  
(903) 455-6252

COMMERCE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015

**TABLE OF CONTENTS**

	<u>Page</u>	<u>Exhibits</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board .....	3	
<b>FINANCIAL SECTION</b>		
<u>Independent Auditor's Reports:</u>		
Report on Basic Financial Statements .....	4	
Report on Compliance and Internal Controls ( <i>Government Auditing Standards</i> ).....	6	
Report on Compliance and Internal Controls (OMB Circular A-133).....	8	
Schedule of Findings and Questioned Costs .....	10	
Management's Discussion and Analysis (Required Supplementary Information).....	16	
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements:</u>		
Statement of Net Assets.....	25	A-1
Statement of Activities.....	26	B-1
<u>Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds .....	27	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets .....	28	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds.....	29	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities .....	30	C-4
Statement of Fiduciary Net Assets – Fiduciary Funds .....	31	E-1
Notes to the Basic Financial Statements.....	32	F-1
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund.....	56	G-1
Schedule of District's Proportionate Share of the Net Pension Liability .....	57	G-2
Schedule of District Contributions .....	58	G-3
Notes to Required Supplementary Information .....	59	G-4
<u>Other Supplementary Information Section:</u>		
Schedule of Delinquent Taxes Receivable.....	61	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	62	J-3
Debt Service.....	63	J-4
Schedule of Required Responses to Selected School FIRST Indicators.....	64	J-5
<b>FEDERAL AWARDS SECTION</b>		
Schedule of Expenditures of Federal Awards .....	66	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	67	K-2

**CERTIFICATE OF BOARD**

Commerce Independent School District  
Name of School District

Hunt  
County

116-903  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and X approved/ \_\_\_\_\_ disapproved for the year ended June 30, 2015, at a meeting of the board of school trustees of such school district on 11-16-15.



Signature of Board Secretary



Signature of Board President

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

**RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.**  
*Certified Public Accountants*

---

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

---

**INDEPENDENT AUDITOR'S REPORT**

---

Members of the Board:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commerce Independent School District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commerce Independent School District as of June 30, 2015, 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.

## Independent Auditor's Report – Continued

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 16, 2015  
Greenville, Texas

*Rutherford, Taylor & Company PC*

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

---

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

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

---

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commerce Independent School District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2015.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is presented in the accompanying schedule of findings and questioned costs as item 2015-1.

Report on Internal Control – Continued

**Purpose of this Report**

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

November 16, 2015  
Greenville, Texas

Rutherford, Taylor & Company, P.C.

RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.  
*Certified Public Accountants*

---

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

---

Members of the Board:

**Report on Compliance for Each Major Federal Program**

We have audited Commerce Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

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

Internal Control over Compliance – Continued

report on internal control over compliance in accordance with OMC circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

November 16, 2015  
Greenville, Texas

Rutherford, Taylor & Company PC

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2015

**Summary of Auditor's Results (Section I)**

---

*Financial Statements –*

Type of auditor's report issued Unmodified Opinion

Internal Control over Financial Reporting:  
 Material Weaknesses identified None  
 Significant deficiencies identified that are  
 not considered to be material weaknesses None reported

Noncompliance material to the financial  
 statements noted None

*Federal Awards –*

Internal control over major programs:  
 Material weaknesses identified None  
 Significant deficiencies identified that are  
 not considered to be material weaknesses None reported

Type of Auditor's report issued on  
 compliance for major programs Unmodified

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

Identification of Major Programs Child Nutrition Cluster:  
 School Breakfast Program (10.553)  
 National School Lunch Program (10.555)

Dollar threshold used to distinguish  
 between Type A and B programs \$ 300,000

Entity qualifies as a low risk auditee Yes

Pass-through Entity Texas Department of Agriculture

COMMERCE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Financial Statement Findings (Section II)**

---

**2015 – 1**

**Expenditures over Appropriations**

Criteria:	Texas Education Code, Section 44.002 through 44.006 establishes the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.
Condition Found:	The District overexpended Functional expenditure categories during the year and at the year end.
Questioned Costs/Basis:	None
Instances/Universe:	Expenditures of the legally required budgeted funds are distributed into nineteen functional expenditure categories. The District overexpended six of the functional categories.
Effect:	The District appears to not have been in compliance with Texas Education Code, Section 44.002 through 44.006.
Recommendation:	The District should begin a monthly review of functional categories and anticipate necessary amendments. Management should bring these amendments to the board and request approval for authority to change the budget. Once approved all amendments should be posted to the general ledger to ensure compliance with state statutes.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Federal Award Findings and Questioned Costs (Section III)**

---

NONE

COMMERCE INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Prior Year Findings (Section IV)**

---

NONE

COMMERCE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 2015

**Corrective Action Plan (Section V)**

---

**2015 – 1**

**Expenditures over Appropriations**

The District will continue to monitor and amend the budget where and when needed. A monthly review process has been implemented to ensure budget amendments are made timely to allow for authorized expenditures. Extra emphasis will be made to ensure year end expenditures (accounts payable) are accurately reflected in the financial records.

Contact Person: John Walker, Director of Finance

COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

This section of Commerce Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2015. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

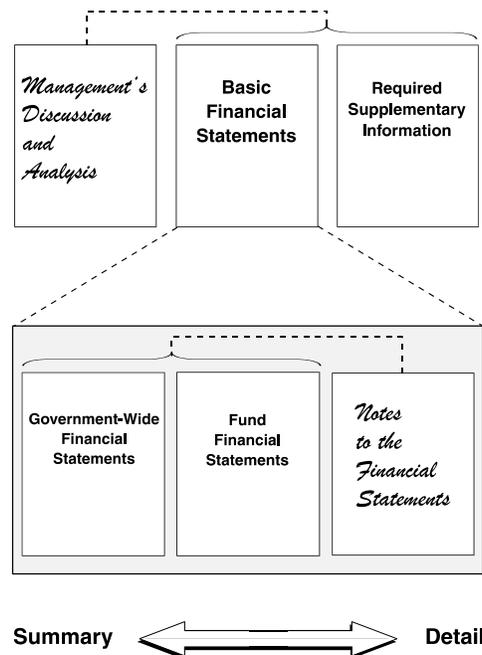
- The District's total combined net position was \$ 13,134 at June 30, 2015.
- During the year, the District's expenses were \$ 1,343,974 less than the \$ 19,064,359 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was reduced \$ 377,104 from the prior year amounts.
- The General Fund reported a fund balance this year of \$ 4,797,856.
- The District issued Series 2015 Refunding Bonds to reduce long term interest payments.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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



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

**COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

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

**GOVERNMENT-WIDE STATEMENTS**

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

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

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

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

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

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

**FUND FINANCIAL STATEMENTS**

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

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

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

**COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net assets were \$ 13,134 at June 30, 2015.

<b>Commerce Independent School District's Net Position</b>			<b>Table A-1</b>
	Governmental Activities		Total Percentage Change
	2015	2014	2014-2015
<b>Assets</b>			
Cash and Investments	\$ 5,333,397	\$ 4,645,082	14.82%
Other Assets	3,367,456	3,429,476	-1.81%
Capital Assets less Accumulated Depreciation	22,167,569	23,247,711	-4.65%
<b>Total Assets</b>	<b>\$ 30,868,422</b>	<b>\$ 31,322,269</b>	<b>-1.45%</b>
<b>Total Deferred Net Outflow s of Resources:</b>	<b>\$ 1,384,371</b>	<b>\$ 46,657</b>	<b>100.00%</b>
<b>Liabilities</b>			
Current Liabilities	\$ 1,931,223	\$ 2,598,421	-25.68%
Long-term Liabilities	29,633,545	27,570,215	7.48%
<b>Total Liabilities</b>	<b>\$ 31,564,768</b>	<b>\$ 30,168,636</b>	<b>4.63%</b>
<b>Total Deferred Net Inflow s of Resources:</b>	<b>\$ 674,891</b>	<b>\$ -</b>	<b>100.00%</b>
<b>Net Position</b>			
Net Investment in Capital Assets	\$ (5,259,749)	\$ (4,351,790)	20.86%
Restricted	1,433,855	1,294,539	10.76%
Unrestricted	3,839,028	4,257,541	-9.83%
<b>Total Net Position</b>	<b>\$ 13,134</b>	<b>\$ 1,200,290</b>	<b>-98.91%</b>

Approximately \$ 462,115 of the District's restricted net assets represent funds collected for debt retirement. These funds are restricted for retirement of tax supported debt. The unrestricted net asset represents resources available to fund the programs of the District next year.

