

COMMERCE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
3500 Joe Ramsey Blvd.
Greenville, Texas 75401
(903) 455-6252

COMMERCE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2019

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CERTIFICATE OF BOARD

Commerce Independent School District
Name of School District

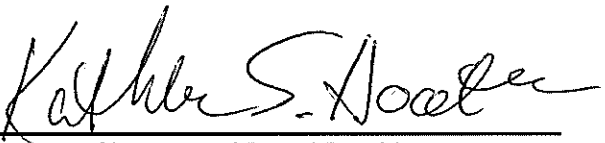
Hunt
County

116-903
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and
X **approved**/ _____ **disapproved** for the year ended June 30, 2019, at a meeting of the board of school
trustees of such school district on 10/21/19.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commerce Independent School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commerce Independent School District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The 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 in the preparation of the basic financial statements. Such information has been subjected to the auditing procedures of the basic financial statement 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 the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 14, 2019
Greenville, Texas

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

Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Commerce Independent School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is presented in the accompanying schedule of findings and questioned costs as item 2019-1.

Report on Internal Control – Continued

Purpose of this Report

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



October 14, 2019
Greenville, Texas

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

Members of the Board

Report on Compliance for Each Major Federal Program

We have audited Commerce Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control over Compliance with the Uniform Guidance – 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



October 14, 2019
Greenville, Texas

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued Unmodified Opinion

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

Noncompliance material to the financial
 statements noted None

Federal Awards –

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

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

Any audit findings disclosed that are
 required to be reported in accordance
 with the Uniform Guidance No

Identification of Major Programs Special Education Cluster:
 IDEA-B Formula (84.027)
 IDEA-B Preschool (84.173)
 IDEA-B High Cost (84.027)

Dollar threshold used to distinguish
 between Type A and B programs \$ 750,000

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, 2019

Financial Statement Findings (Section II)

2019 – 1

Expenditures over Appropriations

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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, 2019

Prior Year Findings (Section IV)

2018-1

Expenditures over Appropriations

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

Status: In Progress

COMMERCE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019

Corrective Action Plan (Section V)

2019 – 1

Expenditures over Appropriations

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

Contact Person: John Walker, Director of Finance

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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, 2019. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

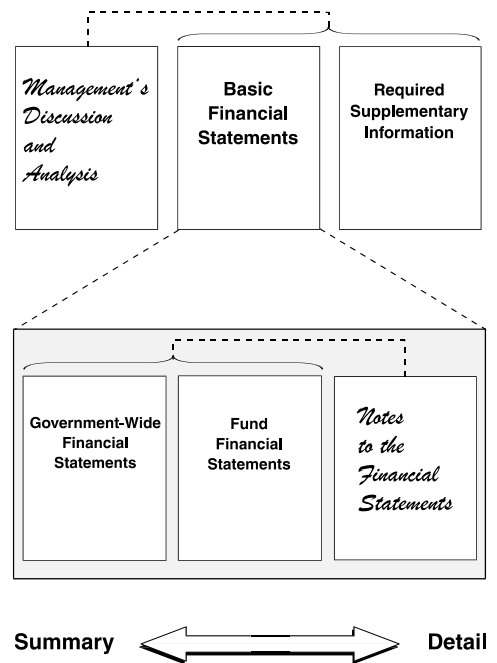
- The District's total combined net position was \$ (6,964,001) at June 30, 2019.
- During the year, the District's expenses were \$ 767,363 less than the \$ 21,723,787 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased over the prior year due to implementation of GASB 75 which required reporting on-behalf supplemental contributions from the state and retiree healthcare program changes.
- The General Fund reported a fund balance this year of \$ 6,556,893.
- The District issued no new debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

**COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019

- 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 \$ (6,964,001) at June 30, 2019.

Commerce Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Assets			
Cash and Investments	\$ 9,077,094	\$ 7,970,748	13.88%
Other Assets	3,733,281	3,021,605	23.55%
Capital Assets less Accumulated Depreciation	23,275,117	24,035,501	-3.16%
Total Assets	\$ 36,085,492	\$ 35,027,854	3.02%
Total Deferred Net Outflows of Resources			
	\$ 4,510,700	\$ 2,179,492	106.96%
Liabilities			
Current Liabilities	\$ 3,228,647	\$ 2,072,700	55.77%
Long-term Liabilities	41,455,657	39,523,768	4.89%
Total Liabilities	\$ 44,684,304	\$ 41,596,468	7.42%
Total Deferred Net Inflows of Resources			
	\$ 2,875,889	\$ 3,342,243	-13.95%
Net Position			
Net Investment in Capital Assets	\$ (4,702,725)	\$ (5,360,089)	12.26%
Restricted	2,576,589	2,998,791	-14.08%
Unrestricted	(4,837,865)	(5,370,067)	9.91%
Total Net Position	\$ (6,964,001)	\$ (7,731,365)	9.93%

Approximately \$ 1,365,239 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 \$ 21,723,787. 33% of the District's revenue comes from local property taxes (See Table A-2). 62% comes from state aid and federal grants, while only 5% relates to charges for services and other sources including investment earnings.

The total cost of all programs and services was \$ 20,956,424. 51% of these costs are for instruction and instructional related student services.

The District's current tax collection rate (base tax only – current and delinquent) was 98.33%. The total collection rate (base tax and penalty and interest) was 99.65%.

