

COMMERCE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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COMMERCE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2018

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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, 2018, at a meeting of the board of school trustees of such school district on Dec. 17, 2018.



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):

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note R to the financial statements, in 2018 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board including GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 15, 2018, 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.



December 15, 2018
Greenville, Texas

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2018.

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 2018-1.

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.

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company PC". The signature is written in a cursive, flowing style.

December 15, 2018
Greenville, Texas

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

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Commerce Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

Internal Control over Compliance with the Uniform Guidance – Continued

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

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

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

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

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company PC". The signature is written in a cursive, flowing style.

December 15, 2018
Greenville, Texas

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

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
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Noncompliance material to the financial statements noted	None
---	------

Federal Awards –

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
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Identification of Major Programs	Special Education Cluster: IDEA-B Formula (84.027) IDEA-B Preschool (84.173)
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Dollar threshold used to distinguish between Type A and B programs	\$ 750,000
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Entity qualifies as a low risk auditee	Yes
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Pass-through Entity	Texas Education Agency
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COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Financial Statement Findings (Section II)

2018 – 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 over-expended 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 over-expended eight 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, 2018

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, 2018

Prior Year Findings (Section IV)

2017-1

Expenditures over Appropriations

The District continues to have expenditure accounts that exceed functional category classifications. The monthly review of budget activity has reduced the amount of overages. However, year end payables and salary accruals created overages in the current year.

Status: In Progress

COMMERCE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

Corrective Action Plan (Section V)

2018 – 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, 2018

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, 2018. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

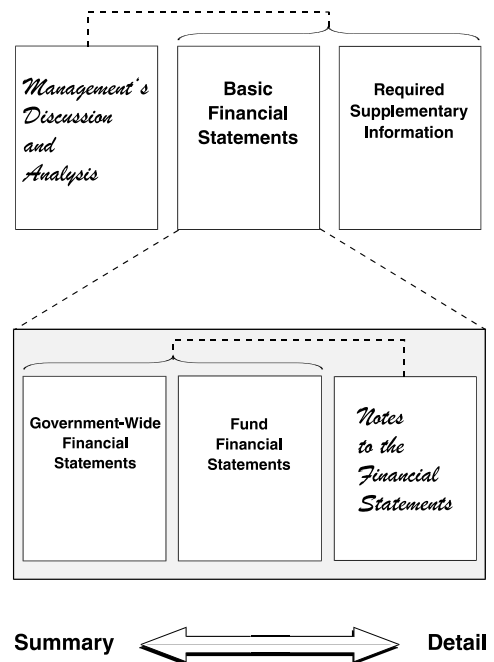
- The District's total combined net position was \$ (7,731,365) at June 30, 2018.
- During the year, the District's expenses were \$ 2,748,765 less than the \$ 17,852,237 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased from last year as the District implemented GASB 75 in the current year. The implementation caused a significant reduction for OPEB plan changes which are reflected as decreases to both revenue and expenses.
- The General Fund reported a fund balance this year of \$ 6,124,797.
- The District refunded outstanding bonds to provide reduced interest over the life of the debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

**COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018**

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.

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

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<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"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<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

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.

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, 2018

- 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 \$ (7,731,365) at June 30, 2018.

Commerce Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Assets			
Cash and Investments	\$ 7,970,748	\$ 4,796,001	66.20%
Other Assets	3,021,605	5,064,149	-40.33%
Capital Assets less Accumulated Depreciation	24,035,501	25,191,325	-4.59%
Total Assets	\$ 35,027,854	\$ 35,051,475	-0.07%
Total Deferred Net Outflows of Resources	\$ 2,179,492	\$ 2,437,749	-10.59%
Liabilities			
Current Liabilities	\$ 2,072,700	\$ 1,889,652	9.69%
Long-term Liabilities	39,523,768	34,162,797	15.69%
Total Liabilities	\$ 41,596,468	\$ 36,052,449	15.38%
Total Deferred Net Inflows of Resources	\$ 3,342,243	\$ 271,682	1130.20%
Net Position			
Net Investment in Capital Assets	\$ (5,360,089)	\$ (4,766,948)	12.44%
Restricted	2,998,791	1,925,446	55.75%
Unrestricted	(5,370,067)	4,006,595	-234.03%
Total Net Position	\$ (7,731,365)	\$ 1,165,093	-763.58%

Approximately \$ 1,881,723 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 \$ 17,852,237. 37% of the District's revenue comes from local property taxes (See Table A-2). 56% comes from state aid and federal grants, while only 7% relates to charges for services and other sources including investment earnings.

The total cost of all programs and services was \$ 15,103,472. 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 99.92%. The total collection rate (base tax and penalty and interest) was 101.95%.