**CHANGES IN NET ASSETS**

The District's total revenues were \$ 19,064,359. 35% of the District's revenue comes from local property taxes (See Table A-2). 59% comes from state aid and federal grants, while only 6% relates to charges for services and other sources including investment earnings.

The total cost of all programs and services was \$ 18,298,959. 48% of these costs are for instruction and instructional related student services.

The District's current tax collection rate (base tax only – current and delinquent) was 98.49%. The total collection rate (base tax and penalty and interest) was 101.04%.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

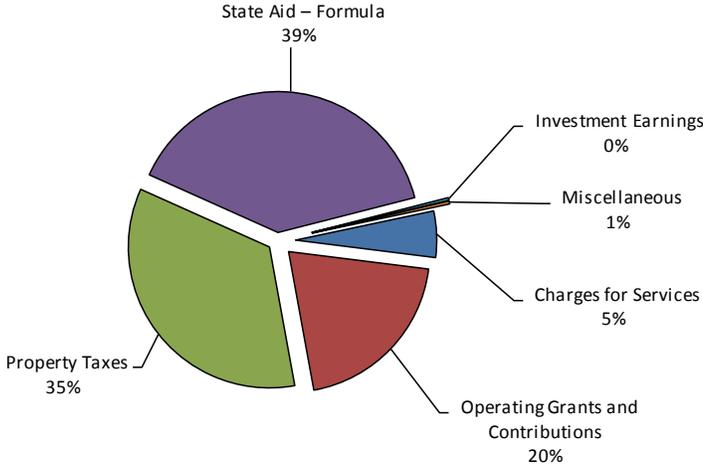
**Table A-2**

**Changes in Commerce Independent School District's Net Position**

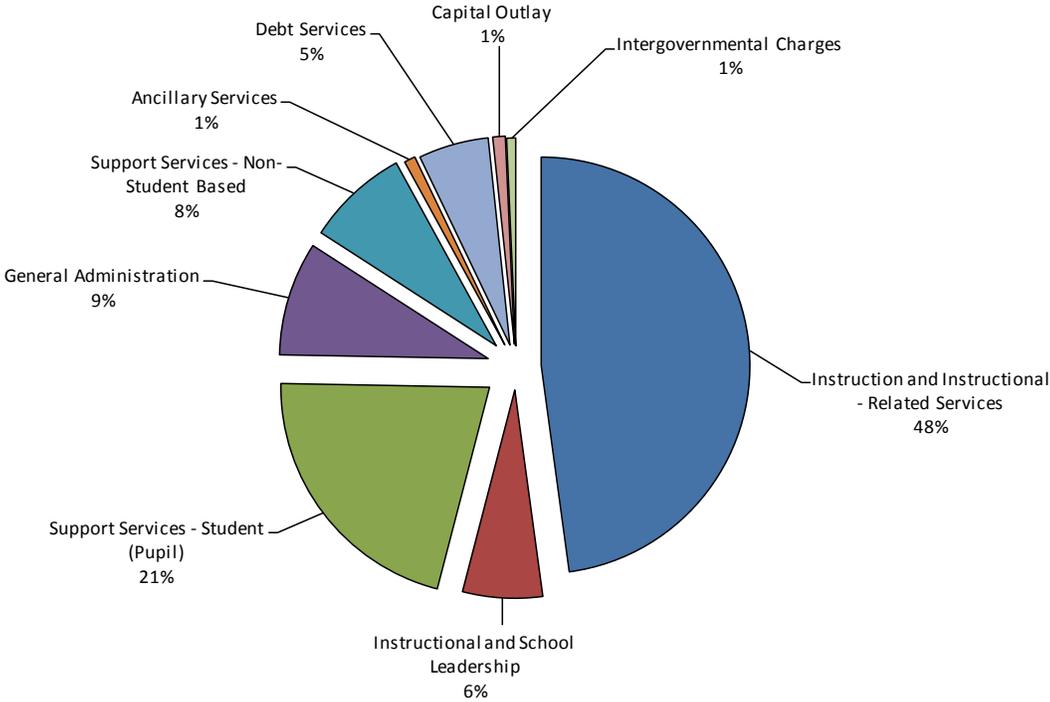
	Governmental Activities		Total Percentage Change
	2015	2014	2014 - 2015
Program Revenues:			
Charges for Services	\$ 1,013,457	\$ 933,133	8.61%
Operating Grants and Contributions	3,841,294	4,069,677	-5.61%
General Revenues:			
Property Taxes	6,593,048	6,788,846	-2.88%
State Aid – Formula	7,492,451	6,972,435	7.46%
Investment Earnings	58,679	43,095	36.16%
Miscellaneous	65,430	6,634	886.28%
Total Revenues	<u>\$ 19,064,359</u>	<u>\$ 18,813,820</u>	1.33%
Expenses:			
Instruction	\$ 8,801,563	\$ 9,153,486	-3.84%
Instructional Resources and Media Services	162,984	164,251	-0.77%
Curriculum and Staff Development	271,237	259,682	4.45%
Instructional Leadership	307,436	322,234	-4.59%
School Leadership	886,131	910,294	-2.65%
Guidance, Counseling and Evaluation Services	1,316,645	1,324,959	-0.63%
Health Services	169,393	134,103	26.32%
Student (Pupil) Transportation	644,278	687,264	-6.25%
Food Services	771,828	823,426	-6.27%
Co-curricular/Extracurricular Activities	570,878	577,335	-1.12%
General Administration	628,285	640,148	-1.85%
Plant Maintenance and Operations	1,705,768	1,731,809	-1.50%
Security and Monitoring Services	80,414	82,089	-2.04%
Data Processing Services	398,454	360,772	10.44%
Interest on Long Term Debt	1,048,338	1,243,439	-15.69%
Bond Issuance Cost and Fees	166,432	7,239	2199.10%
Capital Outlay	47,106	-	100.00%
Payments to Shared Service Arrangements	186,655	118,378	57.68%
Other Intergovernmental Charges	135,134	135,155	-0.02%
Total Expenses	<u>\$ 18,298,959</u>	<u>\$ 18,676,063</u>	-2.02%
Special Item Inflow	<u>\$ 578,574</u>	<u>\$ 33,180</u>	1643.74%
Excess (Deficiency) and Transfers	<u>\$ 1,343,974</u>	<u>\$ 170,937</u>	686.24%
Increase (Decrease) in Net Position	<u>\$ 1,343,974</u>	<u>\$ 170,937</u>	686.24%
Net Position - Beginning (July 1)	\$ 1,200,294	\$ 1,029,357	16.61%
Prior Period Adjustment	(2,531,134)	-	100.00%
Net Position - Beginning, as Restated	<u>\$ (1,330,840)</u>	<u>\$ 1,029,357</u>	-229.29%
Net Position - Ending (June 30)	<u>\$ 13,134</u>	<u>\$ 1,200,294</u>	-98.91%

COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**Sources of Revenue for Fiscal Year 2015 - See Table A-2**



**Functional Expenses for Fiscal Year 2015 - See Table A-2**



COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 18,298,959.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 6,593,048.
- Some of the cost was paid by those who directly benefited from the programs \$ 1,013,457, or
- By grants and contributions \$ 3,841,294.