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

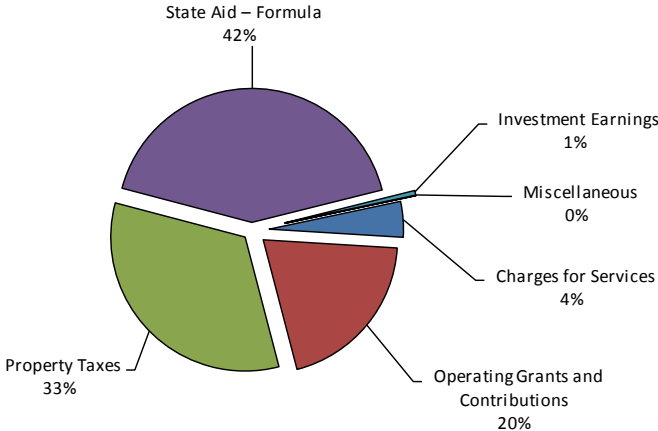
Table A-2

Changes in Commerce Independent School District's Net Position

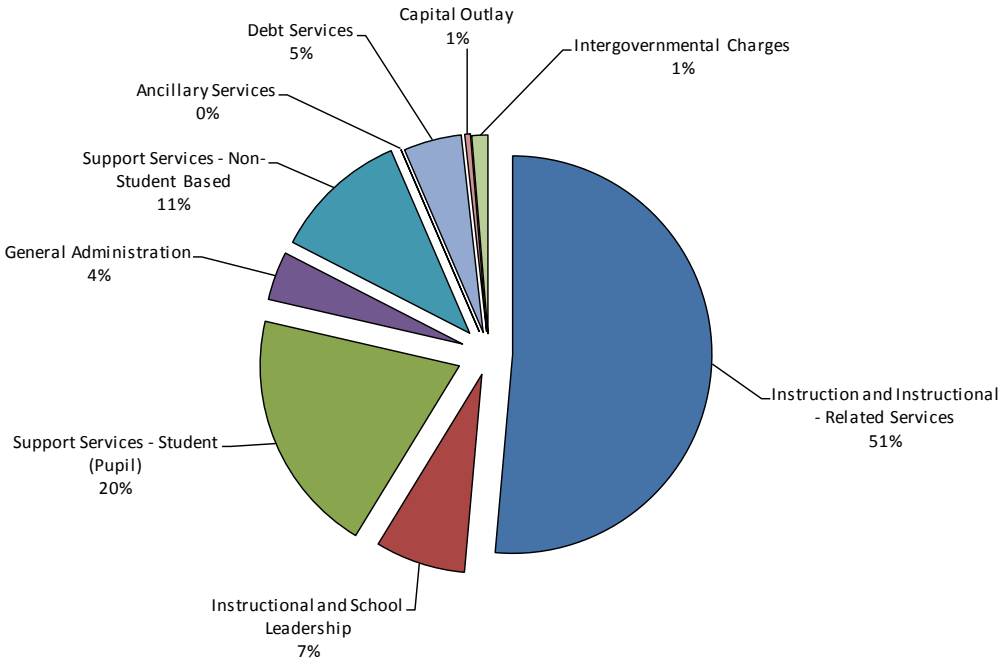
	Governmental Activities		Total Percentage Change
	2019	2018	2018 - 2019
Program Revenues:			
Charges for Services	\$ 935,317	\$ 963,229	-2.90%
Operating Grants and Contributions	4,338,127	2,013,095	115.50%
General Revenues:			
Property Taxes	7,205,464	6,699,718	7.55%
State Aid – Formula	9,122,459	8,100,026	12.62%
Investment Earnings	122,304	75,822	61.30%
Miscellaneous	116	347	-66.57%
Total Revenues	<u>\$ 21,723,787</u>	<u>\$ 17,852,237</u>	21.69%
Expenses:			
Instruction	\$ 10,326,168	\$ 6,709,155	53.91%
Instructional Resources and Media Services	117,380	92,894	26.36%
Curriculum and Staff Development	318,030	222,636	42.85%
Instructional Leadership	411,363	345,676	19.00%
School Leadership	1,120,475	643,195	74.20%
Guidance, Counseling and Evaluation Services	1,579,325	784,375	101.35%
Social Work Services	8,597	8,418	2.13%
Health Services	143,961	109,033	32.03%
Student (Pupil) Transportation	761,686	476,008	60.02%
Food Services	918,344	746,929	22.95%
Co-curricular/Extracurricular Activities	753,297	558,666	34.84%
General Administration	828,128	523,419	58.22%
Plant Maintenance and Operations	1,751,150	1,557,304	12.45%
Security and Monitoring Services	119,088	94,703	25.75%
Data Processing Services	428,362	334,671	27.99%
Community Services	19,294	8,926	116.16%
Debt Service	983,388	1,487,412	-33.89%
Capital Outlay	95,858	106,159	-9.70%
Payments to Shared Service Arrangements	132,568	160,179	-17.24%
Other Intergovernmental Charges	139,962	133,714	4.67%
Total Expenses	<u>\$ 20,956,424</u>	<u>\$ 15,103,472</u>	38.75%
Excess (Deficiency) and Transfers	<u>\$ 767,363</u>	<u>\$ 2,748,765</u>	-72.08%
Increase (Decrease) in Net Position	<u>\$ 767,363</u>	<u>\$ 2,748,765</u>	-72.08%
Net Position - Beginning (July 1)	\$ (7,731,364)	\$ 1,165,094	-763.58%
Prior Period Adjustment	-	(11,645,224)	100.00%
Net Position - Beginning, as Restated	<u>\$ (7,731,364)</u>	<u>\$ (10,480,130)</u>	26.23%
Net Position - Ending (June 30)	<u>\$ (6,964,001)</u>	<u>\$ (7,731,365)</u>	9.93%

COMMERCE INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2019

Sources of Revenue for Fiscal Year 2019 - See Table A-2



Functional Expenses for Fiscal Year 2019 - See Table A-2



COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

- 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 \$ 20,956,424.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 7,205,464.
- Some of the cost was paid by those who directly benefited from the programs \$ 935,317, or
- By grants and contributions \$ 4,338,127.

Commerce Independent School District Net Cost of Selected District Functions							Table A-3
	Total Cost of Services			%	Net Cost of Services		%
	2019	2018	Change		2019	2018	
Instruction	\$ 10,326,168	\$ 6,709,155	53.91%	\$ 8,064,406	\$ 6,235,322	29.33%	
School Leadership	1,120,475	643,195	74.20%	1,060,004	828,236	27.98%	
Plant Maintenance and Operations	1,751,150	1,557,304	12.45%	1,713,365	1,627,235	5.29%	
Debt Service	983,388	1,487,412	-33.89%	669,772	951,048	-29.58%	
General Administration	828,128	523,419	58.22%	765,407	549,663	39.25%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 21,252,988, which is a \$ 727,471 increase from the prior year. The increase is representative of increased local and federal revenue.

Expenditures for governmental fund types totaled \$ 20,633,440, which is a \$ 1,010,501 increase from the prior year. The increase reflects an increase in capital outlay and district-wide improvements.

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 \$ 846,372 less than final General Fund budget amounts. The most significant positive variance resulted in the instruction functional category.

Resources available were \$ 319,753 above the final General Fund budgeted amount. The favorable variance was the result of better than anticipated local revenue and increased property taxes.

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 51,360,195 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 Percentage Change
	2019	2018	2018-2019
Land	\$ 302,850	\$ 302,850	0.00%
Construction in Progress	4,545,413	4,462,765	1.85%
Buildings and Improvements	42,732,078	42,322,780	0.97%
Vehicles	2,276,295	2,133,255	6.71%
Equipment	1,503,559	1,440,703	4.36%
Totals at Historical Cost	\$ 51,360,195	\$ 50,662,353	1.38%
Total Accumulated Depreciation	(28,085,078)	(26,626,852)	5.48%
Net Capital Assets	<u>\$ 23,275,117</u>	<u>\$ 24,035,501</u>	-3.16%

DEBT

At year end, the District had \$ 27,977,842 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 Percentage Change
	2019	2018	2018-2019
Bonds Payable	\$ 22,155,000	\$ 23,270,000	-4.79%
Capital Leases Payable	4,089,879	4,292,520	-4.72%
Other Debt Payable	1,732,963	1,833,069	-5.46%
Total Debt Payable	<u>\$ 27,977,842</u>	<u>\$ 29,395,589</u>	-4.82%

COMMERCE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

ECONOMIC FACTORS

The District's property valuation has dropped significantly due to vacated commercial property and foreclosures. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. The District's taxpayers approved a tax ratification election which allows the District to levy an additional 0.13 cents in property taxes. These additional tax funds are used to support the educational programs in the District. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow, as indicated by a drop in property values during the previous 10 year period. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2019-2021 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

