

COMMERCE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

RUTHERFORD, TAYLOR & COMPANY, P.C.
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COMMERCE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2012

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CERTIFICATE OF BOARD

Commerce Independent School District
Name of School District

Hunt
County

116-903
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended June 30, 2012, 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 (attach list if necessary):

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Commerce Independent School District

Members of the Board:

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, 2012, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2012, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Independent Auditor's Report – Continued

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 as other supplementary information identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

October 28, 2012
Greenville, Texas

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

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of School Trustees
Commerce Independent School District

Members of the Board:

We have audited 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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 28, 2012. We conducted our audit 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.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is identified as item 2012-1 in the accompanying schedule of findings and questioned costs.

Report on Internal Control – Continued

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

October 28, 2012
Greenville, Texas

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of School Trustees
Commerce Independent School District

Members of the Board:

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control over Compliance – Continued

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

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

The District's responses to the findings, if any, identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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

October 28, 2012
Greenville, Texas

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2012

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued Unqualified Opinion

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

Noncompliance material to the financial
 statements noted None

Federal Awards –

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

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

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 Education Jobs Fund (84.410)

Food Service Cluster:
 School Breakfast Program (10.553)
 School Lunch Program (10.555)

Title II Part D Cluster:
 ARRA – Title II Part D (84.386)
 ARRA – Title II Part D (84.386)

Special Education Cluster:
 IDEA-B Formula (84.027)
 ARRA – IDEA-B Formula (84.391)
 IDEA-B Preschool (84.173)
 ARRA – IDEA-B Preschool (84.392)

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, 2012

Financial Statement Findings (Section II)

2012-1 Expenditures Over Appropriations

Criteria: Texas Education Code, Section 44.002 through 44.006 establishes the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.

Condition Found: The District overexpended functional expenditure categories during the year and at the year end.

Questioned Costs/Basis: None

Instances/Universe: Expenditures of the legally required budgeted funds are distributed into nineteen functional expenditure categories. The District overexpended eight of the functional categories.

Effect: The District appears to not have been in compliance with Texas Education Code, Section 44.002 through 44.006.

Recommendation: The District should continue monthly reviews of budgetary authority with appropriate budget amendments approved by the Board prior to encumbrance and/or expenditure of funds.

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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, 2012

Prior Year Findings (Section IV)

2011-1

Internal Controls

The District has taken measures to ensure general ledger account balances are accurate and evaluated throughout the year. Our review of account balances reflected general attention to account balances including verification with supporting documentation. Duties related to the general ledger maintenance were segregated with the Financial Director performing reviews yearly, quarterly and monthly. These duties included review of cash reconciliations, journal entry review and postings, payroll liability reconciliations and other various tasks.

The development of complete business office policies and procedures to be used in the accounting process are being developed and will be implemented as completed.

Status: In progress

2011-2

Interfund Loans

The District did not transfer funds from the Debt Service Fund to assist the operating fund cash flows.

Status: Complete

COMMERCE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2012

Corrective Action Plan (Section V)

2012-1 Expenditures Over Appropriations

The District will continue to monitor and amend the budget where and when needed. A monthly review process has been implemented to ensure budget amendments are authorized through Board action. Extra emphasis will be made to ensure year end expenditures are accurately reflected in the financial records.

Contact Person: John Walker, Director of Finance

FINANCIAL SECTION

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

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, 2012. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

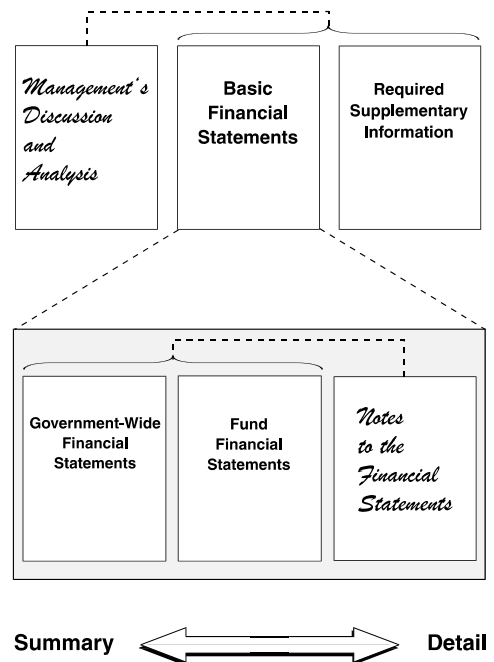
- The District's total combined net assets were \$ 1,376,010 at June 30, 2012.
- During the year, the District's expenses were \$ 425,594 more than the \$ 18,790,331 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was reduced \$ 856,338 from the prior year amounts.
- The General Fund reported a fund balance this year of \$ 2,850,521.
- The District issued Series 2011, Unlimited Tax Refunding Bonds in the amount of \$ 2,425,000. The proceeds were used to completely refund the Series 1998, Unlimited Tax School Building and Refunding Bonds. The District should save approximately \$ 728,759 in future debt payments due to the refunding.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

**COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012**

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

- 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 \$ 1,376,010 at June 30, 2012.

Commerce Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change 2011-2012
	2012	2011	
Assets			
Cash and Investments	\$ 3,341,881	\$ 4,309,307	-22.45%
Other Assets	3,622,897	4,619,719	-21.58%
Capital Assets less Accumulated Depreciation	25,675,953	27,134,532	-5.38%
Total Assets	\$ 32,640,731	\$ 36,063,558	-9.49%
Liabilities			
Current Liabilities	\$ 2,382,269	\$ 2,341,437	1.74%
Long-term Liabilities	28,882,452	32,214,267	-10.34%
Total Liabilities	\$ 31,264,721	\$ 34,555,704	-9.52%
Net Assets			
Invested in Capital Assets, Net of Related Debt	\$ (1,492,175)	\$ (3,880,928)	-61.55%
Restricted	799,156	3,119,899	-74.39%
Unrestricted	2,069,029	2,268,883	-8.81%
Total Net Assets	\$ 1,376,010	\$ 1,507,854	-8.74%

Approximately \$ 25,784 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 \$ 18,790,331. 36% of the District's revenue comes from local property taxes (See Table A-2). 61% comes from state aid and federal grants, while only 3% relates to charges for services.

The total cost of all programs and services was \$ 19,215,928. 53% 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 101.04%. The total collection rate (base tax and penalty and interest) was 103.47%.