**Table A-3**

**Commerce Independent School District  
Net Cost of Selected District Functions**

	Total Cost of Services		%	Net Cost of Services		%
	2015	2014		2015	2014	
Instruction	\$ 8,801,563	\$ 9,153,486	-3.84%	\$ 6,641,160	\$ 6,813,325	-2.53%
School Leadership	886,131	910,294	-2.65%	848,791	873,987	-2.88%
Plant Maintenance and Operations	1,705,768	1,731,809	-1.50%	1,520,316	1,661,476	-8.50%
Debt Service	1,214,770	1,250,678	-2.87%	846,536	789,737	7.19%
General Administration	628,285	640,148	-1.85%	550,022	550,022	0.00%

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues from governmental fund types totaled \$ 19,064,843 which is a \$ 179,330 increase from the prior year. The increase is representative of the state's increase in foundation aid for the current biennium.

Expenditures for governmental fund types totaled \$ 18,474,336 which is a \$ 72,296 increase from the prior year. The increase represents a less than 1% increase in total expenditures. The increase reflects typical cost of operation and economic adjustments to operating costs.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 685,141 below final General Fund budget amounts. The most significant positive variance resulted from reductions in the instruction and instructional related services functions and delayed capital projects.

Resources available were \$ 432,032 above the final General Fund budgeted amount. The favorable variance was the result of higher than anticipated state revenues due to enrollment and attendance numbers.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At year end, the District had invested \$ 44,651,481 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

<b>Commerce Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total
	2015	2014	Percentage
			Change
			2014-2015
Land	\$ 312,850	\$ 312,850	0.00%
Construction in Progress	21,033	-	100.00%
Buildings and Improvements	41,151,083	40,840,366	0.76%
Vehicles	1,989,349	1,989,349	0.00%
Equipment	1,177,166	1,168,166	0.77%
Totals at Historical Cost	\$ 44,651,481	\$ 44,310,731	0.77%
Total Accumulated Depreciation	(22,483,912)	(21,063,020)	6.75%
Net Capital Assets	<u>\$ 22,167,569</u>	<u>\$ 23,247,711</u>	-4.65%

**DEBT**

At year end, the District had \$ 27,427,318 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

**Bond Ratings -**

The District's bonds presently carry "AAA" ratings.

<b>Commerce Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total
	2015	2014	Percentage
			Change
			2014-2015
Bonds Payable	\$ 26,495,000	\$ 27,675,000	-4.26%
Capital Leases Payable	234,340	353,778	-33.76%
Other Debt Payable	697,978	(458,563)	-252.21%
Total Debt Payable	<u>\$ 27,427,318</u>	<u>\$ 27,570,215</u>	-0.52%

COMMERCE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**ECONOMIC FACTORS**

The District's property valuation has dropped significantly due to vacated commercial property and foreclosures. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow, as indicated by a drop in property values from prior year. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2014-2016 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held unconstitutional and inequitable. The 2014 legislative session produced additional funding for the student population. However, the legal process continues with challenges by the various interested parties. It is anticipated that a final resolution will be considered during the 2014-2016 biennium.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

