

**COMMERCE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**

RUTHERFORD, TAYLOR & COMPANY, P.C.
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TABLE OF CONTENTS

Page Exhibits

INTRODUCTORY SECTION

Certificate of Board 3

FINANCIAL SECTION

Independent Auditor's Reports:

Report on Basic Financial Statements 4

Report on Compliance and Internal Controls (Government Auditing Standards)..... 6

Report on Compliance and Internal Controls (OMB Circular A-133)..... 8

Schedule of Findings and Questioned Costs 10

Management's Discussion and Analysis (Required Supplementary Information) 16

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets..... 25

Statement of Activities 26

Fund Financial Statements:

Balance Sheet – Governmental Funds 27

Reconciliation of the Governmental Funds 28

Balance Sheet to the Statement of Net Assets 28

Statement of Revenues, Expenditures and Changes in 29

Fund Balances of Governmental Funds 29

Reconciliation of the Statement of Revenues, Expenditures and Changes in 30

Fund Balances of Governmental Funds to the Statement of Activities 30

Statement of Fiduciary Net Assets – Fiduciary Funds 31

Notes to the Basic Financial Statements..... 32

A-1
B-1
C-1
C-2
C-3
C-4
E-1
F-1

Required Supplementary Information:

Budgetary Comparison Schedule – General Fund..... 49

Other Supplementary Information Section:

Schedule of Delinquent Taxes Receivable..... 51

Budgetary Comparison Schedules Required by the Texas Education Agency:
 School Breakfast and National School Lunch Program..... 52

Debt Service..... 53

Schedule of Required Responses to Selected School FIRST Indicators..... 54

FEDERAL AWARDS SECTION

Schedule of Expenditures of Federal Awards 56

Notes to the Schedule of Expenditures of Federal Awards..... 57

K-1
K-2

CERTIFICATE OF BOARD

Commerce Independent School District
Name of School District

Hunt
County

116-903
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and approved/ **disapproved** for the year ended June 30, 2014, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

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

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 9, 2014
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

Board of School Trustees

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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



November 9, 2014
Greenville, Texas

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

Board of School Trustees

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Commerce Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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

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

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

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

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

November 9, 2014
Greenville, Texas



R. J. Stutzman
RJC

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2014

Summary of Auditor's Results (Section I)

<i>Financial Statements -</i>	
Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting:	
Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None
<i>Federal Awards -</i>	
Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
Identification of Major Programs	Special Education Cluster: IDEA-B Formula (84.027) IDEA-B Preschool (84.173) ESEA Title I Part A (84.010)
Dollar threshold used to distinguish between Type A and B programs	\$ 300,000
Entity qualifies as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Financial Statement Findings (Section II)

NONE

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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, 2014

Prior Year Findings (Section IV)

NONE

NONE

FINANCIAL SECTION

COMMERCIE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

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, 2014. 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 \$ 1,200,290 at June 30, 2014.
- During the year, the District's expenses were \$ 170,937 less than the \$ 18,847,000 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was reduced \$ 199,268 from the prior year amounts.
- The General Fund reported a fund balance this year of \$ 3,679,023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

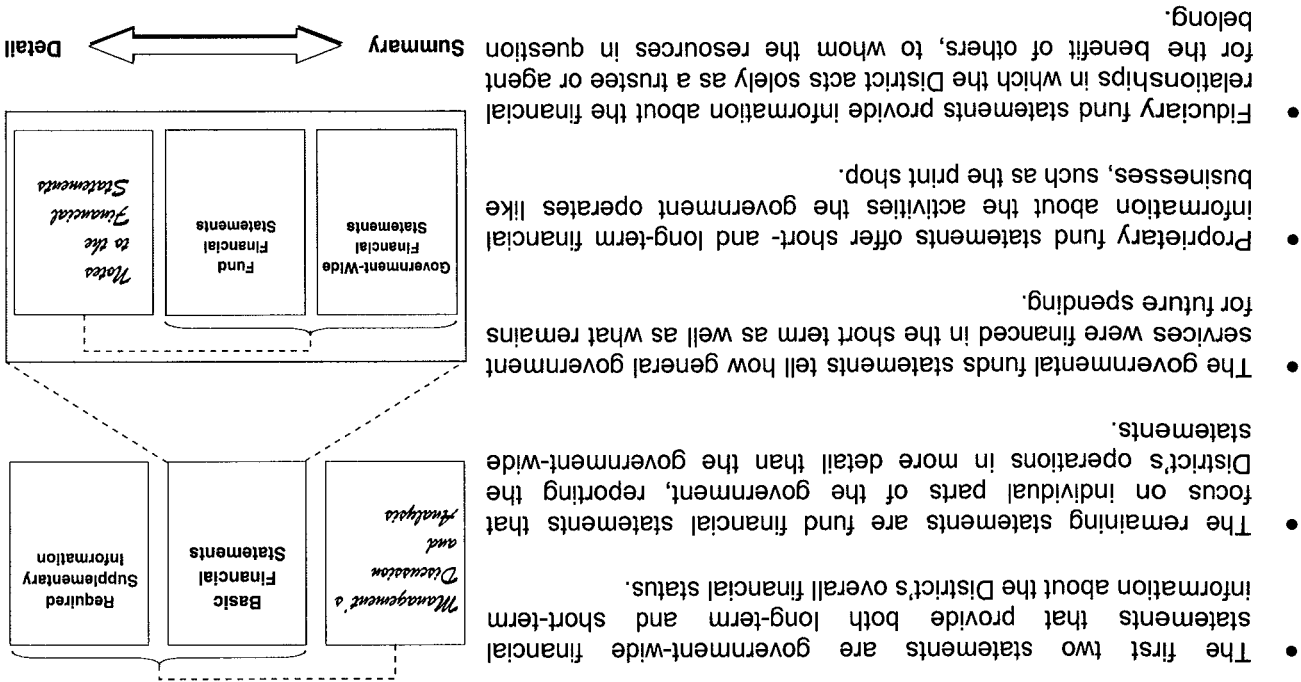


Figure A-1, Required Components of the District's Annual Financial Report

The 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, 2014

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

Type of Statements	Scope	Required financial statements	Accounting basis and measurement focus	Type of asset/liability information	Type of inflow/outflow information
Government-wide	Entire Agency's government (except fiduciary funds) that are not proprietary or fiduciary	• Statement of net assets	• Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, short-term and long-term	All revenues and expenses during year, regardless of when cash is received or paid
Governmental Funds	Fiduciary	• Balance sheet	• Modified accrual accounting and current financial resources focus	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, on capital assets included	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
Fund Statements	businesses: self insurance operates similar to private district is trustee or resources	• Statement of net assets	• Accrual accounting and economic resources focus	All assets and liabilities, both short-term and long-term	All revenues and expenses during year, regardless of when cash is received or paid
Fiduciary Funds	instances in which the district is trustee or resources	• Statement of fiduciary net assets	• Accrual accounting and economic resources focus	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can	All revenues and expenses during year, regardless of when cash is received or paid

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

GOVERNMENT-WIDE STATEMENTS

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

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 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, 2014

- 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 \$ 1,200,290 at June 30, 2014.