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

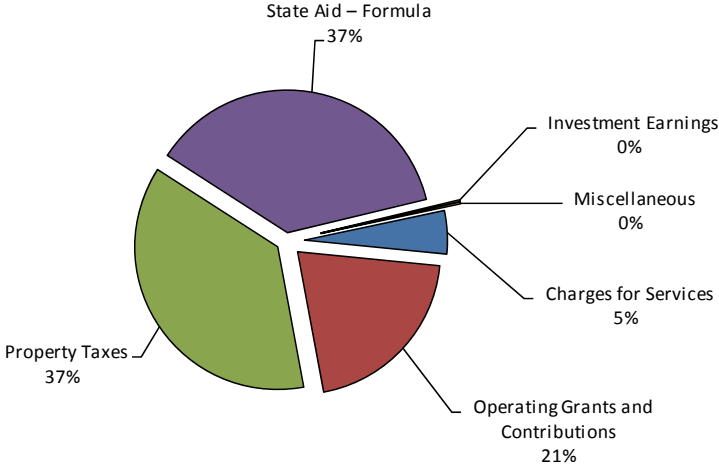
Table A-2

Changes in Commerce Independent School District's Net Assets

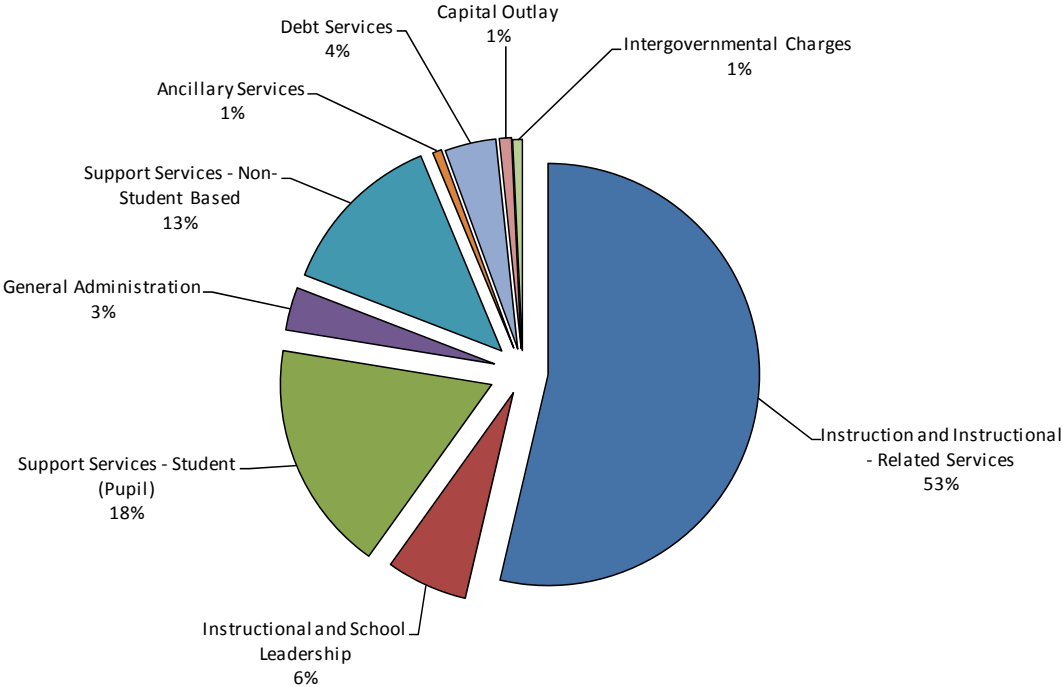
	Governmental Activities		Total Percentage Change
	2012	2011	2011 - 2012
Program Revenues:			
Charges for Services	\$ 919,849	\$ 983,119	-6.44%
Operating Grants and Contributions	3,854,284	5,421,843	-28.91%
General Revenues:			
Property Taxes	6,957,341	6,867,559	1.31%
State Aid – Formula	6,979,578	6,088,125	14.64%
Investment Earnings	38,611	19,789	95.11%
Miscellaneous	40,671	179,893	-77.39%
Total Revenues	<u>\$ 18,790,334</u>	<u>\$ 19,560,328</u>	-3.94%
Expenses:			
Instruction	\$ 9,066,004	\$ 9,832,085	-7.79%
Instructional Resources and Media Services	183,065	241,768	-24.28%
Curriculum and Staff Development	213,419	335,497	-36.39%
Instructional Leadership	332,392	305,585	8.77%
School Leadership	873,253	916,272	-4.70%
Guidance, Counseling and Evaluation Services	1,317,363	1,421,298	-7.31%
Health Services	131,704	112,524	17.05%
Student (Pupil) Transportation	658,446	634,052	3.85%
Food Services	881,297	920,174	-4.22%
Co-curricular/Extracurricular Activities	525,260	529,279	-0.76%
General Administration	576,900	562,813	2.50%
Plant Maintenance and Operations	2,088,415	1,937,712	7.78%
Security and Monitoring Services	69,686	57,286	21.65%
Data Processing Services	498,037	366,357	35.94%
Interest on Long Term Debt	1,419,201	1,538,847	-7.78%
Bond Issuance Cost and Fees	17,175	14,841	15.73%
Capital Outlay	65,939	30,923	113.24%
Payments to Shared Service Arrangements	167,747	191,892	-12.58%
Other Intergovernmental Charges	130,625	123,061	6.15%
Total Expenses	<u>\$ 19,215,928</u>	<u>\$ 20,072,266</u>	-4.27%
Excess (Deficiency) and Transfers	<u>\$ (425,594)</u>	<u>\$ (511,938)</u>	-16.87%
Increase (Decrease) in Net Assets	<u>\$ (425,594)</u>	<u>\$ (511,938)</u>	-16.87%
Net Assets - Beginning (July 1)	\$ 1,507,854	\$ 1,824,148	-17.34%
Prior Period Adjustment	293,750	195,644	50.15%
Net Assets - Beginning as Restated	<u>\$ 1,801,604</u>	<u>\$ 2,019,792</u>	-10.80%
Net Assets - Ending (June 30)	<u>\$ 1,376,010</u>	<u>\$ 1,507,854</u>	-8.74%

COMMERCE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2012

Sources of Revenue for Fiscal Year 2012 - See Table A-2



Functional Expenses for Fiscal Year 2012 - See Table A-2



COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 19,215,928.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 6,957,341.
- Some of the cost was paid by those who directly benefited from the programs \$ 919,849, or
- By grants and contributions \$ 3,854,284.

Commerce Independent School District Net Cost of Selected District Functions							Table A-3
	Total Cost of Services		%	Net Cost of Services		%	
	2012	2011	Change	2012	2011	Change	
Instruction	\$ 9,066,004	\$ 9,832,085	-7.79%	\$ 6,823,223	\$ 6,349,232	7.47%	
Guidance, Counseling, & Evaluation Services	1,317,363	1,421,298	-7.31%	334,742	370,841	-9.73%	
Plant Maintenance and Operations	2,088,415	1,937,712	7.78%	2,000,338	1,891,743	5.74%	
Debt Service	1,436,376	1,538,847	-6.66%	1,434,162	1,305,000	9.90%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 18,826,106 which is a \$ 754,130 decrease from the prior year. The decrease is representative of two significant items. The state's reduction in foundation aid and the expiring federal recovery act funds. Local revenues had a slight decrease over the prior year of \$ 73,924.