1

Data Control Codes		Governmental Activities
ASSETS		
1110	Cash and Investments	\$ 9,077,094
1225	Property Taxes Receivable, Net	677,474
1240	Due from Other Governments	2,970,390
1250	Accrued Interest	448
1290	Other Receivables, Net	37,828
1300	Inventories	44,801
1410	Unrealized Expenses	2,340
	Capital Assets:	
1510	Land	302,850
1520	Buildings and Improvements, Net	17,815,396
1530	Furniture and Equipment, Net	611,458
1580	Construction in Progress	4,545,413
1000	Total Assets	\$ 36,085,492
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Outflows - Refunding	\$ 1,002,740
1705	Deferred Outflows - Pensions	2,894,500
1706	Deferred Outflows - OPEB	613,460
1700	Total Deferred Outflows of Resources	\$ 4,510,700
LIABILITIES		
2110	Accounts Payable	\$ 1,243,273
2140	Interest Payable	400,299
2165	Accrued Liabilities	1,558,410
2300	Unearned Revenues	26,665
	Noncurrent Liabilities:	
2501	Due within one year	1,267,433
2502	Due in more than one year	26,710,409
2540	Net Pension Liability	5,977,723
2545	Net OPEB Liability	7,500,092
2000	Total Liabilities	\$ 44,684,304
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflows - Pensions	\$ 375,127
2606	Deferred Inflows - OPEB	2,500,762
2600	Total Deferred Inflows of Resources	\$ 2,875,889
NET POSITION		
3200	Net Investment in Capital Assets	\$ (4,702,725)
	Restricted For:	
3820	Federal and State Programs	19,250
3850	Debt Service	1,365,239
3890	Other Purposes	1,192,100
3900	Unrestricted	(4,837,865)
3000	Total Net Position	\$ (6,964,001)

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

Data Control Codes	1	3	4	6
Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
11 Instruction	\$ 10,326,168	\$ 3,780	\$ 2,257,982	\$ (8,064,406)
12 Instructional Resources and Media Services	117,380	-	6,381	(110,999)
13 Curriculum and Staff Development	318,030	-	11,895	(306,135)
21 Instructional Leadership	411,363	-	49,868	(361,495)
23 School Leadership	1,120,475	-	60,471	(1,060,004)
31 Guidance, Counseling and Evaluation Services	1,579,325	756,767	645,610	(176,948)
32 Social Work Services	8,597	-	186	(8,411)
33 Health Services	143,961	-	7,969	(135,992)
34 Student (Pupil) Transportation	761,686	-	23,279	(738,407)
35 Food Services	918,344	97,141	819,706	(1,497)
36 Cocurricular / Extracurricular Activities	753,297	75,418	27,540	(650,339)
41 General Administration	828,128	-	62,721	(765,407)
51 Plant Maintenance and Operations	1,751,150	2,211	35,574	(1,713,365)
52 Security and Monitoring Services	119,088	-	5,277	(113,811)
53 Data Processing	428,362	-	9,181	(419,181)
61 Community Services	19,294	-	571	(18,723)
72 Interest on Long-term Debt	980,427	-	313,616	(666,811)
73 Bond Issuance Costs and Fees	2,961	-	-	(2,961)
81 Capital Outlay	95,858	-	-	(95,858)
93 Payments Related to Shared Services Arrangements	132,568	-	300	(132,268)
99 Other Intergovernmental Charges	139,962	-	-	(139,962)
TG Total Governmental Activities	<u>\$ 20,956,424</u>	<u>\$ 935,317</u>	<u>\$ 4,338,127</u>	<u>\$ (15,682,980)</u>
TP Total Primary Government	<u>\$ 20,956,424</u>	<u>\$ 935,317</u>	<u>\$ 4,338,127</u>	<u>\$ (15,682,980)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 5,477,786
DT Property Taxes, Levied for Debt Service				1,727,678
IE Investment Earnings				122,304
GC Grant and Contributions Not Restricted to Specific Programs				9,122,459
MI Miscellaneous				<u>116</u>
TR Total General Revenues				<u>\$ 16,450,343</u>
CN Change in Net Position				\$ 767,363
NB Net Position - Beginning (July 1)				<u>(7,731,364)</u>
NE Net Position - Ending (June 30)				<u>\$ (6,964,001)</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes	10 General Fund	50 SSA Special Education Fund	50 Debt Service Fund	Other Governmental Fund	98 Total Governmental Funds
ASSETS					
1110 Cash and Investments	\$ 5,482,531	\$ 1,705,924	\$ 2,577,869	\$ (689,230)	\$ 9,077,094
1225 Taxes Receivable, Net	502,585	-	174,889	-	677,474
1240 Due from Other Governments	1,587,024	-	66,920	1,316,446	2,970,390
1250 Accrued Interest	-	-	448	-	448
1260 Due from Other Funds	1,145,000	-	-	-	1,145,000
1290 Other Receivables	37,716	-	-	112	37,828
1300 Inventories	10,877	-	-	33,924	44,801
1410 Unrealized Expenditures	600	-	-	1,740	2,340
1000 Total Assets	<u>\$ 8,766,333</u>	<u>\$ 1,705,924</u>	<u>\$ 2,820,126</u>	<u>\$ 662,992</u>	<u>\$ 13,955,375</u>
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 592,174	\$ 638,823	\$ -	\$ 12,276	\$ 1,243,273
2140 Interest Payable	-	-	9,208	-	9,208
2150 Payroll Deductions & Withholdings	137,168	5,049	-	30,727	172,944
2160 Accrued Wages Payable	977,513	68,156	-	339,797	1,385,466
2170 Due to Other Funds	-	-	1,145,000	-	1,145,000
2300 Unearned Revenues	-	-	-	26,665	26,665
2000 Total Liabilities	<u>\$ 1,706,855</u>	<u>\$ 712,028</u>	<u>\$ 1,154,208</u>	<u>\$ 409,465</u>	<u>\$ 3,982,556</u>
DEFERRED INFLOWS OF RESOURCES					
2610 Deferred Property Taxes	\$ 502,585	\$ -	\$ 174,889	\$ -	\$ 677,474
2600 Total Deferred Inflows of Resources	<u>\$ 502,585</u>	<u>\$ -</u>	<u>\$ 174,889</u>	<u>\$ -</u>	<u>\$ 677,474</u>
FUND BALANCES					
Nonspendable Fund Balances:					
3410 Inventories	\$ 10,877	\$ -	\$ -	\$ 11,100	\$ 21,977
3430 Prepaid Items	600	-	-	-	600
Restricted Fund Balances:					
3450 Federal/State Funds Grant Restrictions	-	-	-	8,150	8,150
3470 Capital Acquisitions & Contractual Obligations	18,652	-	-	-	18,652
3480 Retirement of Long-Term Debt	-	-	1,491,029	-	1,491,029
3490 Other Restrictions of Fund Balances	1,925	993,896	-	198,204	1,194,025
Committed Fund Balances:					
3545 Other Committed Fund Balances	-	-	-	36,073	36,073
3600 Unassigned	6,524,839	-	-	-	6,524,839
3000 Total Fund Balances	<u>\$ 6,556,893</u>	<u>\$ 993,896</u>	<u>\$ 1,491,029</u>	<u>\$ 253,527</u>	<u>\$ 9,295,345</u>
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,766,333</u>	<u>\$ 1,705,924</u>	<u>\$ 2,820,126</u>	<u>\$ 662,992</u>	<u>\$ 13,955,375</u>