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

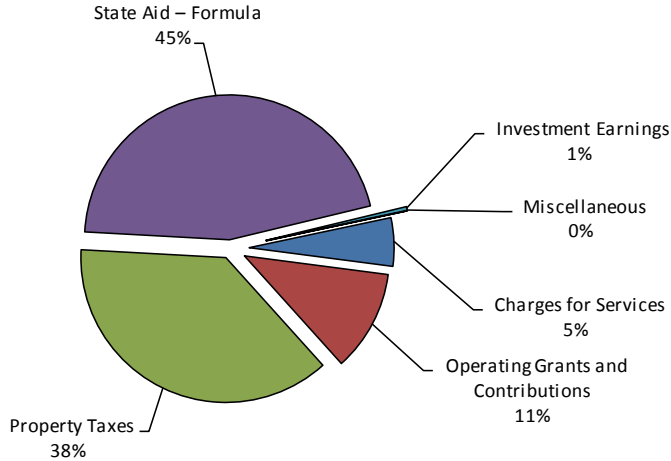
Table A-2

Changes in Commerce Independent School District's Net Position

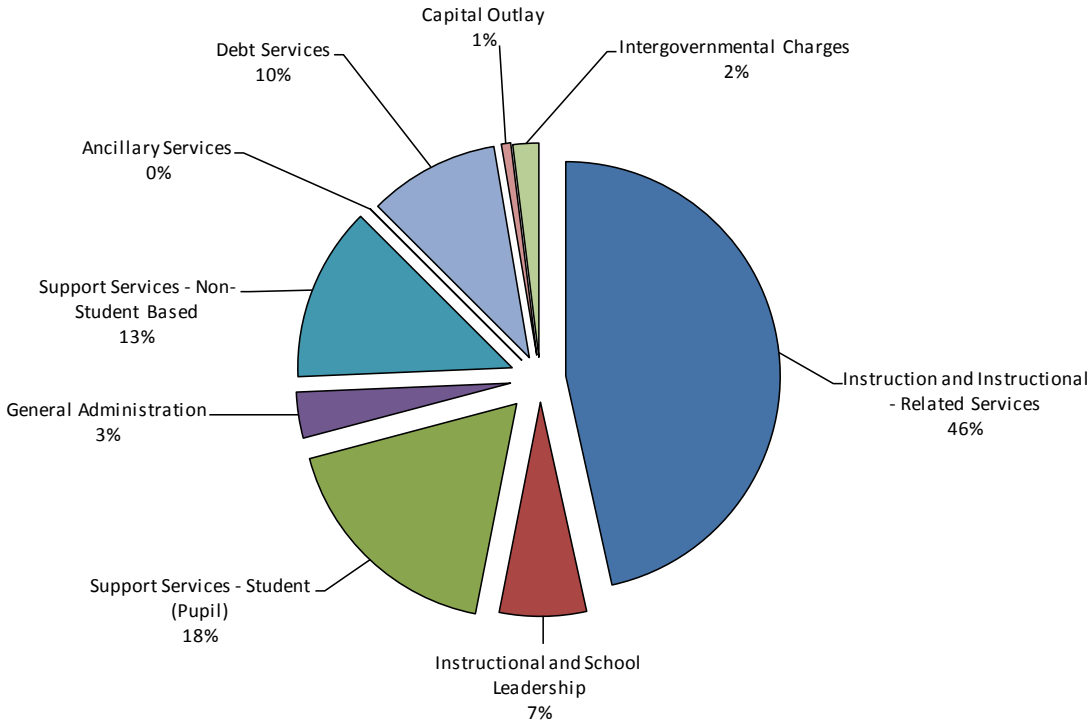
	Governmental Activities		Total Percentage Change
	2018	2017	2017 - 2018
Program Revenues:			
Charges for Services	\$ 963,229	\$ 954,594	0.90%
Operating Grants and Contributions	2,013,095	4,596,929	-56.21%
General Revenues:			
Property Taxes	6,699,718	6,256,988	7.08%
State Aid – Formula	8,100,026	8,755,625	-7.49%
Investment Earnings	75,822	27,638	174.34%
Miscellaneous	347	20,012	-98.27%
Total Revenues	<u>\$ 17,852,237</u>	<u>\$ 20,611,786</u>	-13.39%
Expenses:			
Instruction	\$ 6,709,155	\$ 9,793,329	-31.49%
Instructional Resources and Media Services	92,894	132,124	-29.69%
Curriculum and Staff Development	222,636	366,668	-39.28%
Instructional Leadership	345,676	365,861	-5.52%
School Leadership	643,195	983,251	-34.58%
Guidance, Counseling and Evaluation Services	784,375	1,443,199	-45.65%
Social Work Services	8,418	730	1053.15%
Health Services	109,033	149,957	-27.29%
Student (Pupil) Transportation	476,008	608,330	-21.75%
Food Services	746,929	828,863	-9.89%
Co-curricular/Extracurricular Activities	558,666	687,577	-18.75%
General Administration	523,419	664,925	-21.28%
Plant Maintenance and Operations	1,557,304	1,771,215	-12.08%
Security and Monitoring Services	94,703	99,907	-5.21%
Data Processing Services	334,671	433,082	-22.72%
Community Services	8,926	-	100.00%
Debt Service	1,487,412	1,457,577	2.05%
Capital Outlay	106,159	221,250	-52.02%
Payments to Shared Service Arrangements	160,179	171,929	-6.83%
Other Intergovernmental Charges	133,714	132,326	1.05%
Total Expenses	<u>\$ 15,103,472</u>	<u>\$ 20,312,100</u>	-25.64%
Excess (Deficiency) and Transfers	<u>\$ 2,748,765</u>	<u>\$ 299,686</u>	817.22%
Increase (Decrease) in Net Position	<u>\$ 2,748,765</u>	<u>\$ 299,686</u>	817.22%
Net Position - Beginning (July 1)	\$ 1,165,094	\$ 865,408	34.63%
Prior Period Adjustment	(11,645,224)	-	100.00%
Net Position - Beginning, as Restated	<u>\$ (10,480,130)</u>	<u>\$ 865,408</u>	-1311.00%
Net Position - Ending (June 30)	<u>\$ (7,731,365)</u>	<u>\$ 1,165,094</u>	-763.58%

COMMERCE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2018

Sources of Revenue for Fiscal Year 2018 - See Table A-2



Functional Expenses for Fiscal Year 2018 - See Table A-2



COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

- 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 \$ 15,103,472.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 6,699,718.
- Some of the cost was paid by those who directly benefited from the programs \$ 963,229, or
- By grants and contributions \$ 2,013,095.

Commerce Independent School District Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%	
	2018	2017		Change	2018		2017
Instruction	\$ 6,709,155	\$ 9,793,329	-31.49%	\$ 6,235,322	\$ 7,047,247	-11.52%	
School Leadership	643,195	983,251	-34.58%	828,236	932,427	-11.17%	
Plant Maintenance and Operations	1,557,304	1,771,215	-12.08%	1,627,235	1,739,281	-6.44%	
Debt Service	1,487,412	1,457,577	2.05%	951,048	893,195	6.48%	
General Administration	523,419	664,925	-21.28%	549,663	599,306	-8.28%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 20,525,517 which is a \$ 33,607 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 \$ 19,622,939 which is a \$ 2,156,531 decrease from the prior year. The decrease reflects typical cost of operation and economic adjustments to operating costs as well as reduced facility upgrades and improvements from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 629,423 less than final General Fund budget amounts. The most significant positive variance resulted in the instruction functional category.

Resources available were \$ 49,775 above the final General Fund budgeted amount. The favorable variance was the result of better than anticipated local revenue and increased property taxes.

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 50,662,353 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Commerce Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total
	2018	2017	Percentage
			Change
			2017-2018
Land	\$ 302,850	\$ 312,850	-3.20%
Construction in Progress	4,462,765	4,384,171	1.79%
Buildings and Improvements	42,322,780	42,247,277	0.18%
Vehicles	2,133,255	2,001,108	6.60%
Equipment	1,440,703	1,440,703	0.00%
Totals at Historical Cost	\$ 50,662,353	\$ 50,386,109	0.55%
Total Accumulated Depreciation	(26,626,852)	(25,194,784)	5.68%
Net Capital Assets	<u>\$ 24,035,501</u>	<u>\$ 25,191,325</u>	-4.59%

DEBT

At year end, the District had \$ 29,395,589 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.

Commerce Independent School District's Debt			Table A-5
	Governmental Activities		Total
	2018	2017	Percentage
			Change
			2017-2018
Bonds Payable	\$ 23,270,000	\$ 24,425,000	-4.73%
Capital Leases Payable	4,292,520	4,499,168	-4.59%
Other Debt Payable	1,833,069	1,213,610	51.04%
Total Debt Payable	<u>\$ 29,395,589</u>	<u>\$ 30,137,778</u>	-2.46%

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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. The District's taxpayers approved a tax ratification election which allows the District to levy an additional 0.13 cents in property taxes. These additional tax funds are used to support the educational programs in the District. 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 during the previous 10 year period. 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 2017-2019 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