Expenditures for governmental fund types totaled \$ 21,038,865 which is a \$ 1,324,343 increase from the prior year. The increase represents a 6.71% increase in total expenditures. A significant portion of the increase was due to \$ 2,500,000 of debt repayment occurring during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 106,067 below final General Fund budget amounts. The most significant positive variance resulted from reductions in the instruction and instructional related services functions.

Resources available were \$ 158,019 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.

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2012, the District had invested \$ 43,736,656 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

Commerce Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total
	2012	2011	Percentage
			Change
			2011-2012
Land	\$ 312,850	\$ 312,850	0.00%
Buildings and Improvements	40,703,275	40,703,273	0.00%
Vehicles	1,552,365	1,562,525	-0.65%
Equipment	1,168,166	1,135,615	2.87%
Totals at Historical Cost	\$ 43,736,656	\$ 43,714,263	0.05%
Total Accumulated Depreciation	(18,060,703)	(16,579,731)	8.93%
Net Capital Assets	<u>\$ 25,675,953</u>	<u>\$ 27,134,532</u>	-5.38%

DEBT

At year-end, the District had \$ 28,882,452 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Bond Ratings -
The District's bonds presently carry "AAA" ratings.

Commerce Independent School District's Debt			Table A-5
	Governmental Activities		Total
	2012	2011	Percentage
			Change
			2011-2012
Bonds Payable	\$ 28,094,684	\$ 28,316,772	-0.78%
Capital Leases Payable	41,257	67,641	-100.00%
Notes Payable	-	2,500,000	-100.00%
Other Debt Payable	746,511	1,329,854	-43.87%
Total Debt Payable	<u>\$ 28,882,452</u>	<u>\$ 32,214,267</u>	-10.34%

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2012

ECONOMIC FACTORS

The District's property valuation continues to hold steady as it has in recent years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding as well as other legislative changes continues to impact the District's financial operations including cash flows.

Student population has remained at a historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow. While property values continue to remain flat, housing has not expanded at the rate of other north central Texas communities. The District will continue to monitor funding and staffing levels to ensure educational needs of students are maintained.

The State has reduced funding levels for the 2011-2013 bienniums which will affect the revenue levels of the District. With these reductions in funding, the District has taken action to further reduce expenditures for future periods. The cuts in operations as well as staff positions are expected to resolve the effects of reduced funding levels. However, some potential cash flow delays could require the District to use its available cash reserves. At period end, the District believes present cash balances are in place to withstand any potential delays.

The District has joined numerous other districts across the state in challenging the funding formula used by the state to provide for a public school system. The challenge is one of several proceeding through the legal system. The various cases are expected to be presented to the court in the 2013 fiscal year. Once a decision is made, the following years will likely bring challenges to arriving at a new equitable and sound financial support system. Until the challenges are resolved, expenditures will be monitored to ensure funding sources will provide for anticipated costs.

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 ASSETS
JUNE 30, 2012

1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 3,341,881
1225 Property Taxes Receivable, Net	641,191
1240 Due from Other Governments	2,535,392
1290 Other Receivables, Net	47,590
1300 Inventories	33,786
1420 Capitalized Bond and Other Debt Issuance Costs, Net	364,938
Capital Assets:	
1510 Land	312,850
1520 Buildings and Improvements, Net	24,594,069
1530 Furniture and Equipment, Net	769,034
1000 Total Assets	\$ 32,640,731
LIABILITIES	
2110 Accounts Payable	\$ 347,840
2140 Interest Payable	525,965
2165 Accrued Liabilities	1,403,904
2300 Unearned Revenues	104,560
Noncurrent Liabilities:	
2501 Due within one year	238,708
2502 Due in more than one year	28,643,744
2000 Total Liabilities	\$ 31,264,721
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt Restricted For:	\$ (1,492,175)
3820 State and Federal Programs	643
3850 Debt Service	25,784
3890 Other Purposes	772,729
3900 Unrestricted	2,069,029
3000 Total Net Assets	\$ 1,376,010

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Data	1	3	4	6	
Control				Net (Expense) Revenue and Changes in Net Assets	
Codes	Expenses	Program Revenues		Governmental Activities	
Functions/Programs		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
11	Instruction	\$ 9,066,004	\$ 320,021	\$ 1,922,760	\$ (6,823,223)
12	Instructional Resources and Media Services	183,065	-	6,215	(176,850)
13	Curriculum and Staff Development	213,419	-	107,513	(105,906)
21	Instructional Leadership	332,392	226,102	94,859	(11,431)
23	School Leadership	873,253	-	30,462	(842,791)
31	Guidance, Counseling and Evaluation Services	1,317,363	122,932	859,689	(334,742)
33	Health Services	131,704	-	4,599	(127,105)
34	Student (Pupil) Transportation	658,446	-	19,418	(639,028)
35	Food Services	881,297	146,340	659,305	(75,652)
36	Cocurricular / Extracurricular Activities	525,260	40,499	17,690	(467,071)
41	General Administration	576,900	52,832	21,492	(502,576)
51	Plant Maintenance and Operations	2,088,415	11,123	76,954	(2,000,338)
52	Security and Monitoring Services	69,686	-	2,236	(67,450)
53	Data Processing	498,037	-	17,023	(481,014)
72	Interest on Long-term Debt	1,419,201	-	2,214	(1,416,987)
73	Bond Issuance Costs and Fees	17,175	-	-	(17,175)
81	Capital Outlay	65,939	-	1,252	(64,687)
93	Payments Related to Shared Services Arrangements	167,747	-	5,961	(161,786)
99	Other Intergovernmental Charges	130,625	-	4,642	(125,983)
TG	Total Governmental Activities	<u>\$ 19,215,928</u>	<u>\$ 919,849</u>	<u>\$ 3,854,284</u>	<u>\$ (14,441,795)</u>
TP	Total Primary Government	<u>\$ 19,215,928</u>	<u>\$ 919,849</u>	<u>\$ 3,854,284</u>	<u>\$ (14,441,795)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purpose				\$ 5,101,998
DT	Property Taxes, Levied for Debt Service				1,855,343
IE	Investment Earnings				38,611
GC	Grant and Contributions Not Restricted to Specific Programs				6,979,578
MI	Miscellaneous				40,671
TR	Total General Revenues				<u>\$ 14,016,201</u>
CN	Change in Net Assets				\$ (425,594)
NB	Net Assets - Beginning (July 1)				\$ 1,507,854
PA	Prior Period Adjustment				293,750
	Net Assets - Beginning, as Restated				<u>\$ 1,801,604</u>
NE	Net Assets - Ending (June 30)				<u>\$ 1,376,010</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