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balances - Balance Sheet (governmental funds)	\$	9,295,345
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in the funds.		23,275,117
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		677,474
Payables for bond principal which are not due in the current period are not reported in the funds.		(22,155,000)
Payables for capital leases which are not due in the current period are not reported in the funds.		(4,089,878)
Payables for bond interest which are not due in the current period are not reported in the funds.		(391,091)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		1,002,740
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(5,977,723)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(375,127)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		2,894,500
Bond Premiums are amortized in the SNA but not in the funds.		(1,732,964)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(7,500,092)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(2,500,762)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		<u>613,460</u>
Net position of governmental activities - Statement of Net Position	\$	<u>(6,964,001)</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, 2019

Data Control Codes	10 General Fund	SSA Special Education Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 5,580,233	\$ 792,860	\$ 1,748,897	\$ 223,459	\$ 8,345,449
5800 State Program Revenues	8,487,334	21,033	313,616	84,863	8,906,846
5900 Federal Program Revenues	205,863	21,789	-	3,773,041	4,000,693
5020 Total Revenues	\$ 14,273,430	\$ 835,682	\$ 2,062,513	\$ 4,081,363	\$ 21,252,988
EXPENDITURES					
Current:					
0011 Instruction	\$ 6,419,140	\$ 287,689	\$ -	\$ 1,833,723	\$ 8,540,552
0012 Instructional Resources and Media Services	103,267	-	-	-	103,267
0013 Curriculum and Staff Development	201,269	-	-	97,293	298,562
0021 Instructional Leadership	14,628	289,064	-	83,938	387,630
0023 School Leadership	1,024,061	-	-	-	1,024,061
0031 Guidance, Counseling and Evaluation Services	340,320	128,791	-	1,023,949	1,493,060
0032 Social Work Services	7,519	-	-	-	7,519
0033 Health Services	133,747	-	-	-	133,747
0034 Student (Pupil) Transportation	701,881	-	-	58,463	760,344
0035 Food Services	-	-	-	902,243	902,243
0036 Cocurricular / Extracurricular Activities	642,580	-	-	60,571	703,151
0041 General Administration	760,860	31,709	-	-	792,569
0051 Plant Maintenance and Operations	1,680,296	24,724	-	-	1,705,020
0052 Security and Monitoring Services	83,251	-	-	-	83,251
0053 Data Processing Services	420,513	-	-	-	420,513
0061 Community Services	13,368	-	-	5,628	18,996
0071 Principal on Long-term Debt	202,642	-	1,115,000	-	1,317,642
0072 Interest on Long-term Debt	177,390	-	846,360	-	1,023,750
0073 Debt Issuance Costs and Fees	-	-	2,961	-	2,961
0081 Capital Outlay	642,072	-	-	-	642,072
0093 Payments to Shared Service Arrangements	132,568	-	-	-	132,568
0099 Other Intergovernmental Charges	139,962	-	-	-	139,962
6030 Total Expenditures	\$ 13,841,334	\$ 761,977	\$ 1,964,321	\$ 4,065,808	\$ 20,633,440
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 432,096	\$ 73,705	\$ 98,192	\$ 15,555	\$ 619,548
1200 Net Change in Fund Balances	\$ 432,096	\$ 73,705	\$ 98,192	\$ 15,555	\$ 619,548
0100 Fund Balances - Beginning (July 1)	6,124,797	920,191	1,392,837	237,972	8,675,797
3000 Fund Balances - Ending (June 30)	\$ 6,556,893	\$ 993,896	\$ 1,491,029	\$ 253,527	\$ 9,295,345

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, 2019

Net change in fund balances - total governmental funds	\$	619,548
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		697,842
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,458,226)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		43,035
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		43,832
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,115,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		202,642
(Increase) decrease in accrued interest expense from beginning of period to end of period.		(509)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the fnds.		(68,143)
OPEB contributions in the current year are de-expended and recorded as deferred resource outflows.		88,965
OPEB contributions deferred in the prior year were expended in the current year.		(85,530)
Pension expenses relating to GASB 68 were recorded in the SOA but not in the funds.		(436,223)
Pension contributions in the current year aare de-expended and recorded as deferred resource outflows.		307,962
Pension ccontributions deferred in the prior year are expended in the current period.		(302,832)
		(302,832)
Change in net position of governmental activities - Statement of Activities	\$	767,363

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 JUNE 30, 2019

Data Control Codes	Agency Funds
ASSETS	
1110 Cash and Investments	\$ 50,740
1290 Other Receivables	2,998
	-
1000 Total Assets	\$ 53,738
LIABILITIES	
2110 Accounts Payable	\$ 7,506
2190 Due to Student Groups	46,232
	-
2000 Total Liabilities	\$ 53,738
NET POSITION	
3000 Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019

A. Summary of Significant Accounting Policies (Continued)

SSA Special Education Fund – This Fund is used to account for the cooperative shared special education services arrangement. Members contribute to the fund and in turn receive special education services for students.

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, 2019

A. Summary of Significant Accounting Policies (Continued)

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

3. Budgetary Data

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

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

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

4. Encumbrance Accounting

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

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Total	\$	<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, 2019

A. Summary of Significant Accounting Policies (Continued)

Debt Issuance Costs

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

Inventories

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

Fund Balance

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

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

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

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

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

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

	General Fund	SSA Special Education Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable					
Inventories	\$ 10,877	\$ -	\$ -	\$ 11,100	\$ 21,977
Prepaid Items	600	-	-	-	600
Restricted					
Child Nutrition Program	-	-	-	8,150	8,150
NETCAT SSA	-	-	-	81,230	81,230
Special Education SSA	-	993,896	-	-	993,896
Retirement of Long Term Debt	-	-	1,491,029	-	1,491,029
Scholarship Fund	-	-	-	116,974	116,974
Capital Projects	18,652	-	-	-	18,652
Other	1,925	-	-	-	1,925
Committed					
Campus Activity Funds	-	-	-	36,073	36,073
Unassigned	6,524,839	-	-	-	6,524,839
Totals	<u>\$ 6,556,893</u>	<u>\$ 993,896</u>	<u>\$ 1,491,029</u>	<u>\$ 253,527</u>	<u>\$ 9,295,345</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:

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

6. Deferred Outflows and Inflows of Resources

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

7. Receivable and Payable Balances

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

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

8. Interfund Activities

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

9. Vacation, Sick Leave and Other Compensated Absences

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

10. Pensions

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

11. Use of Estimates

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

12. Data Control Codes

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

13. Accounting System

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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, 2019, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. Deposits appear to have been secured throughout the year.

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

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

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

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

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

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

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

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

B. Deposits, Securities, and Investments (Continued)

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

	<u>Credit Risk Rating</u>	<u>Fair Value</u>
LoneStar	AAAm	\$ 178,027
Guaranty Bond Bank – Certificate of Deposits	N/A	<u>147,650</u>
Total		<u>\$ 325,677</u>

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

- a. Name of bank: Guaranty Bond Bank, Commerce, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 10,152,468.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 10,730,096, and occurred during the month of January 2019.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 750,000.