COMMERCE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

1

Data Control Codes		Governmental Activities
<u>          </u>		<u>                  </u>
	<b>ASSETS</b>	
1110	Cash and Investments	\$ 5,333,397
1225	Property Taxes Receivable, Net	653,446
1240	Due from Other Governments	2,609,454
1290	Other Receivables, Net	33,975
1300	Inventories	38,504
1410	Unrealized Expenses	32,077
	Capital Assets:	
1510	Land	312,850
1520	Buildings and Improvements, Net	21,373,725
1530	Furniture and Equipment, Net	459,961
1580	Construction in Progress	<u>21,033</u>
<b>1000</b>	<b>Total Assets</b>	<b><u>\$ 30,868,422</u></b>
	<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
1705	Deferred Outflows - Pensions	\$ 458,623
1702	Deferred Outflows - Refunding	<u>925,748</u>
<b>1700</b>	<b>Total Deferred Outflows of Resources</b>	<b><u>\$ 1,384,371</u></b>
	<b>LIABILITIES</b>	
2110	Accounts Payable	\$ 125,441
2140	Interest Payable	309,060
2165	Accrued Liabilities	1,447,019
2177	Due to Fiduciary	87
2300	Unearned Revenues	49,616
	Noncurrent Liabilities:	
2501	Due within one year	1,018,960
2502	Due in more than one year	26,408,358
2540	Net Pension Liability	<u>2,206,227</u>
<b>2000</b>	<b>Total Liabilities</b>	<b><u>\$ 31,564,768</u></b>
	<b>DEFERRED INFLOWS OF RESOURCES:</b>	
2605	Deferred Inflows - Pensions	<u>\$ 674,891</u>
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b><u>\$ 674,891</u></b>
	<b>NET POSITION</b>	
3200	Net Investment in Capital Assets	\$ (5,259,749)
	Restricted For:	
3850	Debt Service	462,115
3890	Other Purposes	971,740
3900	Unrestricted	<u>3,839,028</u>
<b>3000</b>	<b>Total Net Position</b>	<b><u>\$ 13,134</u></b>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Data Control Codes	Functions/Programs	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Program Revenues			
Governmental Activities:					
11	Instruction	\$ 8,801,563	\$ 701,031	\$ 1,459,372	\$ (6,641,160)
12	Instructional Resources and Media Services	162,984	-	5,945	(157,039)
13	Curriculum and Staff Development	271,237	-	105,596	(165,641)
21	Instructional Leadership	307,436	-	113,933	(193,503)
23	School Leadership	886,131	-	37,340	(848,791)
31	Guidance, Counseling and Evaluation Services	1,316,645	17,149	891,489	(408,007)
33	Health Services	169,393	-	6,440	(162,953)
34	Student (Pupil) Transportation	644,278	-	19,997	(624,281)
35	Food Services	771,828	100,920	652,791	(18,117)
36	Cocurricular / Extracurricular Activities	570,878	76,899	19,586	(474,393)
41	General Administration	628,285	-	59,301	(568,984)
51	Plant Maintenance and Operations	1,705,768	117,458	67,994	(1,520,316)
52	Security and Monitoring Services	80,414	-	2,927	(77,487)
53	Data Processing	398,454	-	15,223	(383,231)
72	Interest on Long-term Debt	1,048,338	-	368,234	(680,104)
73	Bond Issuance Costs and Fees	166,432	-	-	(166,432)
81	Capital Outlay	47,106	-	-	(47,106)
93	Payments Related to Shared Services Arrangements	186,655	-	15,126	(171,529)
99	Other Intergovernmental Charges	135,134	-	-	(135,134)
TG	Total Governmental Activities	<u>\$ 18,298,959</u>	<u>\$ 1,013,457</u>	<u>\$ 3,841,294</u>	<u>\$ (13,444,208)</u>
TP	Total Primary Government	<u>\$ 18,298,959</u>	<u>\$ 1,013,457</u>	<u>\$ 3,841,294</u>	<u>\$ (13,444,208)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purpose				\$ 4,756,855
DT	Property Taxes, Levied for Debt Service				1,836,193
IE	Investment Earnings				58,679
GC	Grant and Contributions Not Restricted to Specific Programs				7,492,451
MI	Miscellaneous				65,430
Special and Extraordinary Items:					
	Special Item Inflow				<u>578,574</u>
TR	Total General Revenues				<u>\$ 14,788,182</u>
CN	Change in Net Position				<u>\$ 1,343,974</u>
NB	Net Position - Beginning (July 1)				\$ 1,200,294
PA	Prior Period Adjustment				<u>(2,531,134)</u>
	Net Position - Beginning, as Restated				<u>\$ (1,330,840)</u>
NE	Net Position - Ending (June 30)				<u>\$ 13,134</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Fund	98 Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Investments	\$ 2,785,162	\$ 1,848,679	\$ 699,554	\$ 5,333,395
1225 Taxes Receivable, Net	493,315	160,131	-	653,446
1240 Due from Other Governments	1,971,432	-	638,022	2,609,454
1260 Due from Other Funds	1,160,761	-	40,000	1,200,761
1290 Other Receivables	33,964	-	11	33,975
1300 Inventories	11,373	-	27,132	38,505
1410 Unrealized Expenditures	32,077	-	-	32,077
<b>1000 Total Assets</b>	<b>\$ 6,488,084</b>	<b>\$ 2,008,810</b>	<b>\$ 1,404,719</b>	<b>\$ 9,901,613</b>
<b>LIABILITIES</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 90,728	\$ -	\$ 35,512	\$ 126,240
2140 Interest Payable	-	23,801	-	23,801
2150 Payroll Deductions & Withholdings	217,885	-	30,426	248,311
2160 Accrued Wages Payable	888,213	-	309,698	1,197,911
2170 Due to Other Funds	87	1,185,000	15,761	1,200,848
2300 Unearned Revenues	-	28,834	20,782	49,616
<b>2000 Total Liabilities</b>	<b>\$ 1,196,913</b>	<b>\$ 1,237,635</b>	<b>\$ 412,179</b>	<b>\$ 2,846,727</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
2600 Total Deferred Inflows of Resources	\$ 493,315	\$ 160,131	\$ -	\$ 653,446
<b>FUND BALANCES</b>				
Nonspendable Fund Balances:				
3410 Inventories	\$ 11,373	\$ -	\$ 11,916	\$ 23,289
3430 Prepaid Items	32,077	-	-	32,077
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	-	-	(23,491)	(23,491)
3480 Retirement of Long-Term Debt	-	611,044	-	611,044
3490 Other Restrictions of Fund Balances	-	-	971,740	971,740
Committed Fund Balances:				
3545 Other Committed Fund Balances	-	-	32,375	32,375
3600 Unassigned	4,754,406	-	-	4,754,406
<b>3000 Total Fund Balances</b>	<b>\$ 4,797,856</b>	<b>\$ 611,044</b>	<b>\$ 992,540</b>	<b>\$ 6,401,440</b>
<b>4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 6,488,084</b>	<b>\$ 2,008,810</b>	<b>\$ 1,404,719</b>	<b>\$ 9,901,613</b>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)  
 TO THE STATEMENT OF NET POSITION  
 JUNE 30, 2015

Total fund balances - Balance Sheet (governmental funds)	\$	6,401,440
<p>Amounts reported for governmental activities in the statement  of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		22,167,569
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		653,446
Payables for bond principal which are not due in the current period are not reported in the funds.		(26,495,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(234,340)
Payables for bond interest which are not due in the current period are not reported in the funds.		(285,259)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(697,978)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		925,751
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(2,206,227)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(674,891)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		458,623
		<hr/>
Net position of governmental activities - Statement of Net Position	\$	<u>13,134</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 5,000,690	\$ 1,852,661	\$ 881,922	\$ 7,735,273
5800 State Program Revenues	7,947,002	368,234	162,242	8,477,478
5900 Federal Program Revenues	49,138	-	2,802,954	2,852,092
<b>5020 Total Revenues</b>	<b>\$ 12,996,830</b>	<b>\$ 2,220,895</b>	<b>\$ 3,847,118</b>	<b>\$ 19,064,843</b>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	\$ 6,219,426	\$ -	\$ 1,440,498	\$ 7,659,924
0012 Instructional Resources and Media Services	155,203	-	-	155,203
0013 Curriculum and Staff Development	180,281	-	93,657	273,938
0021 Instructional Leadership	2,495	-	307,365	309,860
0023 School Leadership	876,304	-	3,696	880,000
0031 Guidance, Counseling and Evaluation Services	342,399	-	993,083	1,335,482
0033 Health Services	168,287	-	-	168,287
0034 Student (Pupil) Transportation	522,581	-	-	522,581
0035 Food Services	-	-	746,959	746,959
0036 Cocurricular / Extracurricular Activities	507,743	-	46,898	554,641
0041 General Administration	596,572	-	30,646	627,218
0051 Plant Maintenance and Operations	1,679,199	-	23,331	1,702,530
0052 Security and Monitoring Services	77,102	-	-	77,102
0053 Data Processing Services	398,316	-	-	398,316
0071 Principal on Long-term Debt	114,772	885,000	-	999,772
0072 Interest on Long-term Debt	4,061	1,191,385	-	1,195,446
0073 Debt Issuance Costs and Fees	-	166,432	-	166,432
0081 Capital Outlay	348,579	-	30,277	378,856
0093 Payments to Shared Service Arrangements	129,777	-	56,878	186,655
0099 Other Intergovernmental Charges	135,134	-	-	135,134
<b>6030 Total Expenditures</b>	<b>\$ 12,458,231</b>	<b>\$ 2,242,817</b>	<b>\$ 3,773,288</b>	<b>\$ 18,474,336</b>
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 538,599	\$ (21,922)	\$ 73,830	\$ 590,507
<b>OTHER FINANCING SOURCES (USES)</b>				
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 8,810,000	\$ -	\$ 8,810,000
7912 Sale of Real or Personal Property	1,660	-	-	1,660
7916 Premium or Discount on Issuance of Bonds	-	1,139,969	-	1,139,969
8949 Other Uses	-	(9,992,545)	-	(9,992,545)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ 1,660</b>	<b>\$ (42,576)</b>	<b>\$ -</b>	<b>\$ (40,916)</b>
<b>EXTRAORDINARY ITEM</b>				
7919 Extraordinary Item (Resource)	\$ 578,574	\$ -	\$ -	\$ 578,574
1200 Net Change in Fund Balances	\$ 1,118,833	\$ (64,498)	\$ 73,830	\$ 1,128,165
0100 Fund Balances - Beginning (July 1)	3,679,023	675,542	918,710	5,273,275
<b>3000 Fund Balances - Ending (June 30)</b>	<b>\$ 4,797,856</b>	<b>\$ 611,044</b>	<b>\$ 992,540</b>	<b>\$ 6,401,440</b>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2015