Data Control Codes	10 General Fund	Special Education Fund	50 Debt Service Fund	Other Governmental Fund	98 Total Governmental Funds
ASSETS					
1110 Cash and Investments	\$ 1,854,980	\$ 812,549	\$ 468,596	\$ 205,754	\$ 3,341,879
1225 Taxes Receivable, Net	489,667	-	151,524	-	641,191
1240 Due from Other Governments	2,039,832	-	8,134	487,426	2,535,392
1260 Due from Other Funds	217,275	-	-	2,018	219,293
1290 Other Receivables	46,550	-	-	1,041	47,591
1300 Inventories	10,127	-	-	23,660	33,787
1000 Total Assets	<u>\$ 4,658,431</u>	<u>\$ 812,549</u>	<u>\$ 628,254</u>	<u>\$ 719,899</u>	<u>\$ 6,819,133</u>
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 318,286	\$ 3,323	\$ -	\$ 26,231	\$ 347,840
2150 Payroll Deductions & Withholdings	93,784	5,272	-	30,597	129,653
2160 Accrued Wages Payable	893,928	65,402	-	314,921	1,274,251
2170 Due to Other Funds	2,018	156,364	-	60,911	219,293
2300 Deferred Revenues	499,894	-	228,029	17,828	745,751
2000 Total Liabilities	<u>\$ 1,807,910</u>	<u>\$ 230,361</u>	<u>\$ 228,029</u>	<u>\$ 450,488</u>	<u>\$ 2,716,788</u>
FUND BALANCES					
Nonspendable Fund Balances:					
3410 Inventories	\$ 10,127	\$ -	\$ -	\$ 9,417	\$ 19,544
Restricted Fund Balances:					
3450 Federal/State Funds Grant Restrictions	-	-	-	643	643
3480 Retirement of Long-Term Debt	-	-	400,225	-	400,225
3490 Other Restrictions of Fund Balances	1,925	582,188	-	247,043	831,156
Commitment Fund Balances:					
3545 Other Committed Fund Balances	-	-	-	21,725	21,725
3600 Unassigned	2,838,469	-	-	-	2,838,469
Unassigned, Reported in Nonmajor:					
3610 Special Revenue Funds	-	-	-	(9,417)	(9,417)
3000 Total Fund Balances	<u>\$ 2,850,521</u>	<u>\$ 582,188</u>	<u>\$ 400,225</u>	<u>\$ 269,411</u>	<u>\$ 4,102,345</u>
4000 Total Liabilities and Fund Balances	<u>\$ 4,658,431</u>	<u>\$ 812,549</u>	<u>\$ 628,254</u>	<u>\$ 719,899</u>	<u>\$ 6,819,133</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2012

Total fund balances - Balance Sheet (governmental funds)	\$	4,102,345
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		25,675,953
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		641,191
Payables for bond principal which are not due in the current period are not reported in the funds.		(28,094,684)
Payables for capital leases which are not due in the current period are not reported in the funds.		(41,257)
Payables for debt interest which are not due in the current period are not reported in the funds.		(525,965)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(746,511)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>364,938</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u>1,376,010</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

Data Control Codes	10 General Fund	Special Education Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 5,236,901	\$ 688,026	\$ 1,871,843	\$ 199,574	\$ 7,996,344
5800 State Program Revenues	7,068,908	28,017	334,151	74,826	7,505,902
5900 Federal Program Revenues	1,449	30,526	-	3,291,885	3,323,860
5020 Total Revenues	\$ 12,307,258	\$ 746,569	\$ 2,205,994	\$ 3,566,285	\$ 18,826,106
EXPENDITURES					
Current:					
0011 Instruction	\$ 5,816,325	\$ 316,131	\$ -	\$ 1,690,393	\$ 7,822,849
0012 Instructional Resources and Media Services	174,897	-	-	-	174,897
0013 Curriculum and Staff Development	108,580	-	-	104,839	213,419
0021 Instructional Leadership	3,901	243,037	-	85,454	332,392
0023 School Leadership	857,235	-	-	-	857,235
0031 Guidance, Counseling and Evaluation Services	347,082	106,925	-	862,298	1,316,305
0033 Health Services	129,422	-	-	-	129,422
0034 Student (Pupil) Transportation	581,389	-	-	-	581,389
0035 Food Services	-	-	-	850,448	850,448
0036 Cocurricular / Extracurricular Activities	466,863	-	-	29,289	496,152
0041 General Administration	503,117	56,789	-	-	559,906
0051 Plant Maintenance and Operations	2,068,334	11,956	-	-	2,080,290
0052 Security and Monitoring Services	62,913	-	-	-	62,913
0053 Data Processing Services	479,045	-	-	-	479,045
0071 Principal on Long-term Debt	26,384	-	2,712,088	-	2,738,472
0072 Interest on Long-term Debt	2,572	-	1,900,255	-	1,902,827
0073 Debt Issuance Costs and Fees	-	-	76,593	-	76,593
0081 Capital Outlay	35,245	-	-	30,694	65,939
0093 Payments to Shared Service Arrangements	167,747	-	-	-	167,747
0099 Other Intergovernmental Charges	130,625	-	-	-	130,625
6030 Total Expenditures	\$ 11,961,676	\$ 734,838	\$ 4,688,936	\$ 3,653,415	\$ 21,038,865
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 345,582	\$ 11,731	\$ (2,482,942)	\$ (87,130)	\$ (2,212,759)
OTHER FINANCING SOURCES (USES)					
7911 Capital-Related Debt Issued	\$ -	\$ -	\$ 2,425,000	\$ -	\$ 2,425,000
7915 Transfers In	-	-	-	44,977	44,977
7916 Premium or Discount on Issuance of Bonds	-	-	114,115	-	114,115
8911 Transfers Out	(42,201)	-	-	(2,776)	(44,977)
8949 Other Uses	-	-	(2,461,368)	-	(2,461,368)
7080 Net Other Financing Sources (Uses)	\$ (42,201)	\$ -	\$ 77,747	\$ 42,201	\$ 77,747
1200 Net Change in Fund Balances	\$ 303,381	\$ 11,731	\$ (2,405,195)	\$ (44,929)	\$ (2,135,012)
0100 Fund Balances - Beginning (July 1)	\$ 2,547,140	\$ 570,457	\$ 2,805,420	\$ 172,513	\$ 6,095,530
1300 Prior Period Adjustment	-	-	-	141,827	141,827
Fund Balances - Beginning, as Restated	\$ 2,547,140	\$ 570,457	\$ 2,805,420	\$ 314,340	\$ 6,237,357
3000 Fund Balances - Ending (June 30)	\$ 2,850,521	\$ 582,188	\$ 400,225	\$ 269,411	\$ 4,102,345

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	\$	(2,135,012)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		67,490
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,526,069)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(35,775)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		2,439,651
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		212,088
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		26,384
Replacement of loan principal is an expenditure in the funds but is not an expense in the SOA.		2,500,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		59,418
The accretion of interest on capital appreciation bonds is not reported in the funds.		540,887
(Increase) decrease in accrued interest expense from beginning of period to end of period.		(35,541)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources.		(2,425,000)
Bond premiums are reported in the funds but not in the SOA.		(114,115)
		<hr/>
Change in net assets of governmental activities - Statement of Activities	\$	<u>(425,594)</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2012

Data Control Codes		Agency Funds
<u> </u>		<u> </u>
	ASSETS	
1110	Cash and Investments	\$ 26,878
		<u> </u>
1000	Total Assets	\$ 26,878
		<u> </u>
	LIABILITIES	
2190	Due to Student Groups	\$ 26,878
		<u> </u>
2000	Total Liabilities	\$ 26,878
		<u> </u>
	NET ASSETS	
3000	Total Net Assets	\$ -
		<u> </u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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, 2012

A. Summary of Significant Accounting Policies (Continued)

Special Education Fund – This fund accounts for the local funds generated and expended for a special education shared services arrangement known as Tri County Special Education Cooperative. All activities are related to the delivery of special education services including administration.