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

C. Property Taxes

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

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

The District levied taxes on property within the District at \$ 1.17 to fund general operations and \$ 0.3910 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 460,437,524.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not Being Depreciated:				
Land	\$ 302,850	\$ -		\$ 302,850
Construction in Progress	4,462,765	82,648	-	4,545,413
Total Capital Assets not being Depreciated	\$ 4,765,615	\$ 82,648	\$ -	\$ 4,848,263
Capital Assets being Depreciated:				
Building and Improvements	\$ 42,322,780	\$ 409,298	\$ -	\$ 42,732,078
Equipment	1,440,703	62,856	-	1,503,559
Vehicles	2,133,255	143,040	-	2,276,295
Total Capital Assets being Depreciated	\$ 45,896,738	\$ 615,194	\$ -	\$ 46,511,932
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 23,609,050	\$ 1,307,632	\$ -	\$ 24,916,682
Equipment	1,189,568	52,592	-	1,242,160
Vehicles	1,828,234	98,002	-	1,926,236
Total Accumulated Depreciation	\$ 26,626,852	\$ 1,458,226	\$ -	\$ 28,085,078
Total Capital Assets being Depreciated, Net	\$ 19,269,886	\$ (843,032)	\$ -	\$ 18,426,854
Governmental Activities Capital Assets, Net	\$ 24,035,501	\$ (760,384)	\$ -	\$ 23,275,117

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,221,784
Instructional Resources and Media Services	9,133
Curriculum and Staff Development	965
Instructional Leadership	965
School Leadership	16,983
Guidance, Counseling and Evaluation Services	2,023
Social Work Services	965
Health Services	3,247
Student (Pupil) Transportation	88,990
Food Services	30,525
Co-Curricular/Extracurricular Activities	25,182
General Administration	4,439
Plant Maintenance and Operations	21,275
Security and Monitoring Services	31,750
	<hr/>
Totals	<u>\$ 1,458,226</u>

E. Long Term Obligations

Long Term Obligation Activity

Long term obligation activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation Bonds	\$ 23,270,000	\$ -	\$ 1,115,000	\$ 22,155,000	\$ 1,085,000
Capital Leases Payable	4,292,521	-	202,642	4,089,879	182,433
Unamortized Premium (Discount)	1,833,069	-	100,106	1,732,963	-
	<hr/>				
Total Governmental Activities	<u>\$ 29,395,590</u>	<u>\$ -</u>	<u>\$ 1,417,748</u>	<u>\$ 27,977,842</u>	<u>\$ 1,267,433</u>

Bonds

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

The following issues are outstanding at year end:

Description	Interest Rate	Original Issue	Obligations Outstanding
Unlimited Tax Refunding Bonds, Series 2011	1.5 - 3.5%	\$ 2,425,000	\$ 1,410,000
Unlimited Tax Refunding Bonds, Series 2015	1.5 - 3.5%	8,810,000	8,460,000
Unlimited Tax Refunding Bonds, Series 2017	2.7 - 4.0%	9,390,000	8,900,000
Unlimited Tax Refunding Bonds, Series 2018	2.63%	3,620,000	3,385,000
	<hr/>		
Total			<u>\$ 22,155,000</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

E. Long Term Obligations (Continued)

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

Year Ending June 30	Principal	Interest	Total Requirements
2020	\$ 1,085,000	\$ 779,060	\$ 1,864,060
2021	1,130,000	730,948	1,860,948
2022	1,180,000	679,060	1,859,060
2023	1,235,000	626,254	1,861,254
2024	1,285,000	575,060	1,860,060
2025-2029	6,800,000	2,094,944	8,894,944
2030-2034	5,160,000	1,048,344	6,208,344
2035-2039	4,280,000	269,287	4,549,287
Totals	\$ 22,155,000	\$ 6,802,957	\$ 28,957,957

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 year end.

Capital Leases

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

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Date of Agreement	Original Property Value
Cypress Bank, FSB - BB/SB Scoreboard	4.15%	7/21/2010	\$ 41,230
Cypress Bank, Kubota Tractor	2.75%	8/17/2015	37,150
Government Capital, Electric Retrofit 7227	4.07%	11/16/2015	1,500,000
Government Capital, Electric Retrofit 7300	4.17%	11/16/2015	3,060,426
Apple Financing Services - Computers	4.11%	7/1/2016	81,960
Totals			\$ 4,720,766

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

E. Long Term Obligations (Continued)

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

<u>Year Ending June 30</u>	<u>Total Requirements</u>
2020	\$ 351,583
2021	338,737
2022	338,737
2023	338,737
2024	338,737
Thereafter	<u>4,064,845</u>
Total Minimum Lease Payment	\$ 5,771,376
Less Amount Representing Interest	<u>1,681,497</u>
Present Value of Net Minimum Lease Payments	<u>\$ 4,089,879</u>

F. Pension Plan

1. *Plan Description*

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

2. *Benefits Provided*

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Pension Plan (Continued)

3. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employees contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

2019	Employer Contributions	\$	368,700
2019	Member Contributions	\$	828,938
2018	NECE On-Behalf Contributions	\$	472,949

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

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

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Pension Plan (Continued)

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

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

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

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

At June 30, 2019, the District reported a liability of \$ 5,977,723 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,977,723
State's proportionate share that is associated with the District	<u>7,732,400</u>
Total	<u>\$ 13,710,123</u>

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0108602100%, which was a decrease of 0.0000672387% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following changes have occurred to the actuarial assumptions or other inputs that affects measurement of the total premium liability since the prior measurement date:

- a. Use of the roll forward method for the 2018 valuation
- b. Use of the 2017 experience study which includes demographic assumptions such as post-retirement mortality, termination rates, and rates of retirement
- c. Use of economic assumption such as salary increases
- d. Change in discount rate from 8.0% to 6.907%
- e. Change in assumed rate of return from 8.0% to 7.25%

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Pension Plan (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$ 1,504,357 and revenue of \$ 765,302 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 37,260	\$ 146,670
Changes of actuarial assumptions	2,155,257	67,352
Differences between projected and actual investment earnings	-	113,423
Changes in proportion and differences between the employer's contributions and proportionate share of contributions	<u>394,021</u>	<u>47,682</u>
Total as of August 31, 2018 measurement date	\$ 2,586,538	\$ 375,127
Contributions paid to TRS subsequent to the measurement date	<u>307,962</u>	<u>-</u>
Total at fiscal year end	<u>\$ 2,894,500</u>	<u>\$ 375,127</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 593,294
2021	354,602
2022	291,037
2023	374,348
2024	364,209
Thereafter	233,921

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.91%
Long-Term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05%
Payroll Growth Rate	3.05%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Pension Plan (Continued)

6. *Discount Rate*

The discount rate used to measure the total pension liability was 6.907%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
Global Equity			
U.S.	18%	5.7%	1.04%
Non-U.S. Developed	13%	6.90%	0.9%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.00%	0.00%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	0%	0.00%	0.00%
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
Total	<u>100%</u>		<u>7.25%</u>

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. Pension Plan (Continued)

7. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 6.907%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (5.907%) or 1 – percentage point higher (7.907%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 9,021,818	\$ 5,977,723	\$ 3,153,348

8. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018 and 2017.