Commerce Independent School District's Net Position

	2014		2013		
Assets					
Cash and Investments	\$	4,645,082	\$	3,256,476	42.64%
Other Assets		3,429,476		3,586,195	-4.37%
Capital Assets less Accumulated Depreciation		23,247,711		24,374,886	-4.62%
Total Assets	\$	31,322,269	\$	31,217,557	0.34%
Deferred Net Inflows of Resources:					
Deferred Net Inflows of Resources:	\$	46,657	\$	50,104	-6.88%
Total Deferred Net Inflows of Resources:	\$	46,657	\$	50,104	-6.88%
Liabilities					
Current Liabilities	\$	2,598,421	\$	2,143,221	21.24%
Long-term Liabilities		27,570,215		28,095,087	-1.87%
Total Liabilities	\$	30,168,636	\$	30,238,308	-0.23%
Net Position					
Net Investment in Capital Assets	\$	(4,351,790)	\$	(3,047,752)	42.79%
Restricted		1,294,539		1,034,717	25.11%
Unrestricted		4,257,541		3,042,388	39.94%
Total Net Position	\$	1,200,290	\$	1,029,353	16.61%

Approximately \$ 379,887 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 \$ 18,813,820. 36% of the District's revenue comes from local property taxes (See Table A-2). 59% comes from state aid and federal grants, while only 5% relates to charges for services and other sources including investment earnings.

The total cost of all programs and services was \$ 18,676,063. 48% of these costs are for instruction and instructional related student services.

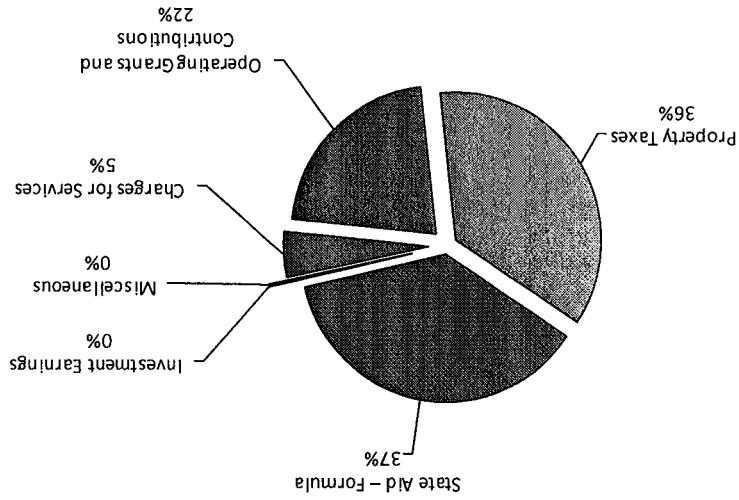
The District's current tax collection rate (base tax only – current and delinquent) was 100.36%. The total collection rate (base tax and penalty and interest) was 102.31%.