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, 2012

A. Summary of Significant Accounting Policies (Continued)

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

3. Budgetary Data

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

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

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

4. Encumbrance Accounting

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

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

5. Financial Statement Amounts

Cash and Investments

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

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

Accretion

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

A. Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs

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

Inventories

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

Fund Balance

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

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

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

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

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

A. Summary of Significant Accounting Policies (Continued)

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

	General Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable					
Inventories	\$ 10,127	\$ -	\$ -	\$ 9,417	\$ 19,544
Restricted					
Technology Allotment	-	-	-	643	643
SSA Special Education	-	582,188	-	-	582,188
SSA NetCat	-	-	-	52,384	52,384
Retirement of Long Term Debt	-	-	400,225	-	400,225
Scholarship Fund	-	-	-	136,231	136,231
Capital Projects	-	-	-	58,428	58,428
Workers Comp Insurance	1,925	-	-	-	1,925
Committed					
Campus Activity Funds	-	-	-	21,725	21,725
Unassigned	2,838,469	-	-	-	2,838,469
Unassigned, Reported in Nonmajor:					
Child Nutrition	-	-	-	(9,417)	(9,417)
Totals	<u>\$ 2,850,521</u>	<u>\$ 582,188</u>	<u>\$ 400,225</u>	<u>\$ 269,411</u>	<u>\$ 4,102,345</u>

Capital Assets

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

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

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

6. Receivable and Payable Balances

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

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

7. Interfund Activities

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 effect 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, 2012, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. Deposits appear to have been secured throughout the year.

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

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

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

B. Deposits, Securities, and Investments (Continued)

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

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

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

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

The following table identifies the District's investment at June 30, 2012:

	<u>Credit Risk Rating</u>	<u>Fair Value</u>
TexPool	AAAM	\$ 228,167
LoneStar	AAAM	297,085
JP Morgan Chase Bank – Savings	N/A	292,354
Guaranty Bond Bank – Certificate of Deposits	N/A	<u>131,858</u>
Total		<u>\$ 949,464</u>

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

- a. Name of bank: American National Bank, Commerce, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 5,762,473.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 5,628,905, and occurred during the month of February 2012.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,157.

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

a. Credit Risk

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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 Districts' name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

C. Property Taxes

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

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

The District levied taxes on property within the District at \$ 1.17 to fund general operations and \$ 0.4265 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 421,283,515.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

D. Capital Assets

Capital asset activities during the year ended June 30, 2012 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not Being Depreciated:				
Land	\$ 312,850	\$ -	\$ -	\$ 312,850
Total Capital Assets not being Depreciated	\$ 312,850	\$ -	\$ -	\$ 312,850
Capital Assets being Depreciated:				
Building and Improvements	\$ 40,703,275	\$ -	\$ -	\$ 40,703,275
Equipment	1,135,616	32,550	-	1,168,166
Vehicles	1,562,525	34,940	45,100	1,552,365
Total Capital Assets being Depreciated	\$ 43,401,416	\$ 67,490	\$ 45,100	\$ 43,423,806
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 14,868,448	\$ 1,240,756	\$ -	\$ 16,109,204
Equipment	554,832	170,033	-	724,865
Vehicles	1,156,455	115,279	45,100	1,226,634
Total Accumulated Depreciation	\$ 16,579,735	\$ 1,526,068	\$ 45,100	\$ 18,060,703
Total Capital Assets being Depreciated, Net	\$ 26,821,681	\$ (1,458,578)	\$ -	\$ 25,363,103
Governmental Activities Capital Assets, Net	\$ 27,134,531	\$ (1,458,578)	\$ -	\$ 25,675,953

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,275,705
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	111,997
Food Services	30,849
Co-Curricular/Extracurricular Activities	29,108
General Administration	16,994
Plant Maintenance and Operations	8,125
Security and Monitoring Services	6,773
Data Processing	18,992
Totals	\$ 1,526,069

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

E. Long Term Obligations

Long Term Obligation Activity

Long term obligation activities during the year ended June 30, 2012 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 28,316,772	\$ 2,425,000	\$ 2,647,088	\$ 28,094,684	\$ 227,211
Loans Payable	2,500,000	-	2,500,000	-	-
Capital Leases Payable	67,641	-	26,384	41,257	11,497
Gain (Loss) on Refunding	(30,037)	(26,368)	(2,854)	(53,551)	-
Accreted Interest Payable	1,831,846	72,025	612,912	1,290,959	-
Unamortized Premium (Discount)	(623,878)	114,115	(18,866)	(490,897)	-
Total Governmental Activities	\$ 32,062,344	\$ 2,584,772	\$ 5,764,664	\$ 28,882,452	\$ 238,708

Bonds

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

The following issues are outstanding at June 30, 2012:

Description	Interest Rate	Original Issue	Obligations Outstanding
Unlimited Tax School Building and Refunding Bonds, Series 2007	4.0 - 4.7%	26,268,397	\$ 25,669,684
Unlimited Tax Refunding Bonds, Series 2011	1.5 - 3.5%	2,425,000	2,425,000
Total			\$ 28,094,684

Debt service requirements on bonded debt at June 30, 2012, are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2013	\$ 227,211	\$ 1,874,312	\$ 2,101,523
2014	192,473	1,896,199	2,088,672
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
2018-2022	5,330,000	5,008,089	10,338,089
2023-2027	6,575,000	3,740,304	10,315,304
2028-2032	6,010,000	2,236,722	8,246,722
2033-2037	2,135,000	536,941	2,671,941
2038	4,880,000	451,126	5,331,126
Totals	\$ 28,094,684	\$ 19,219,023	\$ 47,313,707

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, 2012.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

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
Guaranty Bond Bank – Athletic Equipment	5.00%	10/15/2009	\$ 66,625
Cypress Bank, FSB – BB/SB Scoreboard	4.15%	07/21/2010	41,230
Total			<u>\$ 107,855</u>

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 June 30, 2012, are as follows:

Year Ending June 30	Total Requirements
2013	\$ 12,983
2014	4,997
2015	4,997
2016	4,997
2017	4,997
2018-2020	<u>14,985</u>
Total Minimum Lease Payment	\$ 47,956
Less Amount Representing Interest	<u>(6,699)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 41,257</u>

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.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

F. Pension Plan (Continued)

2. Funding Policy

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 provided for a member contribution rate of 6.4% for fiscal years 2012, 2011 and 2010, and a state contribution rate of 6.0% for fiscal year 2012 and 6.644% for fiscal years 2011 and 2010. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution. The District's employees' contributions to the System for the periods ended June 30, 2012, 2011, and 2010 were \$ 591,420, \$ 629,063 and \$ 645,923, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended June 30, 2012, 2011, and 2010 were \$ 190,029, \$ 212,499 and \$ 214,974, respectively.