<u>Net Pension Liability</u>	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Total Pension Liability	\$ 209,611,328,793	\$ 179,336,534,819
Less: Plan Fiduciary Net Position	(154,568,901,833)	(147,361,922,120)
Net Pension Liability	<u>\$ 55,042,426,960</u>	<u>\$ 31,974,612,699</u>
Net Position as percentage of Total Pension Liability	73.74%	82.17%

G. Defined Other Post-Employment Benefit Plans

1. *Plan Description*

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

2. *OPEB Plan Fiduciary Net Position*

Detail Information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr/pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

3 *Benefits Provided*

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

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

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

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2018 - Dec. 31, 2019			
	<u>TRS-Care 1</u>	<u>TRS-Care 2</u>	<u>TRS-Care 3</u>
	<u>Basic Plan</u>	<u>Optional Plan</u>	<u>Optional Plan</u>
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

4. *Contributions*

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

Contribution Rates

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
2019 Employer Contributions	\$ 105,988	
2019 Member Contributions	\$ 69,974	
2018 NECE On-Behalf Contributions	\$ 107,242	

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 15.6 million in fiscal year 2017 and \$ 394.6 million in fiscal year 2018.

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on pan specific experience
	Third-party administrative expenses related to the delivery of health care benefits are included in the age- adjusted claims costs.
Expenses	
Payroll Growth Rate	2.50%
Projected Salary Increases	3.05% to 9.05%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

6. *Discount Rate*

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2018.

7. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (3.69%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 8,927,686	\$ 7,500,092	\$ 6,370,773

8. *Healthcare Cost Trend Rates Sensitivity Analysis*

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 6,228,948	\$ 7,500,092	\$ 9,174,215

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

At June 30, 2019, the District reported a liability of \$ 7,500,092 for its proportionate share of the TRS’s net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 7,500,092
State's proportionate share that is associated with the District	<u>7,773,088</u>
Total	<u>\$ 15,273,180</u>

The net OPEB liability was measured as of August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net OPEB liability was based on the employer’s contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0150209376%, which was a decrease of 0.0002348480% from its proportion measured as of August 31, 2017.

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

- a. Use of a roll-forward method for the actuarial assumption
- b. Known retirees that discontinued health insurance were adjusted
- c. Changes in the healthcare trend rate allowing for the return of the Health Insurance Fee
- d. Demographic and economic changes resulting from the 2017 experience study
- e. Discount rate increase from 3.42% to 3.69%

Changes to the benefits provided since the prior measurement date include:

- a. Changes of retiree registration entry date
- b. Requiring retiree to contribute \$200 monthly towards insurance premiums
- c. Various changes in Medicare eligible retirees including prescription coverage and other appropriate health benefit plans.

For the year ended June 30, 2019, the District recognized OPEB expense of \$ 436,411 and revenue of \$ 282,389 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experiences	\$ 398,002	\$ 118,362
Changes in actuarial assumptions	125,156	2,253,347
Differences between projected and actual investment earnings	1,312	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>25</u>	<u>129,053</u>
Total as of August 31, 2018 measurement date	\$ 524,495	\$ 2,500,762
Contributions paid to TRS subsequent to the measurement date	<u>88,965</u>	<u>-</u>
Total at fiscal year end	<u>\$ 613,460</u>	<u>\$ 2,500,762</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (311,235)
2021	(311,235)
2022	(311,235)
2023	(311,483)
2024	(311,625)
Thereafter	(419,454)

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

H. Medicare Part D

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$ 33,604, \$ 32,629 and \$ 33,107, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the district.

I. Risk Management

Health Care

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

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

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

Latest financial statements for Aetna are available for the year ended December 31, 2018, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, 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 2019 fiscal period, the District purchased commercial insurance to cover these liabilities. There were significant reductions in coverage in the past fiscal period, and there were no settlements exceeding insurance coverage for each of the past three fiscal periods.

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

J. Litigation

The District does not appear to be involved in any litigation as of June 30, 2019.

K. 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, 2019, 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.

L. 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	\$ 81,688	\$ 805	\$ 53,705
Boles ISD	116916	76,521	221	52,980
Caddo Mills ISD	116901	179,537	640	165,543
Campbell ISD	116910	51,016	307	27,578
Celeste ISD	116902	58,295	212	64,229
Commerce ISD	116903	219,777	749	125,845
Cooper ISD	060902	119,400	1,306	72,139
Cumby ISD	112905	53,711	414	53,705
Lone Oak ISD	116906	119,253	325	110,023
Totals		\$ 959,198	\$ 4,979	\$ 725,747

NetCAT SSA – (Career and Tech Programs)

Member Districts	County District Number	Fund 331 Voc Ed Basic Grant	Fund 458 NetCAT Voc Coop
Bland ISD	116910	\$ 7,853	\$ 1,363
Boles ISD	116915	6,787	1,498
Caddo Mills ISD	112905	14,214	2,697
Campbell ISD	116909	4,758	1,074
Celeste ISD	116901	6,497	1,269
Commerce ISD	116903	25,482	2,113
Cooper ISD	060902	11,224	1,496
Cumby ISD	091918	4,387	1,084
Fannindel ISD	060914	3,120	871
Leonard ISD	074909	8,642	1,640
Lone Oak ISD	116902	9,158	2,078
Wolfe City ISD	116906	6,655	1,611
Totals		\$ 108,777	\$ 18,794

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

M. Revenue from Local and Intermediate Sources

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

	General	SSA Special Education	Debt Service	Other Governmental	Total
Property Tax Collections	\$ 5,445,636	\$ -	\$ 1,716,792	\$ -	\$ 7,162,428
Shared Service Fees	-	792,860	-	22,926	815,786
Investment Income	39,434	-	32,105	14,673	86,212
Food Service Income	-	-	-	133,658	133,658
Gifts and Bequests	62,436	-	-	3,402	65,838
Cocurricular/Extracurricular Activities	26,735	-	-	48,800	75,535
Other	5,992	-	-	-	5,992
Total	\$ 5,580,233	\$ 792,860	\$ 1,748,897	\$ 223,459	\$ 8,345,449

N. Receivables

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

	General	SSA Special Education	Debt Service	Other Governmental	Total
Due from Other Governments	\$ 1,587,024	\$ -	\$ 66,920	\$ 1,316,446	\$ 2,970,390
Property Taxes	558,428	-	194,321	-	752,749
Less Allowance for Uncollectible Property Taxes	(55,843)	-	(19,432)	-	(75,275)
Miscellaneous Other Receivables	37,716	-	448	-	38,164
Net Receivables	\$ 2,127,325	\$ -	\$ 242,257	\$ 1,316,446	\$ 3,686,028

O. Interfund Activities

Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 1,145,000

P. Subsequent Events

The District's management has evaluated subsequent events through October 14, 2019, the date which the financial statements were available for use.