Data Control Codes	1	Governmental Activities
ASSETS		
1110	Cash and Investments	\$ 7,970,748
1225	Property Taxes Receivable, Net	634,439
1240	Due from Other Governments	2,318,311
1290	Other Receivables, Net	28,254
1300	Inventories	39,526
1410	Unrealized Expenses	1,075
	Capital Assets:	
1510	Land	302,850
1520	Buildings and Improvements, Net	18,713,730
1530	Furniture and Equipment, Net	556,156
1580	Construction in Progress	4,462,765
1000	Total Assets	\$ 35,027,854
DEFERRED OUTFLOWS OF RESOURCES:		
1701	Deferred Outflows - Refunding	\$ 1,059,014
1705	Deferred Outflows - Pensions	1,033,910
1706	Deferred Outflows - OPEB	86,568
1700	Total Deferred Outflows of Resources	\$ 2,179,492
LIABILITIES		
2110	Accounts Payable	\$ 303,402
2140	Interest Payable	399,790
2165	Accrued Liabilities	1,347,073
2177	Due to Fiduciary	182
2300	Unearned Revenues	22,253
	Noncurrent Liabilities:	
2501	Due within one year	1,317,642
2502	Due in more than one year	28,077,948
2540	Net Pension Liability	3,494,009
2545	Net OPEB Liability	6,634,169
2000	Total Liabilities	\$ 41,596,468
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflows - Pensions	\$ 567,158
2606	Deferred Inflows - OPEB	2,775,085
2600	Total Deferred Inflows of Resources	\$ 3,342,243
NET POSITION		
3200	Net Investment in Capital Assets	\$ (5,360,089)
	Restricted For:	
3850	Debt Service	1,881,723
3890	Other Purposes	1,117,068
3900	Unrestricted	(5,370,067)
3000	Total Net Position	\$ (7,731,365)

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Data Control Codes	1 Functions/Programs	3 Expenses	4 Program Revenues		6 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
					Governmental Activities
Governmental Activities:					
11	Instruction	\$ 6,709,155	\$ 2,520	\$ 471,313	\$ (6,235,322)
12	Instructional Resources and Media Services	92,894	-	(19,993)	(112,887)
13	Curriculum and Staff Development	222,636	-	81,089	(141,547)
21	Instructional Leadership	345,676	-	131,362	(214,314)
23	School Leadership	643,195	-	(185,041)	(828,236)
31	Guidance, Counseling and Evaluation Services	784,375	756,967	705,314	677,906
32	Social Work Services	8,418	-	(807)	(9,225)
33	Health Services	109,033	-	(18,956)	(127,989)
34	Student (Pupil) Transportation	476,008	-	(93,885)	(569,893)
35	Food Services	746,929	108,714	600,204	(38,011)
36	Cocurricular / Extracurricular Activities	558,666	93,978	(60,159)	(524,847)
41	General Administration	523,419	-	(26,244)	(549,663)
51	Plant Maintenance and Operations	1,557,304	1,050	(70,981)	(1,627,235)
52	Security and Monitoring Services	94,703	-	(12,784)	(107,487)
53	Data Processing	334,671	-	(22,071)	(356,742)
61	Community Services	8,926	-	(2,279)	(11,205)
72	Interest on Long-term Debt	1,386,436	-	536,364	(850,072)
73	Bond Issuance Costs and Fees	100,976	-	-	(100,976)
81	Capital Outlay	106,159	-	95	(106,064)
93	Payments Related to Shared Services Arrangements	160,179	-	554	(159,625)
99	Other Intergovernmental Charges	133,714	-	-	(133,714)
TG	Total Governmental Activities	<u>\$ 15,103,472</u>	<u>\$ 963,229</u>	<u>\$ 2,013,095</u>	<u>\$ (12,127,148)</u>
TP	Total Primary Government	<u>\$ 15,103,472</u>	<u>\$ 963,229</u>	<u>\$ 2,013,095</u>	<u>\$ (12,127,148)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purpose				\$ 5,028,280
DT	Property Taxes, Levied for Debt Service				1,671,438
IE	Investment Earnings				75,822
GC	Grant and Contributions Not Restricted to Specific Programs				8,100,026
MI	Miscellaneous				347
TR	Total General Revenues				<u>\$ 14,875,913</u>
CN	Change in Net Position				<u>\$ 2,748,765</u>
NB	Net Position - Beginning (July 1)				\$ 1,165,094
PA	Prior Period Adjustment				(11,645,224)
	Net Position - Beginning, as Restated				<u>\$ (10,480,130)</u>
NE	Net Position - Ending (June 30)				<u>\$ (7,731,365)</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Fund	98 Total Governmental Funds
ASSETS				
1110 Cash and Investments	\$ 4,269,861	\$ 2,488,140	\$ 1,212,748	\$ 7,970,749
1225 Taxes Receivable, Net	470,436	164,003	-	634,439
1240 Due from Other Governments	1,612,443	58,904	646,964	2,318,311
1260 Due from Other Funds	1,391,755	-	-	1,391,755
1290 Other Receivables	28,147	-	107	28,254
1300 Inventories	10,877	-	28,649	39,526
1410 Unrealized Expenditures	-	-	1,075	1,075
1000 Total Assets	<u>\$ 7,783,519</u>	<u>\$ 2,711,047</u>	<u>\$ 1,889,543</u>	<u>\$ 12,384,109</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 150,478	\$ -	\$ 152,924	\$ 303,402
2140 Interest Payable	-	9,208	-	9,208
2150 Payroll Deductions & Withholdings	23,007	-	(44,391)	(21,384)
2160 Accrued Wages Payable	998,650	-	369,807	1,368,457
2170 Due to Other Funds	16,151	1,145,000	230,787	1,391,938
2300 Unearned Revenues	-	-	22,253	22,253
2000 Total Liabilities	<u>\$ 1,188,286</u>	<u>\$ 1,154,208</u>	<u>\$ 731,380</u>	<u>\$ 3,073,874</u>
DEFERRED INFLOWS OF RESOURCES:				
2600 Total Deferred Inflows of Resources	\$ 470,436	\$ 164,003	\$ -	\$ 634,439
FUND BALANCES				
Nonspendable Fund Balances:				
3410 Inventories	\$ 10,877	\$ -	\$ 10,171	\$ 21,048
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	-	-	(10,171)	(10,171)
3470 Capital Acquisitions & Contractual Obligations	101,301	-	-	101,301
3480 Retirement of Long-Term Debt	-	1,392,836	-	1,392,836
3490 Other Restrictions of Fund Balances	1,925	-	1,117,068	1,118,993
Committed Fund Balances:				
3545 Other Committed Fund Balances	-	-	41,095	41,095
3600 Unassigned	6,010,694	-	-	6,010,694
3000 Total Fund Balances	<u>\$ 6,124,797</u>	<u>\$ 1,392,836</u>	<u>\$ 1,158,163</u>	<u>\$ 8,675,796</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,783,519</u>	<u>\$ 2,711,047</u>	<u>\$ 1,889,543</u>	<u>\$ 12,384,109</u>

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, 2018

Total fund balances - Balance Sheet (governmental funds)	\$	8,675,796
<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.		24,035,501
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		634,439
Payables for bond principal which are not due in the current period are not reported in the funds.		(23,270,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(4,292,521)
Payables for bond interest which are not due in the current period are not reported in the funds.		(390,582)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(385,769)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		1,059,014
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(3,494,009)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(567,158)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		1,033,910
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(6,634,169)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(2,775,085)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		86,568
Bond Premiums are amortized in the SNA but not in the funds.		(1,447,300)
		(1,447,300)
Net position of governmental activities - Statement of Net Position	\$	(7,731,365)