COMMERCIE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2014

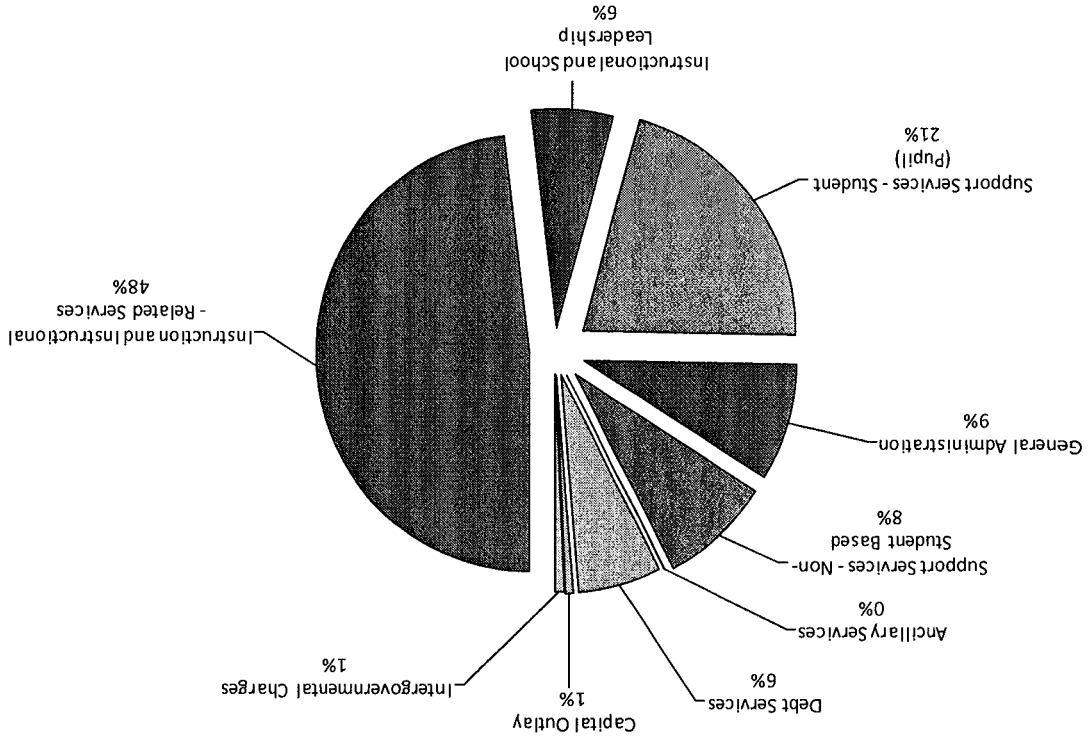
Table A-2

Total	Percentage	Change	2013 - 2014		
			2013	2014	
Changes in Commerce Independent School District's Net Position					
			Governmental	Activities	
Program Revenues:					
Charges for Services	-0.50%		\$ 933,133	\$ 937,779	-0.50%
Operating Grants and Contributions	4.89%		4,069,677	3,879,966	4.89%
General Revenues:					
Property Taxes	0.01%		6,788,846	6,787,989	0.01%
State Aid - Formula	1.55%		6,972,435	6,866,290	1.55%
Investment Earnings	19.69%		43,095	36,006	19.69%
Miscellaneous	-67.86%		6,634	20,642	-67.86%
Total Revenues	1.54%		\$ 18,813,820	\$ 18,528,672	1.54%
Expenses:					
Instruction	-1.07%		\$ 9,153,486	\$ 9,252,951	-1.07%
Instructional Resources and Media Services	2.59%		164,251	160,105	2.59%
Curriculum and Staff Development	87.75%		259,682	138,311	87.75%
Instructional Leadership	3.52%		322,234	311,292	3.52%
School Leadership	4.96%		910,294	867,294	4.96%
Guidance, Counseling and Evaluation Services	2.18%		1,324,959	1,296,724	2.18%
Health Services	1.85%		134,103	131,669	1.85%
Student (Pupil) Transportation	7.15%		687,264	641,413	7.15%
Food Services	-2.57%		823,426	845,104	-2.57%
Co-curricular/Extracurricular Activities	3.86%		577,335	555,873	3.86%
General Administration	11.92%		640,148	571,963	11.92%
Plant Maintenance and Operations	-3.93%		1,731,809	1,802,658	-3.93%
Security and Monitoring Services	26.91%		82,089	64,683	26.91%
Data Processing Services	-7.73%		360,772	390,985	-7.73%
Interest on Long Term Debt	3.28%		1,243,439	1,203,921	3.28%
Bond Issuance Cost and Fees	-98.02%		7,239	366,498	-98.02%
Payments to Shared Service Arrangements	-14.80%		118,378	138,934	-14.80%
Other Intergovernmental Charges	0.15%		135,155	134,953	0.15%
Total Expenses	-1.06%		\$ 18,676,063	\$ 18,875,331	-1.06%
Special Item Inflow	100.00%		\$ 33,180	\$ -	100.00%
Excess (Deficiency) and Transfers	-149.31%		\$ 170,937	\$ (346,659)	-149.31%
Increase (Decrease) in Net Position	-149.31%		\$ 170,937	\$ (346,659)	-149.31%
Net Position - Beginning (July 1)	-25.19%		1,029,353	1,376,012	-25.19%
Net Position - Ending (June 30)	16.61%		\$ 1,200,290	\$ 1,029,353	16.61%

Sources of Revenue for Fiscal Year 2014 - See Table A-2



Functional Expenses for Fiscal Year 2014 - See Table A-2



**COMMERCIE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

- Table A-3 presents the cost of selected District functions as well as the selected functions' net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 18,676,063.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 6,788,846.
- Some of the cost was paid by those who directly benefited from the programs \$ 933,133, or
- By grants and contributions \$ 4,069,677.

**Table A-3
Commerce Independent School District
Net Cost of Selected District Functions**

	Total Cost of Services		Net Cost of Services		
	2014	2013	2014	2013	
				Change	
				%	
Instruction	\$ 9,153,486	\$ 9,252,951	\$ 6,813,325	\$ 6,834,264	-0.31%
School Leadership	910,294	867,294	873,987	837,155	4.40%
Plant Maintenance and Operations	1,731,809	1,802,658	1,661,476	1,734,818	-4.23%
Debt Service	1,250,678	1,570,419	789,737	1,142,369	-30.87%
General Administration	640,148	571,963	550,022	550,022	0.00%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 18,885,513 which is a \$ 442,933 increase from the prior year. The decrease is representative of the state's increase in foundation aid for the current biennium. The Expenditures for governmental fund types totaled \$ 18,402,040 which is a \$ 203,057 increase from the prior year. The increase represents a 1% increase in total expenditures. The increase reflects minor capital outlays with additional increases for operating costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 412,991 below final budget amounts. The most significant positive variance resulted from reductions in the instruction and instructional related services functions. Resources available were \$ 199,767 below the final General Fund budgeted amount. The unfavorable variance was the result of lower than anticipated state revenues due to enrollment and attendance numbers.

COMMERCIE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 44,310,731 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

	Governmental Activities		
	2014	2013	2013-2014
Land	\$ 312,850	\$ 312,850	0.00%
Buildings and Improvements	40,840,366	40,815,466	0.06%
Vehicles	1,989,349	1,640,937	21.23%
Equipment	1,168,166	1,168,166	0.00%
Totals at Historical Cost	\$ 44,310,731	\$ 43,937,419	0.85%
Total Accumulated Depreciation	(21,092,306)	(19,562,533)	7.82%
Net Capital Assets	\$ 23,218,425	\$ 24,374,886	-4.74%

DEBT

At year end, the District had \$ 27,570,215 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.

	Governmental Activities		
	2014	2013	2013-2014
Bonds Payable	\$ 27,675,000	\$ 27,867,473	-0.69%
Capital Leases Payable	353,778	29,760	1088.77%
Other Debt Payable	(458,563)	197,854	-331.77%
Total Debt Payable	\$ 27,570,215	\$ 28,095,087	-1.87%

ECONOMIC FACTORS

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A-1

1	Governmental	Activities
	Control	Codes
		Data

ASSETS	1110	1225	1240	1290	1300	1410	1510	1520	1530	1000
Cash and Investments	4,645,082									\$ 31,322,269
Property Taxes Receivable, Net	655,590									
Due from Other Governments	2,685,322									
Other Receivables, Net	39,892									
Inventories	28,101									
Unrealized Expenses	20,571									
Capital Assets:										
Land	312,850									
Buildings and Improvements, Net	22,279,428									
Furniture and Equipment, Net	655,433									
Total Assets										\$ 31,322,269

DEFERRED OUTFLOWS OF RESOURCES:

LIABILITIES	2110	2140	2165	2177	2300	2501	2502	2000
Accounts Payable	137,613							\$ 30,168,636
Interest Payable	452,727							
Accrued Liabilities	1,441,195							
Due to Fiduciary	86							
Unearned Revenues	566,800							
Noncurrent Liabilities:								
Due within one year	994,320							
Due in more than one year	26,575,895							
Total Liabilities								\$ 30,168,636

NET POSITION	3200	3850	3890	3900	3000
Net Investment in Capital Assets	(4,351,790)				
Restricted For:					
Debt Service	379,887				
Other Purposes	914,652				
Unrestricted	4,257,541				
Total Net Position					\$ 1,200,290

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2014

	1	3	4	6
	Program Revenues			
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Data	Functions/Programs			
Control				
Codes				
11	Instruction	\$ 9,153,486	\$ 746,392	\$ 1,593,769
12	Instructional Resources and Media Services	164,251	-	6,336
13	Curriculum and Staff Development	259,682	-	149,073
21	Instructional Leadership	322,234	-	101,510
23	School Leadership	910,294	-	36,307
31	Guidance, Counseling and Evaluation Services	1,324,959	23,457	908,140
33	Health Services	134,103	-	5,352
34	Student (Pupil) Transportation	687,264	-	22,789
35	Food Services	823,426	123,474	644,979
36	Cocurricular / Extracurricular Activities	577,335	39,460	20,339
41	General Administration	640,148	-	27,823
51	Plant Maintenance and Operations	1,731,809	350	69,983
52	Security and Monitoring Services	82,089	-	3,067
53	Data Processing	360,772	-	14,463
72	Interest on Long-term Debt	1,243,439	-	460,941
73	Bond Issuance Costs and Fees	7,239	-	-
93	Payments Related to Shared Services Arrangements	118,378	-	4,806
99	Other Intergovernmental Charges	135,155	-	-
99	Other Intergovernmental Charges	135,155	-	(135,155)
TG	Total Governmental Activities	\$ 18,676,063	\$ 933,133	\$ 4,069,677
TP	Total Primary Government	\$ 18,676,063	\$ 933,133	\$ (13,673,253)
MT	Property Taxes, Levied for General Purpose	\$ 5,001,818		
DT	Property Taxes, Levied for Debt Service	1,787,028		
IE	Investment Earnings	43,095		
GC	Grant and Contributions Not Restricted to Specific Programs	6,972,435		
MI	Miscellaneous	6,634		
	Special and Extraordinary Items:			
	Special Item Inflow	33,180		
TR	Total General Revenues	\$ 13,844,190		
CN	Change in Net Position	\$ 170,937		
NB	Net Position - Beginning (July 1)	1,029,353		
NE	Net Position - Ending (June 30)	\$ 1,200,290		

The accompanying notes are an integral part of this statement.
 26

COMMERCE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

Data	Control	Codes						
			Fund	Fund	Fund	Fund	Fund	Funds
			10	50	98			
ASSETS								
1110	Cash and Investments		\$ 1,987,976	\$ 1,928,603	\$ 728,503	\$ 4,645,082		
1225	Taxes Receivable, Net		498,518	157,072	-	655,590		
1240	Due from Other Governments		2,132,357	-	552,965	2,685,322		
1260	Due from Other Funds		1,145,000	-	40,000	1,185,000		
1290	Other Receivables		40,000	-	(109)	39,891		
1300	Inventories		10,127	-	17,975	28,102		
1410	Unrealized Expenditures		20,571	-	-	20,571		
1000	Total Assets		\$ 5,834,549	\$ 2,085,675	\$ 1,339,334	\$ 9,259,558		
LIABILITIES								
	Current Liabilities:							
2110	Accounts Payable		\$ 117,592	\$ -	\$ 21,186	\$ 138,778		
2150	Payroll Deductions & Withholdings		101,671	-	33,944	135,615		
2160	Accrued Wages Payable		963,208	-	341,207	1,304,415		
2170	Due to Other Funds		86	1,185,000	-	1,185,086		
2300	Unearned Revenues		474,451	68,061	24,288	566,800		
2000	Total Liabilities		\$ 1,657,008	\$ 1,253,061	\$ 420,625	\$ 3,330,694		
DEFERRED INFLOWS OF RESOURCES:								
2600	Total Deferred Inflows of Resources		\$ 498,518	\$ 157,072	\$ -	\$ 655,590		
FUND BALANCES								
	Nonspendable Fund Balances:							
3410	Inventories		\$ 10,127	\$ -	\$ -	\$ 10,127		
3430	Prepaid Items		20,571	-	-	20,571		
	Restricted Fund Balances:							
3450	Federal/State Funds Grant Restrictions		-	-	(21,297)	(21,297)		
3480	Retirement of Long-Term Debt		-	675,542	-	675,542		
3490	Other Restrictions of Fund Balances		1,925	-	912,727	914,652		
	Committed Fund Balances:							
3545	Other Committed Fund Balances		-	-	27,279	27,279		
3600	Unassigned		3,646,400	-	-	3,646,400		
3000	Total Fund Balances		\$ 3,679,023	\$ 675,542	\$ 918,709	\$ 5,273,274		
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances		\$ 5,834,549	\$ 2,085,675	\$ 1,339,334	\$ 9,259,558		

The accompanying notes are an integral part of this statement.
27

COMMERCE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2014

	\$ 5,273,274
Total fund balances - Balance Sheet (governmental funds)	
Amounts reported for governmental activities in the statement	
of net position are different because:	
Capital assets used in governmental activities are not reported in the funds.	23,247,711
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	655,590
Payables for bond principal which are not due in the current period are not reported in the funds.	(27,675,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(353,778)
Payables for bond interest which are not due in the current period are not reported in the funds.	(452,727)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	505,220
	<u>1,200,290</u>
	\$ 1,200,290