Net change in fund balances - total governmental funds	\$	1,128,165
<p>Amounts reported for governmental activities in the statement  of activities are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		340,750
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,420,892)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(2,144)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		9,967,519
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		885,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		114,772
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		4,666
(Increase) decrease in accrued interest expense from beginning of period to end of period.		167,468
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.		(8,810,000)
Bond premiums are reported in the funds but not in the SOA.		(1,139,969)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflow.		(203,927)
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPO.		312,566
		<hr style="border-top: 1px solid black;"/>
Change in net position of governmental activities - Statement of Activities	\$	<u><u>1,343,974</u></u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
 JUNE 30, 2015

Data Control Codes		Agency Funds
	<b>ASSETS</b>	
1110	Cash and Investments	\$ 70,251
1260	Due From Other Funds	87
1290	Other Receivables	2,224
<b>1000</b>	<b>Total Assets</b>	<b>\$ 72,562</b>
	<b>LIABILITIES</b>	
2110	Accounts Payable	\$ 13,258
2190	Due to Student Groups	59,304
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 72,562</b>
	<b>NET POSITION</b>	
<b>3000</b>	<b>Total Net Position</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

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

The District reports the following major governmental funds:

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

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

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

In addition, the District reports the following fund types:

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

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

b. Measurement Focus – Basis of Accounting

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

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

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

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

4. Encumbrance Accounting

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

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

5. Financial Statement Amounts

Cash and Investments

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

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

Accretion

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

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs

Debt issuance costs are included in noncurrent assets. Unamortized premiums or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debts are amortized over the lives of the related debt issues using the straight line method.

Inventories

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

Fund Balance

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

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

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

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

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable				
Inventories	\$ 11,373	\$ -	\$ 11,916	\$ 23,289
Prepays	32,077	-	-	32,077
Restricted				
Child Nutrition Program	-	-	(23,491)	(23,491)
NETCAT SSA	-	-	62,029	62,029
Special Education SSA	-	-	786,044	786,044
Retirement of Long Term Debt	-	611,044	-	611,044
Scholarship Fund	-	-	123,667	123,667
Committed				
Campus Activity Funds	-	-	32,375	32,375
Unassigned	4,754,406	-	-	4,754,406
Totals	<u>\$ 4,797,856</u>	<u>\$ 611,044</u>	<u>\$ 992,540</u>	<u>\$ 6,401,440</u>

Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

6. Receivable and Payable Balances

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

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

7. Interfund Activities

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

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

8. Vacation, Sick Leave and Other Compensated Absences

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

9. Pensions

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

10. Use of Estimates

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

11. Data Control Codes

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

12. Accounting System

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

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2015, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. Deposits appear to have been secured throughout the year.

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

B. Deposits, Securities, and Investments (Continued)

f. fully collateralized repurchase agreements.

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

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

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

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

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

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

The following table identifies the District's investment at year end:

	<u>Credit Risk Rating</u>	<u>Fair Value</u>
LoneStar	AAAm	\$ 169,875
Guaranty Bond Bank – Certificate of Deposits	N/A	<u>139,782</u>
Total		<u>\$ 309,657</u>

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

- a. Name of bank: Guaranty Bond Bank, Commerce, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 7,834,194.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 7,463,718, and occurred during the month of February 2015.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

B. Deposits, Securities, and Investments (Continued)

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

The District levied taxes on property within the District at \$ 1.17 to fund general operations and \$ 0.4535 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 402,067,244.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

D. Capital Assets

Capital asset activities during the year ended June 30, 2015 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not Being Depreciated:				
Land	\$ 312,850	\$ -	\$ -	\$ 312,850
Construction in Progress	-	21,033	-	21,033
Total Capital Assets not being Depreciated	\$ 312,850	\$ 21,033	\$ -	\$ 333,883
Capital Assets being Depreciated:				
Building and Improvements	\$ 40,840,366	\$ 310,717	\$ -	\$ 41,151,083
Equipment	1,168,166	9,000	-	1,177,166
Vehicles	1,989,349	-	-	1,989,349
Total Capital Assets being Depreciated	\$ 43,997,881	\$ 319,717	\$ -	\$ 44,317,598
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 18,560,938	\$ 1,216,420	\$ -	\$ 19,777,358
Equipment	1,021,638	68,142	-	1,089,780
Vehicles	1,480,444	136,330	-	1,616,774
Total Accumulated Depreciation	\$ 21,063,020	\$ 1,420,892	\$ -	\$ 22,483,912
Total Capital Assets being Depreciated, Net	\$ 22,934,861	\$ (1,101,175)	\$ -	\$ 21,833,686
Governmental Activities Capital Assets, Net	\$ 23,247,711	\$ (1,080,142)	\$ -	\$ 22,167,569

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,199,871
Instructional Resources and Media Services	8,168
School Leadership	16,018
Guidance, Counseling and Evaluation Services	1,058
Health Services	2,282
Student (Pupil) Transportation	123,726
Food Services	29,387
Co-Curricular/Extracurricular Activities	18,448
General Administration	4,439
Plant Maintenance and Operations	13,426
Security and Monitoring Services	3,494
Data Processing	575
Totals	<u>\$ 1,420,892</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

E. Long Term Obligations

Long Term Obligation Activity

Long term obligation activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 27,675,000	\$ 8,810,000	\$ 9,990,000	\$ 26,495,000	\$ 915,000
Capital Leases Payable	353,778	-	119,438	234,340	103,960
Unamortized Premium (Discount)	(458,563)	1,139,869	(16,672)	697,978	-
Total Governmental Activities	<u>\$ 27,570,215</u>	<u>\$ 9,949,869</u>	<u>\$ 10,092,766</u>	<u>\$ 27,427,318</u>	<u>\$ 1,018,960</u>

Bonds

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

The District issued "Commerce Independent School District Unlimited Tax Refunding Bonds, Series 2015," totaling \$ 8,810,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building and Refunding Bonds, Series 2007

The bonds are dated June 1, 2015 and were issued June 25, 2015. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2017.

As a result of the refunding, the District decreased its debt service requirement by \$ 1,309,620. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 1,011,680.

The following issues are outstanding at year end:

Description	Interest Rate	Original Issue	Obligations Outstanding
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.0 - 4.7%	\$ 26,268,397	\$ 15,690,000
Unlimited Tax Refunding Bonds, Series 2011	1.5 - 3.5%	2,425,000	1,995,000
Unlimited Tax Refunding Bonds, Series 2015	1.5 - 3.5%	2,425,000	8,810,000
Total			<u>\$ 26,495,000</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

E. Long Term Obligations (Continued)

Debt service requirements on bonded debt at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2016	\$ 915,000	\$ 994,852	\$ 1,909,852
2017	945,000	1,065,379	2,010,379
2018	980,000	1,028,081	2,008,081
2019	1,020,000	986,191	2,006,191
2020	1,065,000	940,571	2,005,571
2021-2025	6,055,000	3,960,121	10,015,121
2026-2030	6,820,000	2,566,644	9,386,644
2031-2035	5,100,000	1,291,011	6,391,011
2036-2038	3,595,000	225,938	3,820,938
Totals	<u>\$ 26,495,000</u>	<u>\$ 13,058,788</u>	<u>\$ 39,553,788</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of June 30, 2015.