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 (payments made by the State) of \$ 389,664 are reflected in the general fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

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

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 2012, 2011, and 2010. 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 (payments made by the State) of \$ 64,944 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 46,381 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, 2012

H. Risk Management

Health Care

During the year ended June 30, 2012, 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, 2011, 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, 2012, 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, 2011, 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 2012 fiscal period, the District purchased commercial insurance to cover these liabilities. There were significant reductions in coverage in the past fiscal period, and there were no settlements exceeding insurance coverage for each of the past three fiscal periods.

I. Litigation

The District does not appear to be involved in any litigation as of June 30, 2012.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012, 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, 2012

K. Shared Services Arrangements

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

Tri County Special Education SSA – (Special Education Program)

Member Districts	County District Number	Fund 313 IDEA-B Formula	Fund 314 IDEA-B Preschool	Fund 437 Tri County Sp Ed Coop
Bland ISD	116915	\$ 113,735	\$ 3,752	\$ 60,624
Boles ISD	116916	117,366	1,087	50,704
Caddo Mills ISD	116901	252,309	3,193	163,134
Campbell ISD	116910	88,896	159	38,359
Celeste ISD	116902	88,896	1,068	66,429
Commerce ISD	116903	353,116	3,722	147,849
Cooper ISD	060902	186,363	6,061	77,452
Cumby ISD	112905	85,701	159	42,841
Lone Oak ISD	116906	166,172	1,656	87,446
Totals		\$ 1,452,554	\$ 20,857	\$ 734,838

NetCAT SSA – (Career and Tech Programs)

Member Districts	County District Number	Fund 331 Voc Ed Basic Grant	Fund 458 NetCAT Voc Coop
Bland ISD	116910	\$ 4,140	\$ 1,232
Boles ISD	116915	5,727	1,375
Caddo Mills ISD	112905	4,255	2,509
Campbell ISD	116909	7,468	806
Celeste ISD	116901	10,049	1,232
Commerce ISD	116903	20,558	2,509
Cooper ISD	060902	10,977	1,516
Cumby ISD	091918	6,349	1,089
Fannindel ISD	060914	3,786	665
Leonard ISD	074909	9,963	1,801
Lone Oak ISD	116902	4,064	1,658
Tom Bean ISD	116916	1,444	1,658
Wolfe City ISD	116906	6,837	1,232
Totals		\$ 95,617	\$ 19,282

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

L. Revenue from Local and Intermediate Sources

During the year ended June 30, 2012, the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total
Property Tax Collections	\$ 5,135,336	\$ -	\$ 1,857,779	\$ -	\$ 6,993,115
Shared Service Fees	-	683,632	-	23,457	707,089
Investment Income	17,398	4,394	14,064	2,756	38,612
Food Service Income	-	-	-	143,917	143,917
Gifts and Bequests	37,529	-	-	1,100	38,629
Cocurricular/Extracurricular Activities	40,499	-	-	26,084	66,583
Other	6,139	-	-	2,260	8,399
Total Local Revenue	\$ 5,236,901	\$ 688,026	\$ 1,871,843	\$ 199,574	\$ 7,996,344

M. Receivables

Receivables at June 30, 2012, for the District's individual major funds and aggregate non-major funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Special Education Fund	Debt Service Fund	Other Governmental Funds	Total
Due from Other Governments	\$ 2,039,832	\$ -	\$ 8,134	\$ 487,426	\$ 2,535,392
Property Taxes	544,074	-	168,360	-	712,434
Less Allowance for Uncollectible Property Taxes	(54,407)	-	(16,836)	-	(71,243)
Due from Other Funds	217,274	-	-	2,018	219,292
Miscellaneous Other Receivables	46,550	-	-	1,041	47,591
Net Receivables	\$ 2,793,323	\$ -	\$ 159,658	\$ 490,485	\$ 3,443,466

N. Interfund Activities

Interfund Balances and Activities

Transfers To and From Other Funds

Transfer to and from other funds during the year ended August 31, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Food Service Fund	\$ 42,201	Cover Annual Deficit
Technology Fund	Instruction Material Allotment Fund	2,776	Prior Year Settlement

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

N. Interfund Activities (Continued)

Interfund Receivables and Payables

The composition of interfund balances as of August 31, 2012, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Payroll Clearing (General)	Head Start (SRF)	\$ 24,564
Payroll Clearing (General)	Title I Part A (SRF)	407
Payroll Clearing (General)	Food Service (SRF)	2,087
Payroll Clearing (General)	Title II Part A (SRF)	806
Payroll Clearing (General)	Education Jobs Fund (SRF)	22,167
Payroll Clearing (General)	SSA – IDEA-B Formula (SRF)	6,580
Payroll Clearing (General)	SSA – IDEA-B Preschool (SRF)	2,038
Payroll Clearing (General)	SSA – Career and Tech (SRF)	2,142
Payroll Clearing (General)	SSA – Tri County Cooperative (SRF)	156,364
Payroll Clearing (General)	Capital Projects Fund	120
Title I Part A – ARRA (SRF)	Payroll Clearing (General)	100
SSA Title II Part D (SRF)	Payroll Clearing (General)	280
Student Success Initiative (SRF)	Payroll Clearing (General)	974
Technology Allotment (SRF)	Payroll Clearing (General)	664
		<u>664</u>
Totals		<u>\$ 219,293</u>

O. Subsequent Events

The District's management has evaluated subsequent events through October 28, 2012, the date which the financial statements were available for use.

P. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

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

	<u>Budget</u>	<u>Actual</u>	<u>Deficit</u>
General Fund:			
Health Services	\$ 122,566	\$ 129,422	\$ 6,856
CoCurricular/Extracurricular Activities	449,992	466,863	16,871
Plant Maintenance and Operations	1,903,961	2,068,334	164,373
Data Processing Services	473,166	479,045	5,879
Other Governmental Charges	118,000	130,625	12,625
Food Service	843,928	850,448	6,520
Debt Service Fund:			
Debt Service	2,164,650	4,688,936	2,524,286

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2012

Q. State Aid Reconciliation

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

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

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
Current Year Earnings	\$ 373,294	\$ 6,214,459	\$ -	\$ 216,331
Prior Years Settle Up	-	(57,354)	8,134	109,686
Financial Statement Earnings	\$ 373,294	\$ 6,157,105	\$ 8,134	\$ 326,017
Amounts Received	(366,921)	(4,188,756)	-	(402,522)
Receivable (Overpayment) *	<u>\$ 6,373</u>	<u>\$ 1,968,349</u>	<u>\$ 8,134</u>	<u>\$ (76,505)</u>

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

R. Prior Period Adjustments

The beginning fund balance on Exhibit C-3 reflects an increase of \$ 141,827 due to the reclassification of scholarship funds previously reported as private purpose trust funds. The funds are under the control of the District's board of trustees and no restricted covenants are in place for the scholarships to be classified as private purpose trust funds.