Net position of governmental activities - Statement of Net Position

COMMERCE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2014

Data Control Codes	10	50	98
General	Debt	Other	Total
Fund	Fund	Funds	Funds
REVENUES			
5700	\$ 5,158,776	\$ 903,130	\$ 7,881,105
Local and Intermediate Sources			
5800	7,458,894	267,341	8,187,176
State Program Revenues			
5900	1,700	2,815,532	2,817,232
Federal Program Revenues			
5020	\$ 12,619,370	\$ 2,280,140	\$ 3,986,003
Total Revenues			
EXPENDITURES			
Current:			
0011	\$ 6,318,285	\$ -	\$ 1,609,819
Instruction			
0012	156,056	-	27
Instructional Resources and Media Services			
0013	167,736	-	91,946
Curriculum and Staff Development			
0021	2,602	-	319,632
Instructional Leadership			
0023	894,276	-	-
School Leadership			
0031	356,033	-	967,868
Guidance, Counseling and Evaluation Services			
0033	131,821	-	-
Health Services			
0034	862,530	-	-
Student (Pupil) Transportation			
0035	-	-	792,577
Food Services			
0036	489,285	-	58,942
Cocurricular / Extracurricular Activities			
0041	570,918	-	64,791
General Administration			
0051	1,710,430	-	11,915
Plant Maintenance and Operations			
0052	86,055	-	-
Security and Monitoring Services			
0053	356,233	-	-
Data Processing Services			
0071	13,317	192,474	-
Principal on Long-term Debt			
0072	1,260	1,896,199	-
Interest on Long-term Debt			
0073	-	580	-
Debt Issuance Costs and Fees			
0081	24,900	-	-
Capital Outlay			
0093	118,378	-	-
Payments to Shared Service Arrangements			
0099	135,155	-	-
Other Intergovernmental Charges			
6030	\$ 12,395,270	\$ 2,089,253	\$ 3,917,517
Total Expenditures			
1100	\$ 224,100	\$ 190,887	\$ 68,486
Excess (Deficiency) of Revenues Over Expenditures			
OTHER FINANCING SOURCES (USES)			
7913	\$ 330,677	\$ -	\$ -
Issuance of Capital Leases			
7080	\$ 330,677	\$ -	\$ -
Net Other Financing Sources (Uses)			
EXTRAORDINARY ITEM			
7919	\$ 33,180	\$ -	\$ -
Extraordinary Item (Resource)			
1200	\$ 587,957	\$ 190,887	\$ 68,486
Net Change in Fund Balances			
0100	3,091,066	484,655	850,223
Fund Balances - Beginning (July 1)			
3000	\$ 3,679,023	\$ 675,542	\$ 918,709
Fund Balances - Ending (June 30)			
			\$ 5,273,274

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, 2014

	\$	847,330	
			Net change in fund balances - total governmental funds
			Amounts reported for governmental activities in the statement
			of activities are different because:
		373,312	Capital outlays are not reported as expenses in the SOA.
		(1,500,487)	The depreciation of capital assets used in governmental activities is not reported in the funds.
		(71,693)	Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.
		(19,479)	Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.
		192,473	Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.
		13,317	Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.
		672,449	The accretion of interest on capital appreciation bonds is not reported in the funds.
		1,050	(increase) decrease in accrued interest expense from beginning of period to end of period.
		(6,658)	Bond premiums (discounts) are amortized reported in the SOA but not in the funds.
		(330,677)	Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.
	\$	170,937	Change in net position of governmental activities - Statement of Activities

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014

	Agency	Funds
ASSETS		
1110 Cash and Investments	\$ 68,567	
1260 Due From Other Funds	86	
1290 Other Receivables	1,921	
Total Assets	<u>\$ 70,574</u>	
LIABILITIES		
2110 Accounts Payable	490	
2190 Due to Student Groups	70,084	
Total Liabilities	<u>\$ 70,574</u>	
NET POSITION		
3000 Total Net Position	<u>\$ -</u>	

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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, 2014

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, 2014

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-
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, 2014

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, 2014

A. Summary of Significant Accounting Policies (Continued)

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

	Other Governmental Funds	Debt Service Fund	General Fund	Totals
Nonspendable			\$ 10,127	\$ 10,127
Inventories				
Prepays			20,571	20,571
Restricted				
Child Nutrition Program	(21,297)			(21,297)
NETCAT SSA	62,846			62,846
Special Education SSA	721,384			721,384
Retirement of Long Term Debt		675,542		675,542
Scholarship Fund	128,497			128,497
Workers Compensation			1,925	1,925
Committed				
Campus Activity Funds	27,279			27,279
Unassigned			3,646,400	3,646,400
	\$ 918,709	\$ 675,542	\$ 3,679,023	\$ 5,273,274

Capital Assets

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

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

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

6. Receivable and Payable Balances

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

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

7. Interfund Activities

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

A. Summary of Significant Accounting Policies (Continued)

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

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

10. 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.

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

B. Deposits, Securities and Investments
 The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2014, 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 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.

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.

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 \$5,991,600.
 c. Largest cash, savings and time deposit combined account balances amounted to \$5,921,732, and occurred during the month of February 2014.
 d. Total amount of FDIC coverage at the time of the highest combined balance was \$746,328.

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:

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

Guaranty Bond Bank – Certificate of Deposits	Rating	Value
LoneStar	AAAm	\$ 169,713
Total		\$ 306,802

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

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

The 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 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 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.

B. Deposits, Securities, and Investments (Continued)

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

B. Deposits, Securities, and Investments (Continued)

- 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 District's name. At year end, the District was not exposed to custodial credit risk.
- c. Concentration of Credit Risk
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.
- d. Interest Rate Risk
This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.
- e. Foreign Currency Risk
This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.17 to fund general operations and \$ 0.4214 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 419,188,073.