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Date of Agreement	Original Property Value
Cypress Bank, FSB – BB/SB Scoreboard	4.15%	07/21/2010	\$ 41,230
Dailmer Leasing – School Buses	2.6%	02/17/2014	277,392
Cypress Bank, FSB – Ag Truck	2.25%	01/10/2014	<u>36,700</u>
		Total	<u>\$ 355,322</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

The lease terms are for various years not exceeding ten years. The terms call for annual payments over the life of the lease.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of year end, are as follows:

<u>Year Ending June 30</u>	<u>Total Requirements</u>
2016	\$ 110,438
2017	110,438
2018	15,078
2019	4,997
2020	<u>4,997</u>
Total Minimum Lease Payment	\$ 245,948
Less Amount Representing Interest	<u>(11,608)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 234,340</u>

F. Pension Plan

1. Plan Description

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

2. Benefits Provided

TRS administers retirement and disability annuities, and death survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. the pension's board of trustees does not have the authority to establish or amend benefits. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals or exceed 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's). Ad hoc post-employment benefits changes, including ad hoc COLA's can be granted by the Texas Legislature as noted in the Plan Description above.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Pension Plan (Continued)

3. Contributions

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge. Employee contribution rates are set in state statute, Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. Contribution amounts for fiscal year 2015 are as follows:

	<b>Contributions Required and Made</b>	
Member (Employee)	\$	615,995
Non-Employer Contributing Agency (State On Behalf)	\$	454,256
District (Employer)	\$	209,273

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

	<b>Contribution Rates Plan Fiscal Year</b>	
	<b>2014</b>	<b>2015</b>
Member (Employee)	6.4%	6.7%
District (Employer)	6.8%	6.8%
Non-Employer Contributing Agency (State On Behalf)	6.8%	6.8%

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Pension Plan (Continued)

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

At August 31, 2014, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 2,206,227
State's proportionate share of the net pension liability associated with the District	<u>4,796,195</u>
Total	<u><u>\$ 7,002,422</u></u>

The net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating entities. At August 31, 2014, the District's proportion was 0.0082595% which was not measured as of August 31, 2013.

For the year ended August 31, 2014, the District recognized pension expense of \$ 443,399 and revenue of \$ 443,399 for support provided by the State.

At August 31, 2014, the District report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,120	\$ -
Changes of assumptions	143,407	-
Net difference between projected and actual earnings on pension plan investments	-	674,313
Changes in proportion and different between District contributions and proportionate share of contributions	<u>-</u>	<u>578</u>
Total	<u><u>\$ 177,527</u></u>	<u><u>\$ 674,891</u></u>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Pension Plan (Continued)

At June 30, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Total Amounts per August 31, 2014 measurement date	\$ 177,527	\$ 674,891
Contribution paid to TRS subsequent to the measurement date	<u>281,096</u>	<u>-</u>
Total Financial Statement Amounts	<u>\$ 458,623</u>	<u>\$ 674,891</u>

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

<u>Year Ending August 31</u>	<u>Amount</u>
2015	\$ (138,727)
2016	(138,727)
2017	(138,727)
2018	(138,727)
2019	29,851
Thereafter	27,693

5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The active mortality rates were based on the 1994 Group Annuity Mortality Table set back 6 years for both males and females. The Post-retirement mortality rates were based on client specific rates multiplied by 80%. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees has decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Smoothed Market
Actuarial Assumption:	
Discount Rate	8.00%
Long-term expected Investment Rate of Return *	8.00%
Salary Increases *	4.25% to 7.25%
Weighted - Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

\* Includes Inflation of 3.00%

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Pension Plan (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary new position was projected to be available to make all future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investment was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class include the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric means returns.

For the year ended August 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 16.9%. the money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Pension Plan (Continued)

7. Discount Rate Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's proportional share of the net pension liability	\$ 3,942,394	\$ 2,206,227	\$ 907,898

8. Pension Plan fiduciary Net Position

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

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

G. School District Retiree Health Plan

1. Plan Description

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

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2015

G. School District Retiree Health Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employees contributed amounts to the plan during the year. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates are shown in the table below for fiscal years 2015-2013.

<b>Contribution Rates</b>			
<b>Year</b>	<b>Active Member</b>	<b>State</b>	<b>District</b>
2015	0.65%	1.00%	0.55%
2014	0.65%	1.00%	0.55%
2013	0.65%	0.50%	0.55%

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 61,730 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 28,015 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Program.

H. Risk Management

Health Care

During the year ended June 30, 2015, employees of the Commerce Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 250 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan.

All premiums were paid to a TRS Activecare (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Commerce Independent School District and TRS Activecare (Blue Cross/Blue Shield) is renewable September 1 of each year, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2013, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended June 30, 2015, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

H. Risk Management (Continued)

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2015 fiscal period, the District purchased commercial insurance to cover these liabilities. There were significant reductions in coverage in the past fiscal period, and there were no settlements exceeding insurance coverage for each of the past three fiscal periods.

I. Litigation

The District does not appear to be involved in any litigation as of June 30, 2015.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2015, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

K. Shared Services Arrangements

Shared Services Arrangement – Fiscal Agent The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized on the next page:

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

K. Shared Services Arrangements (Continued)

Tri County Special Education SSA – (Special Education Program)

Member Districts	County District Number	Fund 313 IDEA-B Formula	Fund 314 IDEA-B Preschool	Fund 437 Tri County Sp Ed Coop
Bland ISD	116915	\$ 104,808	\$ 4,196	\$ 61,797
Boles ISD	116916	103,970	1,049	45,568
Caddo Mills ISD	116901	232,266	3,145	145,032
Campbell ISD	116910	74,866	-	37,751
Celeste ISD	116902	76,000	1,049	71,600
Commerce ISD	116903	307,684	3,670	114,763
Cooper ISD	060902	164,458	6,813	61,993
Cumby ISD	112905	74,880	-	48,442
Lone Oak ISD	116906	156,867	1,573	112,274
Totals		\$ 1,295,799	\$ 21,495	\$ 699,220

NetCAT SSA – (Career and Tech Programs)

Member Districts	County District Number	Fund 331 Voc Ed Basic Grant	Fund 458 NetCAT Voc Coop
Bland ISD	116910	\$ 7,453	\$ 1,283
Boles ISD	116915	1,934	1,431
Caddo Mills ISD	112905	13,036	2,615
Campbell ISD	116909	3,477	839
Celeste ISD	116901	5,288	1,283
Commerce ISD	116903	21,838	2,615
Cooper ISD	060902	9,236	1,579
Cumby ISD	091918	4,237	1,135
Fannindel ISD	060914	2,634	692
Leonard ISD	074909	7,604	1,876
Lone Oak ISD	116902	7,095	1,726
Wolfe City ISD	116906	5,085	1,283
Totals		\$ 88,917	\$ 18,357

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

L. Revenue from Local and Intermediate Sources

During the year ended June 30, 2015, the District received revenue from local and intermediate sources consisting of the following:

	General	Debt Service	Other Governmental	Total
Property Tax Collections	\$ 4,756,855	\$ 1,836,193	\$ -	\$ 6,593,048
Shared Service Fees	-	-	718,180	718,180
Investment Income	21,159	19,527	17,994	58,680
Rent	895	-	-	895
Food Service Income	-	-	100,920	100,920
Gifts and Bequests	4,000	-	175	4,175
Insurance Recovery	116,563	-	-	116,563
Cocurricular/Extracurricular Activities	29,955	-	-	29,955
Other	65,430	-	46,945	112,375
Total	<u>\$ 4,994,857</u>	<u>\$ 1,855,720</u>	<u>\$ 884,214</u>	<u>\$ 7,734,791</u>