The beginning net assets on Exhibit B-1 reflect an increase of \$ 293,750. This increase is a combination of the \$ 141,827 reclassification identified above and an adjustment of the accreted interest payable on capital appreciation bonds totaling \$ 151,923.

REQUIRED SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2012

Data Control Codes	1		2	3	4
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 5,092,285	\$ 5,216,235	\$ 5,236,901	\$ 20,666
5800	State Program Revenues	7,137,600	7,209,042	7,068,908	(140,134)
5900	Federal Program Revenues	40,000	40,000	1,449	(38,551)
5020	Total Revenues	<u>\$ 12,269,885</u>	<u>\$ 12,465,277</u>	<u>\$ 12,307,258</u>	<u>\$ (158,019)</u>
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 6,311,351	\$ 5,959,162	\$ 5,816,325	\$ 142,837
0012	Instructional Resources and Media Services	254,059	206,258	174,897	31,361
0013	Curriculum and Staff Development	125,612	125,712	108,580	17,132
	Total Instruction and Instr. Related Services	<u>\$ 6,691,022</u>	<u>\$ 6,291,132</u>	<u>\$ 6,099,802</u>	<u>\$ 191,330</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 5,150	\$ 5,150	\$ 3,901	\$ 1,249
0023	School Leadership	888,876	888,876	857,235	31,641
	Total Instructional and School Leadership	<u>\$ 894,026</u>	<u>\$ 894,026</u>	<u>\$ 861,136</u>	<u>\$ 32,890</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 382,763	\$ 382,763	\$ 347,082	\$ 35,681
0033	Health Services	107,566	122,566	129,422	(6,856)
0034	Student (Pupil) Transportation	507,758	582,008	581,389	619
0036	Cocurricular / Extracurricular Activities	448,768	449,992	466,863	(16,871)
	Total Support Services - Student (Pupil)	<u>\$ 1,446,855</u>	<u>\$ 1,537,329</u>	<u>\$ 1,524,756</u>	<u>\$ 12,573</u>
Administrative Support Services:					
0041	General Administration	\$ 527,862	\$ 519,762	\$ 503,117	\$ 16,645
	Total Administrative Support Services	<u>\$ 527,862</u>	<u>\$ 519,762</u>	<u>\$ 503,117</u>	<u>\$ 16,645</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,766,911	\$ 1,903,961	\$ 2,068,334	\$ (164,373)
0052	Security and Monitoring Services	78,360	78,360	62,913	15,447
0053	Data Processing Services	402,942	473,166	479,045	(5,879)
	Total Support Services - Nonstudent Based	<u>\$ 2,248,213</u>	<u>\$ 2,455,487</u>	<u>\$ 2,610,292</u>	<u>\$ (154,805)</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ 28,000	\$ 28,000	\$ 26,384	\$ 1,616
0072	Interest on Long-term Debt	-	-	2,572	(2,572)
	Total Debt Service	<u>\$ 28,000</u>	<u>\$ 28,000</u>	<u>\$ 28,956</u>	<u>\$ (956)</u>
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 45,700	\$ 35,245	\$ 10,455
	Total Capital Outlay	<u>\$ -</u>	<u>\$ 45,700</u>	<u>\$ 35,245</u>	<u>\$ 10,455</u>
Intergovernmental Changes:					
0093	Payments to Fiscal Agent/Member Dist. - SSA	\$ 178,307	\$ 178,307	\$ 167,747	\$ 10,560
0099	Other Intergovernmental Charges	100,000	118,000	130,625	(12,625)
	Total Intergovernmental Charges	<u>\$ 278,307</u>	<u>\$ 296,307</u>	<u>\$ 298,372</u>	<u>\$ (2,065)</u>
6030	Total Expenditures	<u>\$ 12,114,285</u>	<u>\$ 12,067,743</u>	<u>\$ 11,961,676</u>	<u>\$ 106,067</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 155,600</u>	<u>\$ 397,534</u>	<u>\$ 345,582</u>	<u>\$ (51,952)</u>
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	\$ -	\$ -	\$ (42,201)	\$ (42,201)
7080	Net Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (42,201)</u>	<u>\$ (42,201)</u>
1200	Net Change in Fund Balance	\$ 155,600	\$ 397,534	\$ 303,381	\$ (94,153)
0100	Fund Balance - Beginning (July 1)	2,547,140	2,547,140	2,547,140	-
3000	Fund Balance - Ending (June 30)	<u>\$ 2,702,740</u>	<u>\$ 2,944,674</u>	<u>\$ 2,850,521</u>	<u>\$ (94,153)</u>

OTHER SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED JUNE 30, 2012

Tax Roll Year	Last Ten Periods Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2011	20 Current Year's Total Levy	31 Maintenance Tax Collections	32 Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2012
		Maintenance	2 Debt Service							
XXXX	2003 and Prior Years	Various	Various	Various	\$ 121,071	\$ -	\$ 10,502	\$ 2,388	\$ (20,128)	\$ 88,053
2003	2004	1.50000	0.169500	306,985,369	24,342		3,210	363	(3,252)	17,517
2004	2005	1.50000	0.194500	343,338,802	29,582		3,311	429	(4,245)	21,597
2005	2006	1.50000	0.194500	354,583,919	35,660		7,160	928	(5,209)	22,363
2006	2007	1.37000	0.229100	369,239,005	41,407		6,707	1,122	(6,726)	26,852
2007	2008	1.04000	0.374300	428,728,841	73,274		27,166	9,754	(10,005)	26,349
2008	2009	1.04000	0.368200	474,576,971	113,740		43,498	15,400	(7,003)	47,839
2009	2010	1.04000	0.387200	460,208,305	163,108		59,973	22,329	(19,226)	61,580
2010	2011	1.17000	0.425100	425,231,429	300,439		130,302	47,343	(21,557)	101,237
2011	2012	1.17000	0.426500	421,283,515	-	6,725,791	4,692,203	1,711,636	(22,905)	299,047
1000	TOTALS				\$ 902,623	\$ 6,725,791	\$ 4,984,032	\$ 1,811,692	\$ (120,256)	\$ 712,434