COMMERCE INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2014

D. Capital Assets

Capital asset activities during the year ended June 30, 2014 were as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:	\$ 312,850	\$ -	\$ -	\$ 312,850
Land	\$ 312,850	\$ -	\$ -	\$ 312,850
Total Capital Assets not being Depreciated	\$ 312,850	\$ -	\$ -	\$ 312,850
Capital Assets being Depreciated:	\$ 40,815,466	\$ 24,900	\$ -	\$ 40,840,366
Building and Improvements	\$ 1,168,166	\$ -	\$ -	\$ 1,168,166
Equipment	\$ 1,640,937	\$ 348,412	\$ -	\$ 1,989,349
Vehicles	\$ 43,624,569	\$ 373,312	\$ -	\$ 43,997,881
Less Accumulated Depreciation for:	\$ 17,353,640	\$ 1,221,822	\$ -	\$ 18,575,462
Buildings and Improvements	\$ 876,521	\$ 145,117	\$ -	\$ 1,021,638
Equipment	\$ 1,361,658	\$ 133,548	\$ -	\$ 1,495,206
Vehicles	\$ 19,591,819	\$ 1,500,487	\$ -	\$ 21,092,306
Total Capital Assets being Depreciated	\$ 24,032,750	\$ (1,127,175)	\$ -	\$ 22,905,575
Total Accumulated Depreciation	\$ 24,345,600	\$ (1,127,175)	\$ -	\$ 23,218,425
Governmental Activities Capital Assets, Net	\$ 24,345,600	\$ (1,127,175)	\$ -	\$ 23,218,425

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,262,082
Instructional Resources and Media Services	8,168
School Leadership	16,018
Guidance, Counseling and Evaluation Services	1,058
Health Services	2,282
Student (Pupil) Transportation	125,941
Food Services	30,849
Co-Curricular/Extracurricular Activities	29,108
General Administration	4,439
Plant Maintenance and Operations	9,464
Security and Monitoring Services	6,539
Data Processing	4,539
Totals	\$ 1,500,487

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E.

Long Term Obligations

Long Term Obligation Activity

Long term obligation activities during the year were as follows:

Amounts Due Within One Year	Ending Balance	Decreases	Increases	Beginning Balance	Governmental Activities:
885,000	\$ 27,675,000	\$ 192,473	\$ -	\$ 27,867,473	General Obligation Bonds
109,320	353,778	6,659	330,677	29,760	Capital Leases Payable
-	-	687,527	15,078	672,449	Accrued Interest Payable
-	(458,563)	(16,032)	-	(474,595)	Unamortized Premium (Discount)
994,320	\$ 27,570,215	\$ 870,627	\$ 345,755	\$ 28,095,087	Total Governmental Activities

Bonds

The following issues are outstanding at year end:

Description	Interest Rate	Original Issue	Outstanding Obligations
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.0 - 4.7%	\$ 26,268,397	\$ 25,535,000
Unlimited Tax Refunding Bonds, Series 2011	1.5 - 3.5%	2,425,000	2,140,000
Total			\$ 27,675,000

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

Year Ending June 30	Principal	Interest	Requirements
2015	\$ 885,000	\$ 1,191,385	\$ 2,076,385
2016	915,000	1,159,010	2,074,010
2017	945,000	1,124,935	2,069,935
2018	980,000	1,087,638	2,067,638
2019	1,020,000	1,046,973	2,066,973
2020 - 2024	5,790,000	4,542,206	10,332,206
2025 - 2029	6,755,000	3,142,755	9,897,755
2030 - 2034	5,505,000	1,702,485	7,207,485
2035 - 2038	4,880,000	451,126	5,331,126
Totals	\$ 27,675,000	\$ 15,448,513	\$ 43,123,513

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, 2014.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

E. Long Term Obligations (Continued)

Capital Leases

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

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Date of Agreement	Original Property Value
Cypress Bank, FSB – BB/SB Scoreboard	4.15%	07/21/2010	\$ 41,230
Dallmer Leasing – School Buses	2.6%	02/17/2014	277,392
Cypress Bank, FSB – Ag Truck	2.25%	01/10/2014	36,700
Cypress Bank, FSB – Headsets	2.25%	07/02/2013	5,302
Cypress Bank, FSB – Security Vehicle	2.25%	07/02/2013	10,506
Total			\$ 371,130

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

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

Year Ending June 30	Total Minimum Lease Payment	Less Amount Representing Interest	Present Value of Net Minimum Lease Payments
2015	\$ 113,705		\$ 113,705
2016	100,830		100,830
2017	100,830		100,830
2018	4,969		4,969
2019	4,969		4,969
2020-2021	9,939		9,939
	\$ 335,242	(15,507)	\$ 319,735

F. Pension Plan

1. Plan Description

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

F. Pension Plan (Continued)

2. Funding Policy
 3. On-Behalf Payments
- In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments made by the State) of \$ 453,331 are reflected in the general fund basic financial statements.
1. Plan Description
 2. Funding Policy
 3. On-Behalf Payments
- Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014 and 6.4% for fiscal years 2013 and 6.0% for fiscal year 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.8% contribution. The District's employees' contributions to the System for the periods ended June 30, 2014, 2013, and 2012 were \$ 613,235, \$ 585,743, and \$ 591,420 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended June 30, 2014, 2013, and 2012 were \$ 211,731, \$ 183,553, and \$ 190,029 respectively.

G. School District Retiree Health Plan

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

2. Funding Policy
 3. On-Behalf Payments
- Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013, and 2012. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

3. On-Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments made by the State) of \$ 66,666 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 25,566 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Program.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

H. Risk Management

Health Care

During the year ended June 30, 2014, employees of the Commerce Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 250 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a TRS Activecare (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

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

Unemployment Compensation Pool

During the year ended June 30, 2014, 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, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2014 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.

Litigation

The District does not appear to be involved in any litigation as of June 30, 2014.

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, 2014, 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.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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	Formula	Preschool	Sp Ed Coop	Totals
Bland ISD	116915	\$	110,451	\$	4,229	\$	64,178
Boles ISD	116916		108,834		1,057		49,571
Caddo Mills ISD	116901		239,759		3,169		148,315
Campbell ISD	116910		78,393		-		35,915
Celeste ISD	116902		81,087		1,057		73,370
Commerce ISD	116903		324,887		3,699		115,692
Cooper ISD	060902		168,370		6,865		50,857
Cumby ISD	112905		78,528		-		42,596
Lone Oak ISD	116906		156,652		1,586		103,994
Totals		\$	1,346,961	\$	21,662	\$	684,488

NetCAT SSA – (Career and Tech Programs)

Member Districts	County	District	Number	Basic Grant	Voc Ed	NetCAT	Totals
Bland ISD	116910	\$	5,988	\$	1,297		1,297
Boles ISD	116915		1,588		1,447		1,447
Caddo Mills ISD	112905		14,672		2,640		2,640
Campbell ISD	116909		3,265		848		848
Celeste ISD	116901		5,079		1,297		1,297
Commerce ISD	116903		19,319		2,640		2,640
Cooper ISD	060902		10,205		1,595		1,595
Cumby ISD	091918		5,360		1,146		1,146
Fannindel ISD	060914		3,215		700		700
Leonard ISD	074909		8,256		1,895		1,895
Lone Oak ISD	116902		6,550		1,745		1,745
Tom Bean ISD	116916		7,053		1,745		1,745
Wolfe City ISD	116906		5,541		1,297		1,297
Totals		\$	96,091	\$	20,292		