M. Receivables

Receivables at June 30, 2015, for the District's individual major funds and aggregate non-major funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Other Governmental	Total
Due from Other Governments	\$ 1,971,432	\$ 177,923	\$ 638,022	\$ 2,787,377
Property Taxes	548,128	-	-	548,128
Less Allowance for Uncollectible Property Taxes	(54,813)	(17,792)	-	(72,605)
Miscellaneous Other Receivables	33,964	-	2,235	36,199
Net Receivables	<u>\$ 2,498,711</u>	<u>\$ 160,131</u>	<u>\$ 640,257</u>	<u>\$ 3,299,099</u>

N. Interfund Activities

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2015, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 1,145,000
SSA – Tri County Cooperative	Debt Service Fund	40,000
Student Agency (Fiduciary)	General Fund	87
General Fund	Special Revenue Fund	15,761
Totals		<u>\$ 1,200,848</u>

O. Subsequent Events

The District's management has evaluated subsequent events through November 16, 2015, the date which the financial statements were available for use.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

P. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	Budget	Actual	Excess
General Fund:			
Health Service	\$ 138,855	\$ 168,287	\$ 29,432
Student (Pupil ) Transportation	508,891	522,581	13,690
Cocurricular/Extracurricular Activities	472,367	507,743	35,376
General Administration	561,078	596,572	35,494
Debt Service	118,756	118,833	77
Debt Service Fund:			
Debt Service	2,177,385	2,242,817	65,432

Q. State Aid Reconciliation

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

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

	Available	Foundation	IFA	EDA
Current Year Earnings (SOF)	\$ 364,599	\$ 7,200,973	\$ 99,412	\$ 257,704
Prior Years Settle Up	-	(78,847)	(2,000)	13,118
Financial Statement Earnings	<u>\$ 364,599</u>	<u>\$ 7,122,126</u>	<u>\$ 97,412</u>	<u>\$ 270,822</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	-	129,528	(6,882)	(21,952)
Scheduled Payments	91,555	1,750,349	-	-

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide) or Deferred Revenue (governmental).

R. Change in Accounting Principles

The District implemented the following Governmental Accounting Standard Board Statements during the year. The provisions impact the financial reporting for the District. Statement 68, *Accounting and Financial Reporting for Pensions*, created new reporting for pension information including the requirement to reflect pension liabilities in the government with financial statements including proportional shares for cost sharing arrangements. Statement 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*, resolved issues arising from the implementation of Statement 68.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

S. Restatements

Restatements consist of prior period adjustments in the government wide financial statements as a result of the recording of net pension liability in accordance with GASB Statements 68 and 71. The beginning net position was restated to reflect a decrease of \$ 2,531,134.

T. Special Item Inflow

The District received an insurance settlement for damage related to storms occurring in prior years. The insurance provider originally denied the estimated value of the claims. A settlement was reached during the year to resolve the noted disagreement. The District received \$ 578,574 from this settlement.

REQUIRED SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

Data Control Codes	1		2	3	4
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 4,809,210	\$ 4,761,186	\$ 5,000,690	\$ 239,504
5800	State Program Revenues	7,763,612	7,763,612	7,947,002	183,390
5900	Federal Program Revenues	40,000	40,000	49,138	9,138
<b>5020</b>	<b>Total Revenues</b>	<u>\$ 12,612,822</u>	<u>\$ 12,564,798</u>	<u>\$ 12,996,830</u>	<u>\$ 432,032</u>
<b>EXPENDITURES</b>					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 6,457,982	\$ 6,393,732	\$ 6,219,426	\$ 174,306
0012	Instructional Resources and Media Services	206,530	206,530	155,203	51,327
0013	Curriculum and Staff Development	185,898	185,898	180,281	5,617
	Total Instruction and Instr. Related Services	<u>\$ 6,850,410</u>	<u>\$ 6,786,160</u>	<u>\$ 6,554,910</u>	<u>\$ 231,250</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 5,150	\$ 5,150	\$ 2,495	\$ 2,655
0023	School Leadership	914,598	914,598	876,304	38,294
	Total Instructional and School Leadership	<u>\$ 919,748</u>	<u>\$ 919,748</u>	<u>\$ 878,799</u>	<u>\$ 40,949</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 366,704	\$ 366,704	\$ 342,399	\$ 24,305
0033	Health Services	138,855	138,855	168,287	(29,432)
0034	Student (Pupil) Transportation	497,891	508,891	522,581	(13,690)
0036	Cocurricular / Extracurricular Activities	472,367	472,367	507,743	(35,376)
	Total Support Services - Student (Pupil)	<u>\$ 1,475,817</u>	<u>\$ 1,486,817</u>	<u>\$ 1,541,010</u>	<u>\$ (54,193)</u>
Administrative Support Services:					
0041	General Administration	\$ 550,078	\$ 561,078	\$ 596,572	\$ (35,494)
	Total Administrative Support Services	<u>\$ 550,078</u>	<u>\$ 561,078</u>	<u>\$ 596,572</u>	<u>\$ (35,494)</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,854,066	\$ 1,894,066	\$ 1,679,199	\$ 214,867
0052	Security and Monitoring Services	85,407	98,407	77,102	21,305
0053	Data Processing Services	402,708	402,708	398,316	4,392
	Total Support Services - Nonstudent Based	<u>\$ 2,342,181</u>	<u>\$ 2,395,181</u>	<u>\$ 2,154,617</u>	<u>\$ 240,564</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ 101,292	\$ 115,792	\$ 114,772	\$ 1,020
0072	Interest on Long-term Debt	2,964	2,964	4,061	(1,097)
	Total Debt Service	<u>\$ 104,256</u>	<u>\$ 118,756</u>	<u>\$ 118,833</u>	<u>\$ (77)</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 597,325	\$ 348,579	\$ 248,746
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 597,325</u>	<u>\$ 348,579</u>	<u>\$ 248,746</u>
Intergovernmental Changes:					
0093	Payments to Fiscal Agent/Member Dist. - SSA	\$ 137,307	\$ 137,307	\$ 129,777	\$ 7,530
0099	Other Intergovernmental Charges	141,000	141,000	135,134	5,866
	Total Intergovernmental Charges	<u>\$ 278,307</u>	<u>\$ 278,307</u>	<u>\$ 264,911</u>	<u>\$ 13,396</u>
<b>6030</b>	<b>Total Expenditures</b>	<u>\$ 12,520,797</u>	<u>\$ 13,143,372</u>	<u>\$ 12,458,231</u>	<u>\$ 685,141</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 92,025	\$ (578,574)	\$ 538,599	\$ 1,117,173
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of Real or Personal Property	\$ -	\$ -	\$ 1,660	\$ 1,660
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,660</u>	<u>\$ 1,660</u>
<b>SPECIAL ITEM</b>					
7917	Special Item (Resource)	\$ -	\$ 578,574	\$ 578,574	\$ -
1200	Net Change in Fund Balance	\$ 92,025	\$ -	\$ 1,118,833	\$ 1,118,833
0100	Fund Balance - Beginning (July 1)	3,679,023	3,679,023	3,679,023	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<u>\$ 3,771,048</u>	<u>\$ 3,679,023</u>	<u>\$ 4,797,856</u>	<u>\$ 1,118,833</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED JUNE 30, 2015

	<b>2015</b>
District's proportion of the net pension liability	0.0082595%
District's proportionate share of the net pension liability	\$ 2,206,227
State's proportionate share of the net pension liability associated with the District	4,796,195
 Total	 \$ 7,002,422
 District's covered-employee payroll (for Measurement Year)	 \$ 9,624,925
 District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	 22.92%
 Plan fiduciary net position as a percentage of the total pension liability	 83.25%

Note: Only one year of data is presented in accordance with GASB Statement 68, paragraph 138.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FISCAL YEAR 2015

	2015
Contractually required contributions	\$ 312,566
Contributions in relations to the contractual required contributions	(312,566)
Contribution deficiency (excess)	\$ -
District's covered employee payroll	\$ 9,513,291
Contributions as a percentage of covered employee payroll	3.29%

Note: Only one year of data is presented in accordance with GASB Statement 68, paragraph 138.