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, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES					
5700	Local and Intermediate Sources	\$ 5,182,027	\$ 1,703,382	\$ 967,422	\$ 7,852,831
5800	State Program Revenues	8,647,698	536,364	285,790	9,469,852
5900	Federal Program Revenues	181,050	-	3,021,784	3,202,834
5020	Total Revenues	\$ 14,010,775	\$ 2,239,746	\$ 4,274,996	\$ 20,525,517
EXPENDITURES					
Current:					
0011	Instruction	\$ 6,496,579	\$ -	\$ 1,873,952	\$ 8,370,531
0012	Instructional Resources and Media Services	122,668	-	-	122,668
0013	Curriculum and Staff Development	212,902	-	106,040	318,942
0021	Instructional Leadership	26,870	-	454,004	480,874
0023	School Leadership	1,008,265	-	-	1,008,265
0031	Guidance, Counseling and Evaluation Services	337,935	-	920,686	1,258,621
0032	Social Work Services	9,317	-	-	9,317
0033	Health Services	156,428	-	4,811	161,239
0034	Student (Pupil) Transportation	709,460	-	-	709,460
0035	Food Services	-	-	778,860	778,860
0036	Cocurricular / Extracurricular Activities	624,497	-	53,301	677,798
0041	General Administration	673,872	-	34,280	708,152
0051	Plant Maintenance and Operations	1,716,510	-	27,768	1,744,278
0052	Security and Monitoring Services	83,388	-	-	83,388
0053	Data Processing Services	381,046	-	-	381,046
0061	Community Services	13,218	-	-	13,218
0071	Principal on Long-term Debt	196,836	1,090,000	-	1,286,836
0072	Interest on Long-term Debt	189,400	743,515	-	932,915
0073	Debt Issuance Costs and Fees	-	100,976	-	100,976
0081	Capital Outlay	181,662	-	-	181,662
0093	Payments to Shared Service Arrangements	160,179	-	-	160,179
0099	Other Intergovernmental Charges	133,714	-	-	133,714
6030	Total Expenditures	\$ 13,434,746	\$ 1,934,491	\$ 4,253,702	\$ 19,622,939
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 576,029	\$ 305,255	\$ 21,294	\$ 902,578
OTHER FINANCING SOURCES (USES)					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 3,620,000	\$ -	\$ 3,620,000
7915	Transfers In	-	-	61,356	61,356
7916	Premium or Discount on Issuance of Bonds	-	233,690	-	233,690
8911	Transfers Out	(61,356)	-	-	(61,356)
8949	Other Uses	-	(3,755,389)	-	(3,755,389)
7080	Net Other Financing Sources (Uses)	\$ (61,356)	\$ 98,301	\$ 61,356	\$ 98,301
1200	Net Change in Fund Balances	\$ 514,673	\$ 403,556	\$ 82,650	\$ 1,000,879
0100	Fund Balances - Beginning (July 1)	5,610,124	989,280	1,075,513	7,674,917
3000	Fund Balances - Ending (June 30)	\$ 6,124,797	\$ 1,392,836	\$ 1,158,163	\$ 8,675,796

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, 2018

Net change in fund balances - total governmental funds	\$	1,000,879
<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.		286,244
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,432,068)
The gain or loss on the sale of capital assets is not reported in the funds.		(10,000)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(42,097)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		3,301,684
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,090,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		196,836
(Increase) decrease in accrued interest expense from beginning of period to end of period.		184
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(3,620,000)
Bond premiums are reported in the funds but not in the SOA.		(233,690)
GASB 75 requires certain expenditures to be de-expended and recorded as deferred resource outflow.		2,304,074
Pension contributions deferred in the prior year were expended in the current year		85,530
Pension expense relating to GASB 75 is recorded in the SOA but not in the funds.		(67,066)
GASB 68 requires certain expenditures to be de-expended and recorded as deferred resource outflow.		(112,585)
Pension contributions deferred in the prior year were expended in the current year		302,832
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(301,992)
		2,748,765
Change in net position of governmental activities - Statement of Activities	\$	2,748,765

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

Data Control Codes		Agency Funds
<u> </u>		<u> </u>
	ASSETS	
1110	Cash and Investments	\$ 43,141
1260	Due from Other Funds	182
1290	Other Receivables	<u>3,049</u>
1000	Total Assets	<u>\$ 46,372</u>
	LIABILITIES	
2110	Accounts Payable	\$ 3,332
2190	Due to Student Groups	<u>43,040</u>
2000	Total Liabilities	<u>\$ 46,372</u>
	NET POSITION	
3000	Total Net Position	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018

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, 2018

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-
		-0-
Total	\$	-0-

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, 2018

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 in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

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

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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	\$ 10,877	\$ -	\$ 10,171	\$ 21,048
Restricted				
Child Nutrition Program	-	-	(10,171)	(10,171)
NETCAT SSA	-	-	77,097	77,097
Special Education SSA	-	-	920,191	920,191
Retirement of Long Term Debt	-	1,392,836	-	1,392,836
Scholarship Fund	-	-	119,780	119,780
Capital Projects	101,301	-	-	101,301
Other	1,925	-	-	1,925
Committed				
Campus Activity Funds	-	-	41,095	41,095
Unassigned	6,010,694	-	-	6,010,694
Totals	<u>\$ 6,124,797</u>	<u>\$ 1,392,836</u>	<u>\$ 1,158,163</u>	<u>\$ 8,675,796</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. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The district reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior periods.

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

A. Summary of Significant Accounting Policies (Continued)

7. Receivable and Payable Balances

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

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

8. Interfund Activities

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

9. Vacation, Sick Leave and Other Compensated Absences

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

10. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and 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.

11. 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.

12. Data Control Codes

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

13. Accounting System

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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, 2018, 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
- 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.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

B. Deposits, Securities, and Investments (Continued)

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

	<u>Credit Risk Rating</u>	<u>Fair Value</u>
LoneStar	AAAm	\$ 173,919
Guaranty Bond Bank – Certificate of Deposits	N/A	<u>145,658</u>
Total		<u>\$ 319,577</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 \$ 9,137,461.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 9,290,969, and occurred during the month of February 2018.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000.

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

a. Credit Risk

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 \$ 0.3910 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 423,611,980.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not Being Depreciated:				
Land	\$ 312,850	\$ -	\$ 10,000	\$ 302,850
Construction in Progress	4,384,171	78,594	-	4,462,765
Total Capital Assets not being Depreciated	\$ 4,697,021	\$ 78,594	\$ 10,000	\$ 4,765,615
Capital Assets being Depreciated:				
Building and Improvements	\$ 42,247,277	\$ 75,503	\$ -	\$ 42,322,780
Equipment	1,440,703	-	-	1,440,703
Vehicles	2,001,108	132,147	-	2,133,255
Total Capital Assets being Depreciated	\$ 45,689,088	\$ 207,650	\$ -	\$ 45,896,738
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 22,303,778	\$ 1,305,272	\$ -	\$ 23,609,050
Equipment	1,140,050	49,518	-	1,189,568
Vehicles	1,750,956	77,278	-	1,828,234
Total Accumulated Depreciation	\$ 25,194,784	\$ 1,432,068	\$ -	\$ 26,626,852
Total Capital Assets being Depreciated, Net	\$ 20,494,304	\$ (1,224,418)	\$ -	\$ 19,269,886
Governmental Activities Capital Assets, Net	\$ 25,191,325	\$ (1,145,824)	\$ 10,000	\$ 24,035,501