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

L. Revenue from Local and Intermediate Sources

During the year ended June 30, 2014, the District received revenue from local and intermediate sources consisting of the following:

	General	Debt	Service	Other	Governmental	Total
Property Tax Collections	\$ 5,055,859	\$ 1,804,680	\$ -	\$ -	\$ -	\$ 6,860,539
Shared Service Fees	-	-	-	709,762	-	709,762
Investment Income	19,096	14,519	9,480	-	-	43,095
Food Service Income	-	-	-	110,206	-	110,206
Gifts and Bequests	22,330	-	-	475	-	22,805
Curricular/Extracurricular Activities	39,460	-	-	59,888	-	99,348
Other	22,031	-	-	13,319	-	35,350
Total	\$ 5,158,776	\$ 1,819,199	\$ 903,130	\$ 7,881,105	\$ -	\$ 7,881,105

M. Receivables

Receivables at June 30, 2014, 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	\$ 2,132,357	\$ -	\$ -	\$ -	\$ 552,964	\$ 2,685,321
Property Taxes	553,909	174,524	-	-	-	728,433
Less Allowance for Uncollectible	(55,391)	(17,452)	-	-	-	(72,843)
Property Taxes	6,782	-	-	(109)	-	6,673
Miscellaneous Other Receivables	-	-	-	-	-	-
Net Receivables	\$ 2,637,657	\$ 157,072	\$ 552,855	\$ -	\$ 552,855	\$ 3,347,584

N. Interfund Activities

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2014, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 1,145,000
SSA – Tri County Cooperative	Debt Service Fund	40,000
Student Agency (Fiduciary)	General Fund	86
Totals		\$ 1,185,086

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

O. Subsequent Events

The District's management has evaluated subsequent events through November 9, 2014, 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:

	Budget	Actual	Excess
General Fund:			
CoCurricular/Extracurricular Activities	\$ 473,582	\$ 489,285	\$ 15,703
General Administration	549,676	570,918	21,242
Other Intergovernmental Charges	135,000	135,155	155

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 setup with the State will occur some 9 to 10 months following the fiscal year end.

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

	Available	Foundation	IFA	EDA
Current Year Earnings (SOF)	\$ 382,364	\$ 6,539,142	\$ 81,577	\$ 186,871
Prior Years Settle Up	-	45,336	159,368	33,125
Financial Statement Earnings	\$ 382,364	\$ 6,584,478	\$ 240,945	\$ 219,996
Financial Statement Amounts				
SOF Receivable (Overpayment)	-	(340,634)	(19,972)	(48,089)
Scheduled Payments	102,935	1,924,006	-	-

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

REQUIRED SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	1	2	3	
REVENUES				
5700 Local and Intermediate Sources	\$ 5,056,894	\$ 5,074,294	\$ 5,158,776	\$ 84,482
5800 State Program Revenues	7,704,843	7,704,843	7,458,894	(245,949)
5900 Federal Program Revenues	40,000	40,000	1,700	(38,300)
Total Revenues	\$ 12,801,737	\$ 12,819,137	\$ 12,619,370	\$ (199,767)
EXPENDITURES				
0011 Instruction and Instructional Related Services:				
Instruction	\$ 6,615,267	\$ 6,626,657	\$ 6,318,285	\$ 308,372
0012 Instructional Resources and Media Services	251,361	251,361	156,056	95,305
0013 Curriculum and Staff Development	124,672	171,172	167,736	3,436
Total Instruction and Instr. Related Services	6,991,300	7,049,190	6,642,077	407,113
0021 Instructional and School Leadership:				
Instructional Leadership	\$ 5,150	\$ 5,150	\$ 2,602	\$ 2,548
0023 School Leadership	895,786	895,786	894,276	1,510
Total Instructional and School Leadership	900,936	900,936	896,878	4,058
0031 Support Services - Student (Pupil):				
Guidance, Counseling and Evaluation Services	\$ 390,627	\$ 390,627	\$ 356,033	\$ 34,594
0033 Health Services	133,282	133,282	131,821	1,461
0034 Student (Pupil) Transportation	563,122	863,060	862,530	530
0036 Co-curricular / Extracurricular Activities	468,287	473,582	489,285	(15,703)
Total Support Services - Student (Pupil)	1,555,318	1,860,551	1,839,669	20,882
0041 Administrative Support Services:				
General Administration	\$ 522,676	\$ 549,676	\$ 570,918	\$ (21,242)
Total Administrative Support Services	522,676	549,676	570,918	(21,242)
0051 Support Services - Nonstudent Based:				
Plant Maintenance and Operations	\$ 1,857,096	\$ 1,819,726	\$ 1,710,430	\$ 109,296
0052 Security and Monitoring Services	78,829	105,169	86,055	19,114
0053 Data Processing Services	408,713	408,713	356,233	52,480
Total Support Services - Nonstudent Based	2,344,638	2,333,608	2,152,718	180,890
0071 Debt Service:				
Principal on Long-term Debt	\$ 28,000	\$ 17,580	\$ 13,317	\$ 4,263
0072 Interest on Long-term Debt	-	-	1,260	(1,260)
Total Debt Service	28,000	17,580	14,577	3,003
0081 Capital Outlay:				
Capital Outlay	\$ -	\$ 38,180	\$ 24,900	\$ 13,280
Total Capital Outlay	-	38,180	24,900	13,280
0093 Intergovernmental Changes:				
Payments to Fiscal Agent/Member Dist. - SSA	\$ 178,307	\$ 123,307	\$ 118,378	\$ 4,929
0099 Other Intergovernmental Charges	100,000	135,000	135,155	(155)
Total Intergovernmental Charges	278,307	258,307	253,533	4,774
6030 Total Expenditures	\$ 12,621,175	\$ 13,008,028	\$ 12,395,270	\$ 612,758
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 180,562	\$ (188,891)	\$ 224,100	\$ 412,991
OTHER FINANCING SOURCES (USES)				
7913 Issuance of Capital Leases	\$ -	\$ 331,273	\$ 330,677	\$ (596)
7080 Net Other Financing Sources (Uses)	\$ -	\$ 331,273	\$ 330,677	\$ (596)
EXTRAORDINARY ITEM:				
7919 Extraordinary Item (Resource)	\$ -	\$ 33,180	\$ 33,180	\$ -
1200 Net Change in Fund Balance	\$ 180,562	\$ 175,562	\$ 587,957	\$ 412,395
0100 Fund Balance - Beginning (July 1)	3,091,066	3,091,066	3,091,066	-
3000 Fund Balance - Ending (June 30)	\$ 3,271,628	\$ 3,266,628	\$ 3,679,023	\$ 412,395