GASB Statement 68, paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 to August 31, 2014.

COMMERCE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

A. Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

B. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 YEAR ENDED JUNE 30, 2015

Tax Roll Year	Last Ten Periods Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2014	20 Current Year's Total Levy	31 Maintenance Tax Collections	32 Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2015
		Maintenance	2 Debt Service							
XXXX	2006 and Prior Years	Various	Various	Various	\$ 120,190	\$ -	\$ 385	\$ 104	\$ (1,797)	\$ 117,904
2006	2007	1.370000	0.229100	369,239,005	22,786	-	432	73	(51)	22,230
2007	2008	1.040000	0.374300	428,728,841	20,956	-	438	149	(13)	20,356
2008	2009	1.040000	0.368200	474,576,971	31,776	-	415	632	(1,633)	29,096
2009	2010	1.040000	0.387200	460,208,305	36,630	-	1,785	524	(368)	33,953
2010	2011	1.170000	0.425100	425,231,429	49,561	-	1,408	1,113	(2,509)	44,531
2011	2012	1.170000	0.426500	421,283,515	71,189	-	3,064	4,519	(10,329)	53,277
2012	2013	1.170000	0.413400	425,427,128	117,549	-	34,379	12,075	(944)	70,151
2013	2014	1.170000	0.421400	419,188,073	257,796	-	111,605	39,766	(8,024)	98,401
2014	2015	1.170000	0.453500	402,067,244	-	6,527,562	4,530,799	1,750,869	(9,741)	236,153
<b>1000</b>	<b>TOTALS</b>				<b>\$ 728,433</b>	<b>\$ 6,527,562</b>	<b>\$ 4,684,710</b>	<b>\$ 1,809,824</b>	<b>\$ (35,409)</b>	<b>\$ 726,052</b>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

Data Control Codes	1	2	3	4	
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 97,464	\$ 97,464	\$ 103,889	\$ 6,425
5800	State Program Revenues	4,100	4,100	5,980	1,880
5900	Federal Program Revenues	<u>661,685</u>	<u>661,685</u>	<u>646,811</u>	<u>(14,874)</u>
<b>5020</b>	<b>Total Revenues</b>	<u>\$ 763,249</u>	<u>\$ 763,249</u>	<u>\$ 756,680</u>	<u>\$ (6,569)</u>
<b>EXPENDITURES</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 780,543	\$ 780,543	\$ 746,959	\$ 33,584
	Total Support Services - Student (Pupil)	<u>\$ 780,543</u>	<u>\$ 780,543</u>	<u>\$ 746,959</u>	<u>\$ 33,584</u>
<b>6030</b>	<b>Total Expenditures</b>	<u>\$ 780,543</u>	<u>\$ 780,543</u>	<u>\$ 746,959</u>	<u>\$ 33,584</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (17,294)</u>	<u>\$ (17,294)</u>	<u>\$ 9,721</u>	<u>\$ 27,015</u>
1200	Net Change in Fund Balance	\$ (17,294)	\$ (17,294)	\$ 9,721	\$ 27,015
0100	Fund Balance - Beginning (July 1)	<u>(21,296)</u>	<u>(21,296)</u>	<u>(21,296)</u>	<u>-</u>
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<u><u>\$ (38,590)</u></u>	<u><u>\$ (38,590)</u></u>	<u><u>\$ (11,575)</u></u>	<u><u>\$ 27,015</u></u>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 1,764,525	\$ 1,764,525	\$ 1,852,661	\$ 88,136
5800	State Program Revenues	312,860	312,860	368,234	55,374
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 2,077,385</b>	<b>\$ 2,077,385</b>	<b>\$ 2,220,895</b>	<b>\$ 143,510</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 885,000	\$ 885,000	\$ 885,000	\$ -
0072	Interest on Long-term Debt	1,191,386	1,191,386	1,191,385	1
0073	Bond Issuance Costs and Fees	999	100,999	166,432	(65,433)
	Total Debt Service	\$ 2,077,385	\$ 2,177,385	\$ 2,242,817	\$ (65,432)
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 2,077,385</b>	<b>\$ 2,177,385</b>	<b>\$ 2,242,817</b>	<b>\$ (65,432)</b>
1100	Excess (Deficiency of Revenues Over Expenditures)	\$ -	\$ (100,000)	\$ (21,922)	\$ 78,078
<b>OTHER FINANCING SOURCES (USES)</b>					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 8,810,000	\$ 8,810,000
7916	Premium or Discount on Issuance of Bonds	-	-	1,139,969	1,139,969
8949	Other Uses	-	-	(9,992,545)	(9,992,545)
<b>7080</b>	<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (42,576)</b>	<b>\$ (42,576)</b>
1200	Net Change in Fund Balance	\$ -	\$ (100,000)	\$ (64,498)	\$ 35,502
0100	Fund Balance - Beginning (July 1)	675,542	675,542	675,542	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ 675,542</b>	<b>\$ 575,542</b>	<b>\$ 611,044</b>	<b>\$ 35,502</b>

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF JUNE 30, 2015

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other Sources of information concerning nonpayment of any terms of any debt Agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the Financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material Weaknesses in internal controls over financial reporting and compliance For local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more Than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial Statements at fiscal year-end.	\$ -0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,206,227
SF13	Pension Expense (6147) at fiscal year-end.	\$ 203,927

FEDERAL AWARDS SECTION

COMMERCE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor's Number	(03) Expenditures, Indirect Costs and Refunds
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
Passed through Greenville Independent School District:			
Head Start	93.600	87CH6997/16	\$ 137,047
<b>Total Department of Health and Human Services</b>			<b>\$ 137,047</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010	15610101116903	\$ 406,711
IDEA-B Formula	84.027	156600011169036600	1,295,800
Career & Technology - Basic Grant	84.048	15420006116903	88,918
IDEA-B Preschool	84.173	156610011169036610	21,495
ESEA Title II Part A - Teacher & Principal Training	84.367	15694501116903	86,315
Summer School LEP	84.369	69551102	2,213
Total passed through the Texas Education Agency			\$ 1,901,452
Passed through the Education Service Center, Region X:			
ESEA Title III Part A - LEP	84.365	15671001057950	13,667
<b>Total Department of Education</b>			<b>\$ 1,915,119</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program *	10.553	0600	\$ 191,859
National School Lunch Program *	10.555	0600	408,226
Commodity Food Distribution	10.565	116005A	46,726
<b>Total Department of Agriculture</b>			<b>\$ 646,811</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,698,977</b>

\* Indicates Major Program

COMMERCE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2015

A. Basis of Presentation

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

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

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at June 30, 2015.

C. Reconciliation of Federal Revenue with Financial Statements

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

Total Federal Expenditures (Exhibit K-1)	\$ 2,698,977
Indirect Cost	
IDEA-B Formula (84.027)	26,966
Career & Technology – Basic Grant (84.048)	1,850
School Health and Resource	<u>124,299</u>
Federal Revenue (Exhibit C-3)	<u>\$ 2,852,092</u>