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,223,948
Instructional Resources and Media Services	9,101
Curriculum and Staff Development	933
Instructional Leadership	933
School Leadership	16,951
Guidance, Counseling and Evaluation Services	1,991
Social Work Services	933
Health Services	3,215
Student (Pupil) Transportation	61,011
Food Services	28,363
Co-Curricular/Extracurricular Activities	24,789
General Administration	4,439
Plant Maintenance and Operations	21,984
Security and Monitoring Services	33,477
	<hr/>
Totals	<u>\$ 1,432,068</u>

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
General Obligation Bonds	\$ 24,425,000	\$ 3,620,000	\$ 4,775,000	\$ 23,270,000	\$ 1,115,000
Capital Leases Payable	4,499,168	-	206,648	4,292,520	202,642
Unamortized Premium (Discount)	1,213,610	233,690	(385,769)	1,833,069	
	<hr/>				
Total Governmental Activities	\$ 30,137,778	\$ 3,853,690	\$ 4,595,879	\$ 29,395,589	\$ 1,317,642

Bonds

The District issued "Commerce Independent School District Unlimited Tax Refunding Bonds, Series 2018," totaling \$ 3,620,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building and Refunding Bonds, Series 2007

The bonds totaling \$ 3,620,000 are dated December 15, 2017 and were issued January 11, 2018. 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 refunded on the call date of January 16, 2018.

As a result of the refunding, the District decreased its debt service requirements by \$ 723,712. 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 \$ 567,380.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. Long Term Obligations (Continued)

The following issues are outstanding at year end:

Description	Interest Rate	Original Issue	Obligations Outstanding
Unlimited Tax Refunding Bonds, Series 2011	1.5 - 3.5%	2,425,000	\$ 1,560,000
Unlimited Tax Refunding Bonds, Series 2015	1.5 - 3.5%	8,810,000	8,810,000
Unlimited Tax Refunding Bonds, Series 2017	2.7 - 4.0%	9,390,000	9,280,000
Unlimited Tax Refunding Bonds, Series 2018	2.63%	3,620,000	3,620,000
Total			<u>\$ 23,270,000</u>

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

Year Ending June 30	Principal	Interest	Total Requirements
2019	\$ 1,115,000	\$ 846,360	\$ 1,961,360
2020	1,085,000	779,060	1,864,060
2021	1,130,000	730,948	1,860,948
2022	1,180,000	679,060	1,859,060
2023	1,235,000	626,254	1,861,254
2024-2028	6,745,000	2,349,529	9,094,529
2029-2033	5,510,000	1,221,454	6,731,454
2034-2038	5,270,000	416,652	5,686,652
Totals	<u>\$ 23,270,000</u>	<u>\$ 7,649,317</u>	<u>\$ 30,919,317</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, 2018.

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%	7/21/2010	\$ 41,230
Cypress Bank, Kubota Tractor	2.75%	8/17/2015	37,150
Government Capital, Electric Retrofit 7227	4.07%	11/16/2015	1,500,000
Government Capital, Electric Retrofit 7300	4.17%	11/16/2015	3,060,426
Apple Financing Services - Computers	4.11%	7/1/2016	81,960
Totals			<u>\$ 4,720,766</u>

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

E. Long Term Obligations (Continued)

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>
2019	\$ 380,032
2020	351,583
2021	338,737
2022	338,737
2023	338,737
Thereafter	<u>4,403,580</u>
Total Minimum Lease Payment	\$ 6,151,406
Less Amount Representing Interest	<u>(1,858,886)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 4,292,520</u>

F. Pension Plan

1. *Plan Description*

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

2. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Pension Plan (Continued)

3. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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.

Employees contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2018 Employer Contributions	\$	359,702
2018 Member Contributions	\$	802,487
2017 NECE On-Behalf Contributions	\$	484,714

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers 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, there are two additional surcharges an employer is subject to.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Pension Plan (Continued)

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

At June 30, 2018, the District reported a liability of \$ 3,494,009 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate 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 collective net pension liability	\$ 3,494,009
State's proportionate share that is associated with the District	<u>4,738,834</u>
Total	<u>\$ 8,232,843</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0109274487% which was a decrease of 0.0002760155% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended June 30, 2018, the District recognized pension expense of \$ 776,036 and revenue of \$ 361,459 for support provided by the State.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Pension Plan (Continued)

At June 30, 2018 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>
Differences between expected and actual actuarial experience	\$ 51,119	\$ 188,427
Changes of actuarial assumptions	159,158	91,114
Differences between projected and actual investment earnings	-	254,636
Changes in proportion and differences between the employer's contributions and proportionate share of contributions	<u>520,801</u>	<u>32,981</u>
Total as of August 31, 2017 measurement date	\$ 731,078	\$ 567,158
Contributions paid to TRS subsequent to the measurement date	<u>302,832</u>	<u>-</u>
Total	<u>\$ 1,033,910</u>	<u>\$ 567,158</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2019	\$ 5,671
2020	228,702
2021	(11,467)
2022	(75,358)
2023	9,089
Thereafter	7,283

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-Term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

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 year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized on the next page:

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

F. Pension Plan (Continued)

7. *Discount Rate Sensitivity Analysis*

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 5,890,210	\$ 3,494,009	\$ 1,498,784

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 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017 and 2016.

<u>Net Pension Liability</u>	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Total Pension Liability	\$ 179,336,834,819	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	<u>(147,361,922,120)</u>	<u>(134,008,637,473)</u>
Net Pension Liability	<u>\$ 31,974,912,699</u>	<u>\$ 37,788,513,014</u>
Net Position as percentage of Total Pension Liability	82.17%	78.00%

G. Defined Other Post-Employment Benefit Plans

1. *Plan Description*

The employer participates in the Texas Public School Retired Employees Group Insurance Program (TRS Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. *OPEB Plan Fiduciary Net Position*

Detail Information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

3 *Benefits Provided*

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	<u>TRS-Care 1</u> <u>Basic Plan</u>	<u>TRS-Care 2</u> <u>Optional Plan</u>	<u>TRS-Care 3</u> <u>Optional Plan</u>
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

4. *Contributions*

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

Contribution Rates

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding remitted by Employers	1.00%	1.25%
2018 Employer Contributions	\$ 97,780	
2018 Member Contributions	\$ 67,911	
2017 NECE On-Behalf Contributions	\$ 85,067	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$ 535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 15.6 million in fiscal year 2017 and \$ 182.6 million in fiscal year 2018.