OTHER SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED JUNE 30, 2014

Exhibit J-1

Tax Roll Year	Last Ten Periods Ended June 30	Tax Rates		Assessed/Appraised Value For School Tax Purposes	Beginning Balance 7/1/2012	Current Years Total Levy	Maintenance Tax Collections	Debt Service Collections	Entire Years Adjustments	Ending Balance 6/30/2013
		1	2							
XXXX	2005 and Prior Years	Various	Various	Various	\$ 112,099	\$ -	\$ 957	\$ 251	\$ (10,967)	\$ 99,924
2005	2006	1.500000	0.194500	354,592,919	20,782	-	140	18	(358)	20,266
2006	2007	1.370000	0.229100	369,239,005	23,544	-	304	51	(403)	22,786
2007	2008	1.040000	0.374300	428,728,841	22,921	-	1,182	426	(357)	20,956
2008	2009	1.040000	0.368200	474,576,971	36,205	-	2,689	952	(788)	31,776
2009	2010	1.040000	0.387200	460,208,305	49,182	-	8,966	3,338	(248)	36,630
2010	2011	1.170000	0.425100	425,231,429	75,482	-	17,474	6,349	(2,098)	49,561
2011	2012	1.170000	0.426500	421,283,515	135,767	-	45,873	16,722	(1,983)	71,189
2012	2013	1.170000	0.413400	425,427,128	332,111	-	152,126	53,860	(8,576)	117,549
2013	2014	1.170000	0.421400	419,188,073	-	6,670,959	4,692,335	1,690,701	(30,127)	257,796
1000 TOTALS					\$ 808,093	\$ 6,670,959	\$ 4,922,046	\$ 1,772,668	\$ (55,905)	\$ 728,433

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
1			3	4
REVENUES				
5700	\$ 103,359	\$ 103,359	\$ 126,141	\$ 22,782
5800	4,960	4,960	5,990	1,030
5900	702,110	702,110	638,989	(63,121)
5020	\$ 810,429	\$ 810,429	\$ 771,120	\$ (39,309)
EXPENDITURES				
Current:				
Support Services - Student (Pupil):				
0035	\$ 810,223	\$ 810,223	\$ 792,577	\$ 17,646
Food Service				
Total Support Services - Student (Pupil)				
6030	\$ 810,223	\$ 810,223	\$ 792,577	\$ 17,646
Total Expenditures				
1100	\$ 206	\$ 206	\$ (21,457)	\$ (21,663)
Excess (Deficiency) of Revenues Over Expenditures				
1200	\$ 206	\$ 206	\$ (21,457)	\$ (21,663)
Net Change in Fund Balance				
0100	160	160	160	-
Fund Balance - Beginning (July 1)				
3000	\$ 366	\$ 366	\$ (21,297)	\$ (21,663)
Fund Balance - Ending (June 30)				

COMMERCE INDEPENDENT SCHOOL DISTRICT
 DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	1 Original	2 Final	3		
REVENUES					
5700	\$ 1,751,526	\$ 1,751,526	\$ 1,819,199	\$ 67,673	
5800	351,307	351,307	460,941	109,634	
Total Revenues	\$ 2,102,833	\$ 2,102,833	\$ 2,280,140	\$ 177,307	
EXPENDITURES					
0071	\$ 880,000	\$ 880,000	\$ 192,474	\$ 687,526	
0072	1,208,673	1,208,673	1,896,199	(687,526)	
0073	2,000	2,000	580	1,420	
Total Debt Service	\$ 2,090,673	\$ 2,090,673	\$ 2,089,253	\$ 1,420	
6030	\$ 2,090,673	\$ 2,090,673	\$ 2,089,253	\$ 1,420	
1100	\$ 12,160	\$ 12,160	\$ 190,887	\$ 178,727	
1200	\$ 12,160	\$ 12,160	\$ 190,887	\$ 178,727	
0100	484,655	484,655	484,655	-	
3000	\$ 496,815	\$ 496,815	\$ 675,542	\$ 178,727	
Fund Balance - Ending (June 30)					
Fund Balance - Beginning (July 1)					

COMMERCIE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2014

Data Control Codes	Response
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?
SF4	Did the district receive a clean audit? Was there an unmodified opinion in the Annual Financial Report?
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?
	\$ -0-

FEDERAL AWARDS SECTION

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number (02)	Pass-Through Grantor's Number (02A)	Expenditures, Indirect Costs and Refunds (03)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Greenville Independent School District:			
Head Start	93.600	87CH6997/16	\$ 133,265
Total Department of Health and Human Services			\$ 133,265
U.S. DEPARTMENT OF EDUCATION			
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs *	84.010	14610101116903	\$ 454,985
IDEA-B-Formula *	84.027	146600011169036600	1,346,961
Career & Technology - Basic Grant	84.048	14420006116903	96,093
IDEA-B- Preschool *	84.173	146610011169036610	21,664
ESEA Title II Part A - Teacher & Principal Training	84.367	14694501116903	64,966
Summer School LEP	84.369	69551102	2,226
Total passed through the Texas Education Agency			\$ 1,986,895
Passed through the Education Service Center, Region X			
ESEA Title III Part A - LEP	84.365	14671001057950	11,528
Total Department of Education			\$ 1,998,423
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	0600	\$ 179,930
National School Lunch Program	10.555	0600	411,091
Commodity Food Distribution	10.565	116005A	47,967
Total Department of Agriculture			\$ 638,988
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,770,676

* Indicates Major Program

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, 2014

A. Basis of Presentation

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

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

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at June 30, 2014.