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

Q. 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>Excess</u>
Food Service Fund:			
Food Service	\$ 741,723	\$ 902,243	\$ 160,520

R. 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 (SOF)	\$ 643,628	\$ 7,519,416	\$ 101,741	\$ 309,137
Prior Years Settle Up	-	(37,051)	(38,815)	(66,463)
Financial Statement Earnings	<u>\$ 643,628</u>	<u>\$ 7,482,365</u>	<u>\$ 62,926</u>	<u>\$ 242,674</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	\$ 44,728	\$ (434,098)	\$ -	\$ (8,016)
Scheduled Payments	51,181	1,925,213	-	-

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

REQUIRED SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019

Data Control Codes	1		2	3	4
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 5,309,757	\$ 5,309,757	\$ 5,580,233	\$ 270,476
5800	State Program Revenues	8,526,947	8,526,947	8,487,334	(39,613)
5900	Federal Program Revenues	65,500	116,973	205,863	88,890
5020	Total Revenues	<u>\$ 13,902,204</u>	<u>\$ 13,953,677</u>	<u>\$ 14,273,430</u>	<u>\$ 319,753</u>
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 6,887,973	\$ 6,844,565	\$ 6,419,140	\$ 425,425
0012	Instructional Resources and Media Services	159,593	159,593	103,267	56,326
0013	Curriculum and Staff Development	234,417	221,417	201,269	20,148
	Total Instruction and Instr. Related Services	<u>\$ 7,281,983</u>	<u>\$ 7,225,575</u>	<u>\$ 6,723,676</u>	<u>\$ 501,899</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 18,417	\$ 18,417	\$ 14,628	\$ 3,789
0023	School Leadership	1,081,777	1,081,777	1,024,061	57,716
	Total Instructional and School Leadership	<u>\$ 1,100,194</u>	<u>\$ 1,100,194</u>	<u>\$ 1,038,689</u>	<u>\$ 61,505</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 354,021	\$ 355,821	\$ 340,320	\$ 15,501
0032	Social Work Services	9,352	9,352	7,519	1,833
0033	Health Services	149,158	149,158	133,747	15,411
0034	Student (Pupil) Transportation	706,461	730,411	701,881	28,530
0036	Cocurricular / Extracurricular Activities	592,488	643,791	642,580	1,211
	Total Support Services - Student (Pupil)	<u>\$ 1,811,480</u>	<u>\$ 1,888,533</u>	<u>\$ 1,826,047</u>	<u>\$ 62,486</u>
Administrative Support Services:					
0041	General Administration	\$ 668,081	\$ 805,925	\$ 760,860	\$ 45,065
	Total Administrative Support Services	<u>\$ 668,081</u>	<u>\$ 805,925</u>	<u>\$ 760,860</u>	<u>\$ 45,065</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,780,288	\$ 1,780,288	\$ 1,680,296	\$ 99,992
0052	Security and Monitoring Services	110,179	110,179	83,251	26,928
0053	Data Processing Services	421,680	421,680	420,513	1,167
	Total Support Services - Nonstudent Based	<u>\$ 2,312,147</u>	<u>\$ 2,312,147</u>	<u>\$ 2,184,060</u>	<u>\$ 128,087</u>
Ancillary Services:					
0061	Community Services	\$ 13,567	\$ 13,567	\$ 13,368	\$ 199
		<u>\$ 13,567</u>	<u>\$ 13,567</u>	<u>\$ 13,368</u>	<u>\$ 199</u>
Debt Service:					
0071	Principal on Long-term Debt	\$ 207,430	\$ 207,430	\$ 202,642	\$ 4,788
0072	Interest on Long-term Debt	177,572	177,572	177,390	182
	Total Debt Service	<u>\$ 385,002</u>	<u>\$ 385,002</u>	<u>\$ 380,032</u>	<u>\$ 4,970</u>
Capital Outlay:					
0081	Capital Outlay	\$ 36,673	\$ 663,686	\$ 642,072	\$ 21,614
	Total Capital Outlay	<u>\$ 36,673</u>	<u>\$ 663,686</u>	<u>\$ 642,072</u>	<u>\$ 21,614</u>
Intergovernmental Changes:					
0093	Payments to Fiscal Agent/Member Dist. - SSA	\$ 152,077	\$ 152,077	\$ 132,568	\$ 19,509
0099	Other Intergovernmental Charges	141,000	141,000	139,962	1,038
	Total Intergovernmental Charges	<u>\$ 293,077</u>	<u>\$ 293,077</u>	<u>\$ 272,530</u>	<u>\$ 20,547</u>
6030	Total Expenditures	<u>\$ 13,902,204</u>	<u>\$ 14,687,706</u>	<u>\$ 13,841,334</u>	<u>\$ 846,372</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (734,029)	\$ 432,096	\$ 1,166,125
1200	Net Change in Fund Balance	\$ -	\$ (734,029)	\$ 432,096	\$ 1,166,125
0100	Fund Balance - Beginning (July 1)	6,124,797	6,124,797	6,124,797	-
3000	Fund Balance - Ending (June 30)	<u>\$ 6,124,797</u>	<u>\$ 5,390,768</u>	<u>\$ 6,556,893</u>	<u>\$ 1,166,125</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2019

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0108602100%	0.0109274487%	0.0106514332%	0.0111733000%	0.0082595000%
District's proportionate share of the net pension liability	\$ 5,977,723	\$ 3,494,009	\$ 4,025,018	\$ 3,949,613	\$ 2,206,227
State's proportionate share of the net pension liability associated with the District	<u>7,732,400</u>	<u>4,738,834</u>	<u>5,465,058</u>	<u>5,287,441</u>	<u>4,796,195</u>
Total	<u>\$ 13,710,123</u>	<u>\$ 8,232,843</u>	<u>\$ 9,490,076</u>	<u>\$ 9,237,054</u>	<u>\$ 7,002,422</u>
District's covered-employee payroll (for Measurement Year)	\$ 10,502,285	\$ 10,428,505	\$ 9,702,350	\$ 9,492,432	\$ 8,037,017
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	56.92%	33.50%	41.48%	41.61%	27.45%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 368,700	\$ 359,702	\$ 355,634	\$ 337,155	\$ 312,566
Contributions in relations to the contractual required contributions	<u>(368,700)</u>	<u>(359,702)</u>	<u>(355,634)</u>	<u>(337,155)</u>	<u>(312,566)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 10,765,476	\$ 10,463,295	\$ 10,297,025	\$ 9,695,291	\$ 9,513,291
Contributions as a percentage of covered employee payroll	3.42%	3.44%	3.45%	3.48%	3.29%

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2019

	<u>2018*</u>	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.0150209376%	0.0152557856%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 7,500,092	\$ 6,634,169
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>7,773,088</u>	<u>7,115,288</u>
Total	<u>\$ 15,273,180</u>	<u>\$ 13,749,457</u>
District's covered-employee payroll (for Measurement Year)	\$ 10,502,285	\$ 10,428,505
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	71.41%	63.62%
Plan fiduciary net position as a percentage of the Total OPEB Liability	1.57%	0.91%

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 105,988	\$ 97,780
Contributions in relations to the contractual required contributions	<u>(105,988)</u>	<u>(97,780)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 10,765,476	\$ 10,463,295
Contributions as a percentage of covered employee payroll	0.98%	0.93%

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

A. Budget

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

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

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

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

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

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

B. Defined Benefit Pension Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions:

- a. A roll forward method was used to determine the August 31, 2018 valuation.
- b. Demographic assumptions including post retirement mortality, termination rates and rates of retirement were updated based on the experience study performed for the period ended August 31, 2017.
- c. The same experience study resulted in changes to the economic assumptions including rates of salary increases for individual participants.
- d. The discount rate was decreased from 8.0% to 6.907%.
- e. The assumed long term rate of return decreased from 8.0% to 7.25

2. Changes of Benefit Terms

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019

C. OPEB Healthcare Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions.

- a. A roll forward method was used to develop the August 31, 2018 valuation.
- b. Adjustments were made for known retirees that discontinued their health insurance in the 2018 year.
- c. The health care trend rate assumption was adjusted to allow for the anticipated return of the Health Insurance Fee.
- d. The demographic and economic assumptions were changed to consider the result of the experience study for the year ended August 31, 2017.
- e. The discount rate was increased from 3.42% to 3.69%

2. Changes of Benefit Terms

These following changes have occurred in the benefits terms:

- a. Implemented a high-deductible health plan that provides a zero cost generic prescriptions for certain preventative drugs and zero premium for disability retirees who retired as a disability retiree and are not eligible to enroll in Medicare.
- b. Created a single Medicare advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
- c. Allowed the system (TRS) to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- d. Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age. Rather than waiting for the next enrollment period.
- e. Eliminated free coverage under the TRS-Care except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month towards health insurance premiums.