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on pan specific experience
	Third-party administrative expenses
	related to the delivery of health care
	benefits are included in the age- adjusted
	claims costs.
Expenses	
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
	Normal Retirement: 70% participation prior
	to age 65 and 75% participation after age
	65
Election Rates	65
Ad hoc post-employment benefit changes	None

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

6. *Discount Rate*

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

7. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 7,829,966	\$ 6,634,169	\$ 5,673,017

8. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 5,523,608	\$ 6,634,169	\$ 8,091,364

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

9. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs*

At June 30, 2018 the District reported a liability of \$ 6,634,169 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 6,634,169
State's proportionate share that is associated with the District	<u>7,115,288</u>
Total	<u>\$ 13,749,457</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0152557856%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that change in proportion was immaterial and, therefore, disregarded this year.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurements of the Total OPEB liability since the prior measurement period:

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended June 30, 2018, the District recognized OPEB expense of \$ (4,617,972) and revenue of \$ (2,380,964) for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ -	\$ 138,493
Changes in actuarial assumptions	-	2,636,592
Differences between projected and actual investment earnings	1,008	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>30</u>	<u>-</u>
Total as of August 31, 2017 measurement date	\$ 1,038	\$ 2,775,085
Contributions paid to TRS subsequent to the measurement date	<u>85,530</u>	<u>-</u>
Total at fiscal year end	<u>\$ 86,568</u>	<u>\$ 2,775,085</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

G. Defined Other Post-Employment Benefit Plans (Continued)

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Amount</u>
2019	\$ (366,038)
2020	(366,038)
2021	(366,038)
2022	(366,038)
2023	(366,290)
Thereafter	(943,605)

H. Risk Management

Health Care

During the year, 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 (Aetna). 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 (Aetna) is renewable September 1 of each year, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2017, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year, 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.

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, 2017, 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 2018 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.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

I. Litigation

The District does not appear to be involved in any litigation as of June 30, 2018.

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, 2018, 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 below:

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	\$ 120,403	\$ 2,361	\$ 63,896
Boles ISD	116916	111,838	801	53,466
Caddo Mills ISD	116901	265,628	2,224	174,312
Campbell ISD	116910	76,601	947	20,158
Celeste ISD	116902	89,427	799	74,605
Commerce ISD	116903	337,752	2,676	160,700
Cooper ISD	060902	177,976	3,814	77,356
Cumby ISD	112905	77,871	1,235	58,561
Lone Oak ISD	116906	176,082	1,161	114,346
Totals		\$ 1,433,578	\$ 16,018	\$ 797,400

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	\$ 6,674	\$ 1,472
Boles ISD	116915	1,835	1,642
Caddo Mills ISD	112905	13,063	3,000
Campbell ISD	116909	3,601	963
Celeste ISD	116901	5,493	1,472
Commerce ISD	116903	21,759	3,000
Cooper ISD	060902	9,100	1,811
Cumby ISD	091918	4,167	1,302
Fannindel ISD	060914	3,292	794
Leonard ISD	074909	7,113	2,152
Lone Oak ISD	116902	6,814	1,980
Wolfe City ISD	116906	5,417	1,472
Totals		\$ 88,328	\$ 21,060

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

L. Revenue from Local and Intermediate Sources

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

	General	Debt Service	Other Governmental	Total
Property Tax Collections	\$ 5,059,217	\$ 1,682,598	\$ -	\$ 6,741,815
Shared Service Fees	-	-	778,462	778,462
Investment Income	35,425	20,784	19,614	75,823
Food Service Income	-	-	108,714	108,714
Gifts and Bequests	46,135	-	3,989	50,124
Cocurricular/Extracurricular Activities	37,335	-	56,643	93,978
Other	3,915	-	-	3,915
Total	\$ 5,182,027	\$ 1,703,382	\$ 967,422	\$ 7,852,831

M. Receivables

Receivables at year end, 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	\$ 1,612,443	\$ 58,904	\$ 646,964	\$ 2,318,311
Property Taxes	522,707	182,226	-	704,933
Less Allowance for Uncollectible Property Taxes	(52,271)	(18,223)	-	(70,494)
Miscellaneous Other Receivables	28,147	-	-	28,147
Net Receivables	\$ 2,111,026	\$ 222,907	\$ 646,964	\$ 2,980,897

N. Interfund Activities

Interfund Receivables and Payables

The composition of interfund balances as of year end, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 1,145,000
General Fund	Special Revenue Fund	214,818
Agency Fund	General Fund	182
Totals		\$ 1,360,000

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

N. Interfund Activities (Continued)

Interfund Transfers

Transfers between funds consisted of the following during the year:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Child Nutrition Fund	\$ 61,356	Annual Deficit

O. Subsequent Events

The District's management has evaluated subsequent events through December 15, 2018, the date which the financial statements were available for use.

P. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

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

	<u>Budget</u>	<u>Actual</u>	<u>Deficit</u>
General Fund:			
Instructional Leadership	\$ 17,365	\$ 26,870	\$ 9,505
School Leadership	982,118	1,008,265	26,147
Social Work Services	8,500	9,317	817
Student (Pupil) Transportation	674,394	709,460	35,066
Cocurricular/Extracurricular	584,889	624,497	39,608
Community Services	-	13,218	13,218
Debt Service	386,231	386,236	5
Capital Outlay	103,545	181,662	78,117

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 settle-up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property 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.

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
Current Year Earnings (SOF)	\$ 305,166	\$ 7,730,207	\$ 123,789	\$ 367,056
Prior Years Settle Up	-	64,653	20,252	25,267
Financial Statement Earnings	<u>\$ 305,166</u>	<u>\$ 7,794,860</u>	<u>\$ 144,041</u>	<u>\$ 392,323</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	-	(806,218)	(8,880)	50,551
Scheduled Payments	54,625	2,364,036	-	-

* Overpayments are represented in the financial statements as Unearned Revenue in both government-wide and fund financial statements.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

R. Change in Accounting Principles

Statement 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*.

The Statement addresses accounting and reporting for postemployment benefits other than pensions (OPEB). Various standards for recognizing measuring and reporting liabilities, deferred outflows and deferred inflows are implemented to achieve the financial accounting and reporting objectives. Note disclosures and other required supplemental information were expanded to provide additional insight into the financial implications of the OPEB.

Statement 85, *Omnibus 2017*

The Statement addresses a variety of technical corrections to previously issued statements that were identified during the implementation of the standards. Included are amendments to GASB Statement 75 that enhance the financial reporting required.

S. Prior Period Adjustments

Government-wide Financial Statements

The increase in net assets identified on Exhibit B-1 includes the following corrections of errors in prior periods or changes related to implementations of new accounting standards:

Implementation of GASB Statement 75, <i>Accounting and Financial Reporting for Post Employment Benefits and Other Pension</i> , relating to retiree healthcare benefits (OPEB) decreased beginning net assets	\$ (11,645,224)
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T. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

T. Negative Operating Grants and Contributions – Statement of Activities (Continued)

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on-behalf accruals)
11 - Instruction	\$ 471,313	\$ (1,483,918)	\$ 1,955,231
12 - Instructional Resources and Media Services	(19,993)	(23,893)	3,900
13 - Curriculum and Instructional Staff Development	81,089	(36,918)	118,007
21 - Instructional Leadership	131,362	(48,944)	180,306
23 - School Leadership	(185,041)	(219,799)	34,758
31 - Guidance, Counseling and Evaluation Services	705,314	(102,557)	807,871
32- Social Services	807	(999)	1,806
33 - Health Services	(18,956)	(28,702)	9,746
34 - Student (Pupil) Transportation	(93,885)	(111,587)	17,702
35 - Food Services	600,204	(4,717)	604,921
36 - Extracurricular Activities	(60,159)	(77,156)	16,997
41 - General Administration	(26,244)	(104,413)	78,169
51 - Facilities Maintenance and Operations	(70,981)	(92,166)	21,185
52 - Security and Monitoring Services	(12,784)	(15,212)	2,428
53 - Data Processing Services	(22,071)	(27,189)	5,118
61 - Community Services	(2,279)	(2,794)	515
72 - Interest on Long Term Debt	536,364	-	536,364
81 - Capital Outlay	95	-	95
93 - Payments Related to Shared Service Agreements	554	-	554
	<u>\$ 2,014,709</u>	<u>\$ (2,380,964)</u>	<u>\$ 4,395,673</u>