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2012

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 149,511	\$ 248,935	\$ -	\$ 51,939	\$ 450,385
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6211	Legal Services			7,616				7,616
6212	Audit Services				38,631			38,631
6213	Tax Appraisal and Collection		130,625					130,625
621X	Other Prof. Services							-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers							-
6240	Contr. Maint. And Repair							-
6250	Utilities							-
6260	Rentals				11,139			11,139
6290	Miscellaneous Contr.				7,479			7,479
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading							-
6330	Testing Materials							-
63XX	Other Supplies, Materials	4,012		4,461	23,069			31,542
6410	Travel, Subsistence, Stipends			1,504	3,586			5,090
6420	Ins. And Bonding Costs							-
6430	Election Costs							-
6490	Miscellaneous Operating	2,292	13,609	10,622	26,459			52,982
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 6,304	\$ 144,234	\$ 173,714	\$ 359,298	\$ -	\$ 51,939	\$ 735,489

Total expenditures for General and Special Revenue Funds:

(9) \$ 16,319,235

LESS: Deductions and Unallowable Costs
FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 192,592
Total Debt & Lease (6500)	(11) 28,956
Plant Maintenance (Function 51, 6100-6400)	(12) 2,080,290
Food (Function XX, 6341 and 6499)	(13) 34,906
Stipend (6413)	(14) 4,375
Column D (above) - Total Indirect Cost	359,298
Subtotal	2,700,417
Net Allowed Direct Cost	<u>\$ 13,618,818</u>

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) 40,703,275
Historical Cost of Buildings over 50 years old	(16) 336,802
Amount of Federal Money in building Cost (Net of # 16)	(17) -
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) 2,810,731
Historical Cost of Furniture & Equipment over 16 years old	(19) 306,627
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) 24,291

(8) Note A - \$ 44,958 in Function 53 expenditures and \$ 130,625 in Function 99 expenditures are included in this report on administrative costs.

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2012

Data Control Codes	1	2	3	4	
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 133,218	\$ 133,218	\$ 148,942	\$ 15,724
5800	State Program Revenues	5,122	5,122	6,312	1,190
5900	Federal Program Revenues	712,385	712,385	652,993	(59,392)
5020	Total Revenues	\$ 850,725	\$ 850,725	\$ 808,247	\$ (42,478)
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 843,928	\$ 843,928	\$ 850,448	\$ (6,520)
	Total Support Services - Student (Pupil)	\$ 843,928	\$ 843,928	\$ 850,448	\$ (6,520)
6030	Total Expenditures	\$ 843,928	\$ 843,928	\$ 850,448	\$ (6,520)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 6,797	\$ 6,797	\$ (42,201)	\$ (48,998)
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	\$ -	\$ -	\$ 42,201	\$ 42,201
7080	Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 42,201	\$ 42,201
1200	Net Change in Fund Balance	\$ 6,797	\$ 6,797	\$ -	\$ (6,797)
0100	Fund Balance - Beginning (July 1)		-	-	-
3000	Fund Balance - Ending (June 30)	\$ 6,797	\$ 6,797	\$ -	\$ (6,797)

COMMERCE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2012

Data Control Codes	1	2	3	4
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700	\$ 1,711,259	\$ 1,711,259	\$ 1,871,843	\$ 160,584
5800	382,278	382,278	334,151	(48,127)
5020	\$ 2,093,537	\$ 2,093,537	\$ 2,205,994	\$ 112,457
EXPENDITURES				
Debt Service:				
0071	\$ 213,000	\$ 207,087	\$ 2,712,088	\$ (2,505,001)
0072	1,878,537	1,881,045	1,900,255	(19,210)
0073	2,000	76,518	76,593	(75)
	<u>\$ 2,093,537</u>	<u>\$ 2,164,650</u>	<u>\$ 4,688,936</u>	<u>\$ (2,524,286)</u>
6030	\$ 2,093,537	\$ 2,164,650	\$ 4,688,936	\$ (2,524,286)
1100	\$ -	\$ (71,113)	\$ (2,482,942)	\$ (2,411,829)
OTHER FINANCING SOURCES (USES)				
7911	\$ -	\$ 2,418,366	\$ 2,425,000	\$ 6,634
7916	-	114,115	114,115	-
8949	-	(2,461,368)	(2,461,368)	-
7080	\$ -	\$ 71,113	\$ 77,747	\$ 6,634
1200	\$ -	\$ -	\$ (2,405,195)	\$ (2,405,195)
0100	2,805,420	2,805,420	2,805,420	-
3000	\$ 2,805,420	\$ 2,805,420	\$ 400,225	\$ (2,405,195)

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2012

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 1,290,959

FEDERAL AWARDS SECTION

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor's Number	(03) Expenditures, Indirect Costs and Refunds
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Greenville Independent School District:			
Head Start	93.600	87CH6997/14	\$ 137,795
Total Department of Health and Human Services			\$ 137,795
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010	12610101116903	\$ 388,759
IDEA-B Formula *	84.027	126600011169036600	1,452,554
ARRA - IDEA-B Formula *	84.391	10554001116903	25,213
Career & Technology - Basic Grant	84.048	12420006116903	95,617
IDEA-B Preschool *	84.173	126610011169036610	20,857
ARRA - IDEA-B Preschool *	84.392	10555001116903	3,337
ESEA Title II Part A - Teacher & Principal Training	84.367	12694501116903	76,679
ARRA - ESEA Title II Part D - Enhancing Ed through Technology *	84.367	10553001116903	279
ARRA - ESEA Title II Part D - Discretionary Grant	84.386	105530027110035	107,167
Education Jobs Fund *	84.410	11550101116903	292,344
Summer School LEP	84.369	69551102	3,264
Total passed through the Texas Education Agency			\$ 2,466,070
Passed through the Education Service Center, Region X:			
ESEA Title III Part A - LEP	84.365	12671001057950	\$ 11,636
ESEA Title III Part A - LEP	84.365	11671001057950	1,424
ARRA - ESEA Title I Part A - Improving Basic Programs	84.398	10551001057950	10,108
Total passed through the Education Service Center, Region X			\$ 23,168
Passed through the Texas Woman's University:			
Reading Recovery	84.396	N/A	\$ 11,858
Total passed through the Texas Woman's University			\$ 11,858
Total Department of Education			\$ 2,501,096
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program *	10.553	71401201	\$ 197,761
National School Lunch Program *	10.555	71301201	423,894
Commodity Food Distribution	10.565	116005A	31,338
Total Department of Agriculture			\$ 652,993
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,291,884

* 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, 2012

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, 2012.

C. Reconciliations with Financial Statements

The District records amounts received from the federal government or other recipients of federal grants as federal revenue in the financial statements. This reconciliation reconciles the differences between the financial statements revenues and the schedule of expenditures of federal awards.

<u>Revenue Source</u>	<u>Amounts</u>
Federal Revenue – Exhibit C-3	\$ 3,323,860
School Health and Related Services (SHARS)	(30,526)
Indirect Cost – Vocational Basic Grant (84.048)	<u>(1,449)</u>
Total	<u>\$ 3,291,884</u>