OTHER SUPPLEMENTARY INFORMATION

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED JUNE 30, 2019

Tax Roll Year	Last Ten Periods Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2018	20 Current Year's Total Levy	31 Maintenance Tax Collections	32 Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2019
		Maintenance	2 Debt Service							
XXX	2010 & PRIOR	VARIOUS	VARIOUS	VARIOUS	\$ 128,028	\$ -	\$ 4,488	\$ 966	\$ (19,635)	\$ 102,939
2010	2011	1.170000	0.425100	425,231,429	24,040	-	518	188	(2,460)	20,874
2011	2012	1.170000	0.426500	421,283,515	28,304	-	821	299	(2,373)	24,811
2012	2013	1.170000	0.413400	425,427,128	37,295	-	1,866	659	(2,012)	32,758
2013	2014	1.170000	0.421400	419,188,073	44,621	-	2,330	839	(1,756)	39,696
2014	2015	1.170000	0.453500	402,067,244	56,772	-	3,915	1,518	(1,503)	49,836
2015	2016	1.170000	0.435700	387,584,862	66,449	-	6,539	2,435	(1,067)	56,408
2016	2017	1.170000	0.373600	404,081,645	99,922	-	12,594	4,021	(6,488)	76,819
2017	2018	1.170000	0.391000	423,611,980	219,502	-	77,198	25,798	(11,284)	105,222
2018	2018	1.170000	0.391000	460,437,524	-	7,187,430	5,186,771	1,733,352	(23,921)	243,386
1000	TOTALS				\$ 704,933	\$ 7,187,430	\$ 5,297,040	\$ 1,770,075	\$ (72,499)	\$ 752,749

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019

Data Control Codes	1	2	3	4	
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 115,158	\$ 115,158	\$ 147,789	\$ 32,631
5800	State Program Revenues	4,200	4,200	4,975	775
5900	Federal Program Revenues	<u>622,365</u>	<u>622,365</u>	<u>768,729</u>	<u>146,364</u>
5020	Total Revenues	<u>\$ 741,723</u>	<u>\$ 741,723</u>	<u>\$ 921,493</u>	<u>\$ 179,770</u>
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 741,723	\$ 741,723	\$ 902,243	\$ (160,520)
	Total Support Services - Student (Pupil)	<u>\$ 741,723</u>	<u>\$ 741,723</u>	<u>\$ 902,243</u>	<u>\$ (160,520)</u>
6030	Total Expenditures	<u>\$ 741,723</u>	<u>\$ 741,723</u>	<u>\$ 902,243</u>	<u>\$ (160,520)</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,250</u>	<u>\$ 19,250</u>
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 19,250	\$ 19,250
0100	Fund Balance - Beginning (July 1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - Ending (June 30)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 19,250</u></u>	<u><u>\$ 19,250</u></u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2019

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				
	Original	Final	Actual		
REVENUES					
5700	Local and Intermediate Sources	\$ 1,602,396	\$ 1,602,396	\$ 1,748,897	\$ 146,501
5800	State Program Revenues	362,539	362,539	313,616	(48,923)
5020	Total Revenues	<u>\$ 1,964,935</u>	<u>\$ 1,964,935</u>	<u>\$ 2,062,513</u>	<u>\$ 97,578</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,115,000	\$ 1,115,000	\$ 1,115,000	\$ -
0072	Interest on Long-term Debt	846,360	846,360	846,360	-
0073	Bond Issuance Costs and Fees	3,575	3,575	2,961	614
	Total Debt Service	<u>\$ 1,964,935</u>	<u>\$ 1,964,935</u>	<u>\$ 1,964,321</u>	<u>\$ 614</u>
6030	Total Expenditures	<u>\$ 1,964,935</u>	<u>\$ 1,964,935</u>	<u>\$ 1,964,321</u>	<u>\$ 614</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 98,192	\$ 98,192
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 98,192	\$ 98,192
0100	Fund Balance - Beginning (July 1)	1,392,837	1,392,837	1,392,837	-
3000	Fund Balance - Ending (June 30)	<u>\$ 1,392,837</u>	<u>\$ 1,392,837</u>	<u>\$ 1,491,029</u>	<u>\$ 98,192</u>

COMMERCE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2019

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other Sources of information concerning nonpayment of any terms of any debt Agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the Financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material Weaknesses in internal controls over financial reporting and compliance For local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more Than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial Statements at fiscal year-end.	\$ -0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 5,977,723
SF13	Net OPEB Liabilities (2545) at fiscal year-end.	\$ 7,500,092

FEDERAL AWARDS SECTION

COMMERCE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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	87CH6997/18	\$ 142,041
Total Department of Health and Human Services			\$ 142,041
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
Summer School LEP	84.369	69551702	\$ 1,252
ESEA Title I Part A - Improving Basic Programs	84.010	19610101116903	436,427
IDEA-B Formula (A) *	84.027	186600011169036600	985,965
IDEA-B Formula (A) *	84.027	196600011169036600	624,002
Career & Technology - Basic Grant	84.048	19420006116903	112,161
IDEA-B Preschool (A) *	84.173	186610011169036610	24,482
IDEA -B Preschool (A) *	84173	196610011169036610	4,979
ESEA Title II Part A - Teacher & Principal Training	84.367	19694501116903	62,127
ESEA Title IV, Part A - Subpart 1	84.424	19680101116903	23,254
ESEA Title VI - Rural & Low Income	84.424	19696001116903	17,469
IDEA-B High Cost (A) *	84.027	66001906	33,671
Total passed through the Texas Education Agency			\$ 2,325,789
Passed through the Education Service Center, Region X:			
ESEA Title III Part A - LEP	84.365	18671001057950	\$ 3,917
Total passed through the Education Service Center, Region X			\$ 3,917
Passed Through Boles ISD:			
21st Century Grant	84287	196950267110007	\$ 562,692
Total Passed through Boles ISD			\$ 562,692
Total Department of Education			\$ 2,892,398
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program (B)	10.553	0600	\$ 195,361
National School Lunch Program (B)	10.555	0600	418,249
Commodity Food Distribution	10.565	116003A	33,074
Childcare and Adult Care	768729	116903	122,045
Total Department of Agriculture			\$ 768,729
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,803,168

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

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

COMMERCE INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

A. Basis of Presentation

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

The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at June 30, 2019.

C. Reconciliation of Federal Revenue with Financial Statements

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

Total Federal Expenditures (Exhibit K-1)	\$ 3,803,168
Indirect Cost	
IDEA-B Formula (84.027)	(26,767)
Carl Perkins Vocational Education (84.048)	(3,360)
School Health and Resource	169,253
E-Rate Reimbursements	<u>58,399</u>
Federal Revenue (Exhibit C-3)	<u>\$ 4,000,693</u>