REQUIRED SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018

Data Control Codes	1		2	3	4
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 4,864,050	\$ 4,890,584	\$ 5,182,027	\$ 291,443
5800	State Program Revenues	8,939,561	8,939,561	8,647,698	(291,863)
5900	Federal Program Revenues	65,500	130,855	181,050	50,195
5020	Total Revenues	<u>\$ 13,869,111</u>	<u>\$ 13,961,000</u>	<u>\$ 14,010,775</u>	<u>\$ 49,775</u>
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 7,065,360	\$ 7,034,933	\$ 6,496,579	\$ 538,354
0012	Instructional Resources and Media Services	162,356	162,356	122,668	39,688
0013	Curriculum and Staff Development	232,410	221,710	212,902	8,808
	Total Instruction and Instr. Related Services	<u>\$ 7,460,126</u>	<u>\$ 7,418,999</u>	<u>\$ 6,832,149</u>	<u>\$ 586,850</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 17,365	\$ 17,365	\$ 26,870	\$ (9,505)
0023	School Leadership	982,118	982,118	1,008,265	(26,147)
	Total Instructional and School Leadership	<u>\$ 999,483</u>	<u>\$ 999,483</u>	<u>\$ 1,035,135</u>	<u>\$ (35,652)</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 347,457	\$ 349,153	\$ 337,935	\$ 11,218
0032	Social Work Services	5,000	8,500	9,317	(817)
0033	Health Services	168,412	168,412	156,428	11,984
0034	Student (Pupil) Transportation	593,494	674,394	709,460	(35,066)
0036	Cocurricular / Extracurricular Activities	568,139	584,889	624,497	(39,608)
	Total Support Services - Student (Pupil)	<u>\$ 1,682,502</u>	<u>\$ 1,785,348</u>	<u>\$ 1,837,637</u>	<u>\$ (52,289)</u>
Administrative Support Services:					
0041	General Administration	\$ 659,499	\$ 679,735	\$ 673,872	\$ 5,863
	Total Administrative Support Services	<u>\$ 659,499</u>	<u>\$ 679,735</u>	<u>\$ 673,872</u>	<u>\$ 5,863</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,792,307	\$ 1,803,807	\$ 1,716,510	\$ 87,297
0052	Security and Monitoring Services	171,140	158,640	83,388	75,252
0053	Data Processing Services	451,404	415,804	381,046	34,758
	Total Support Services - Nonstudent Based	<u>\$ 2,414,851</u>	<u>\$ 2,378,251</u>	<u>\$ 2,180,944</u>	<u>\$ 197,307</u>
Ancillary Services:					
0061	Community Services	\$ -	\$ -	\$ 13,218	\$ (13,218)
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,218</u>	<u>\$ (13,218)</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ 200,645	\$ 200,645	\$ 196,836	\$ 3,809
0072	Interest on Long-term Debt	185,586	185,586	189,400	(3,814)
	Total Debt Service	<u>\$ 386,231</u>	<u>\$ 386,231</u>	<u>\$ 386,236</u>	<u>\$ (5)</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 103,545	\$ 181,662	\$ (78,117)
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 103,545</u>	<u>\$ 181,662</u>	<u>\$ (78,117)</u>
Intergovernmental Changes:					
0093	Payments to Fiscal Agent/Member Dist. - SSA	\$ 152,077	\$ 171,577	\$ 160,179	\$ 11,398
0099	Other Intergovernmental Charges	141,000	141,000	133,714	7,286
	Total Intergovernmental Charges	<u>\$ 293,077</u>	<u>\$ 312,577</u>	<u>\$ 293,893</u>	<u>\$ 18,684</u>
6030	Total Expenditures	<u>\$ 13,895,769</u>	<u>\$ 14,064,169</u>	<u>\$ 13,434,746</u>	<u>\$ 629,423</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (26,658)	\$ (103,169)	\$ 576,029	\$ 679,198
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	\$ -	\$ -	\$ (61,356)	\$ (61,356)
7080	Net Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (61,356)</u>	<u>\$ (61,356)</u>
1200	Net Change in Fund Balance	\$ (26,658)	\$ (103,169)	\$ 514,673	\$ 617,842
0100	Fund Balance - Beginning (July 1)	5,610,124	5,610,124	5,610,124	-
3000	Fund Balance - Ending (June 30)	<u>\$ 5,583,466</u>	<u>\$ 5,506,955</u>	<u>\$ 6,124,797</u>	<u>\$ 617,842</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF THE DISTRICTS PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2018

	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0109274487%	0.0106514332%	0.0111733000%	0.0082595000%
District's proportionate share of the net pension liability	\$ 3,494,009	\$ 4,025,018	\$ 3,949,613	\$ 2,206,227
State's proportionate share of the net pension liability associated with the District	<u>4,738,834</u>	<u>5,465,058</u>	<u>5,287,441</u>	<u>4,796,195</u>
Total	<u>\$ 8,232,843</u>	<u>\$ 9,490,076</u>	<u>\$ 9,237,054</u>	<u>\$ 7,002,422</u>
District's covered-employee payroll (for Measurement Year)	\$ 10,428,505	\$ 9,702,350	\$ 9,492,432	\$ 8,037,017
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	33.50%	41.48%	41.61%	27.45%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

Note: Only four years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 359,702	\$ 355,634	\$ 337,155	\$ 312,566
Contributions in relations to the contractual required contributions	<u>(359,702)</u>	<u>(355,634)</u>	<u>(337,155)</u>	<u>(312,566)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 10,463,295	\$ 10,297,025	\$ 9,695,291	\$ 9,513,291
Contributions as a percentage of covered employee payroll	3.44%	3.45%	3.48%	3.29%

Note: Only four years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2018

	2017 *
District's proportion of the Net OPEB Liability (Asset)	0.0152557856%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 6,634,169
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	7,115,288
Total	\$ 13,749,457
District's covered-employee payroll (for Measurement Year)	\$ 10,428,505
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	63.62%
Plan fiduciary net position as a percentage of the Total OPEB Liability	0.91%

Note: Only one year of data is presented in accordance with GASB 75 paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 75

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2018

	2018
Contractually required contributions	\$ 97,780
Contributions in relations to the contractual required contributions	(97,780)
Contribution deficiency (excess)	\$ -
District's covered employee payroll	\$ 10,463,295
Contributions as a percentage of covered employee payroll	0.93%

Note: Only one year of data is presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018

A. Budget

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

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

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

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

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

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

B. Defined Benefit Pension Plan

1. Changes of Assumptions

No changes in assumptions were made that affected the measurement of the total pension liability during the measurement period.

2. 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, 2018

Tax Roll Year	Last Ten Periods Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2017	20 Current Year's Total Levy	31 Maintenance Tax Collections	32 Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2018
		Maintenance	Debt Service							
XXXX	2009 and Prior Years	Various	Various	Various	\$ 144,282	\$ -	\$ 21,576	\$ 4,275	\$ (8,283)	\$ 110,148
2009	2010	1.040000	0.387200	460,208,305	22,948	-	2,930	1,091	(1,047)	17,880
2010	2011	1.170000	0.425100	425,231,429	29,866	-	2,848	1,035	(1,943)	24,040
2011	2012	1.170000	0.426500	421,283,515	35,224	-	3,592	1,309	(2,019)	28,304
2012	2013	1.170000	0.413400	425,727,128	44,783	-	4,084	1,443	(1,961)	37,295
2013	2014	1.170000	0.421400	419,188,073	51,523	-	3,516	1,266	(2,120)	44,621
2014	2015	1.170000	0.453500	402,067,244	66,524	-	5,891	2,284	(1,577)	56,772
2015	2016	1.170000	0.435700	387,584,862	92,086	-	15,371	5,724	(4,542)	66,449
2016	2017	1.170000	0.373600	404,081,645	264,471	-	114,868	36,679	(13,002)	99,922
2017	2018	1.170000	0.391000	423,611,980	-	6,612,583	4,780,253	1,597,499	(15,329)	219,502
1000	TOTALS				\$ 751,707	\$ 6,612,583	\$ 4,954,929	\$ 1,652,605	\$ (51,823)	\$ 704,933

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2018

Data Control Codes	1	2	3	4	
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 107,545	\$ 107,545	\$ 112,087	\$ 4,542
5800	State Program Revenues	3,849	3,849	4,515	666
5900	Federal Program Revenues	<u>669,957</u>	<u>669,957</u>	<u>600,902</u>	<u>(69,055)</u>
5020	Total Revenues	<u>\$ 781,351</u>	<u>\$ 781,351</u>	<u>\$ 717,504</u>	<u>\$ (63,847)</u>
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	<u>\$ 783,923</u>	<u>\$ 783,923</u>	<u>\$ 778,860</u>	<u>\$ 5,063</u>
	Total Support Services - Student (Pupil)	<u>\$ 783,923</u>	<u>\$ 783,923</u>	<u>\$ 778,860</u>	<u>\$ 5,063</u>
6030	Total Expenditures	<u>\$ 783,923</u>	<u>\$ 783,923</u>	<u>\$ 778,860</u>	<u>\$ 5,063</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,572)</u>	<u>\$ (2,572)</u>	<u>\$ (61,356)</u>	<u>\$ (58,784)</u>
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,356</u>	<u>\$ 61,356</u>
7080	Net Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,356</u>	<u>\$ 61,356</u>
1200	Net Change in Fund Balance	\$ (2,572)	\$ (2,572)	\$ -	\$ 2,572
0100	Fund Balance - Beginning (July 1)	-	-	-	-
3000	Fund Balance - Ending (June 30)	<u>\$ (2,572)</u>	<u>\$ (2,572)</u>	<u>\$ -</u>	<u>\$ 2,572</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2018

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 1,548,630	\$ 1,548,630	\$ 1,703,382	\$ 154,752
5800	State Program Revenues	<u>398,319</u>	<u>398,319</u>	<u>536,364</u>	<u>138,045</u>
5020	Total Revenues	<u>\$ 1,946,949</u>	<u>\$ 1,946,949</u>	<u>\$ 2,239,746</u>	<u>\$ 292,797</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,090,000	\$ 1,090,000	\$ 1,090,000	\$ -
0072	Interest on Long-term Debt	856,949	856,949	743,515	113,434
0073	Bond Issuance Costs and Fees	-	98,301	100,976	(2,675)
	Total Debt Service	<u>\$ 1,946,949</u>	<u>\$ 2,045,250</u>	<u>\$ 1,934,491</u>	<u>\$ 110,759</u>
6030	Total Expenditures	<u>\$ 1,946,949</u>	<u>\$ 2,045,250</u>	<u>\$ 1,934,491</u>	<u>\$ 110,759</u>
1100	Excess (Deficiency of Revenues Over Expenditures)	\$ -	\$ (98,301)	\$ 305,255	\$ 403,556
OTHER FINANCING SOURCES (USES)					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 3,620,000	\$ 3,620,000	\$ -
7916	Premium or Discount on Issuance of Bonds	-	233,690	233,690	-
8949	Other Uses	-	(3,755,389)	(3,755,389)	-
7080	Net Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ 98,301</u>	<u>\$ 98,301</u>	<u>\$ -</u>
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 403,556	\$ 403,556
0100	Fund Balance - Beginning (July 1)	<u>989,280</u>	<u>989,280</u>	<u>989,280</u>	<u>-</u>
3000	Fund Balance - Ending (June 30)	<u><u>\$ 989,280</u></u>	<u><u>\$ 989,280</u></u>	<u><u>\$ 1,392,836</u></u>	<u><u>\$ 403,556</u></u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2018

<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.	\$ 3,494,009
SF13	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 6,634,169

FEDERAL AWARDS SECTION

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor's Number	(03) Expenditures, Indirect Costs and Refunds
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Greenville Independent School District:			
Head Start	93.600	87CH6997/17	\$ 135,120
Total Department of Health and Human Services			\$ 135,120
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
Summer School LEP	84.369	69551702	\$ 2,374
ESEA Title I Part A - Improving Basic Programs	84.010	18610101116903	544,562
ESEA Title I Part A - Improving Basic Programs	84.010	18610123116903	19,652
IDEA-B Formula (A) *	84.027	186600011169036600	1,433,578
Career & Technology - Basic Grant	84.048	18420006116903	88,328
IDEA-B Preschool (A) *	84.173	186610011169036610	16,018
ESEA Title II Part A - Teacher & Principal Training	84.367	18694501116903	71,083
ESEA Title IV, Part A - Subpart 1	84.424	18680101116903	12,289
ESEA Title VI - Rural & Low Income	84.365	18696001116903	24,713
Total passed through the Texas Education Agency			\$ 2,212,597
Passed through the Education Service Center, Region X:			
ESEA Title III Part A - LEP	84.365	18671001057950	\$ 10,084
Total passed through the Education Service Center, Region X			\$ 10,084
Total Department of Education			\$ 2,222,681
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program (B)	10.553	0600	\$ 185,478
National School Lunch Program (B)	10.555	0600	375,927
Commodity Food Distribution	10.565	116005A	39,497
Total Department of Agriculture			\$ 600,902
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,958,703

* Indicates Major Program
A - Special Education Cluster
B - Child Nutrition Cluster

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2018

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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, 2018.

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)	\$	2,958,703
Indirect Cost		
IDEA-B Formula (84.027)		
ESEA Title I, Part A (84.010)		
ESEA Title II, Part A (84.367)		
Carl Perkins Vocational Education (84.048)		
School Health and Resource		142,428
E-Rate Reimbursements		101,703
Federal Revenue (Exhibit C-3)	\$	3,202,834