

COMMERCE SCHOOL
DISTRICT NO. I-18
Ottawa County, Oklahoma
Financial Statements
June 30, 2015

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma

School District Officials
June 30, 2015

BOARD OF EDUCATION

President	Kenny Smith
Vice-President	Misty Hailey
Deputy Clerk	Jamie Johnston
Member	Kevin Reading

CLERK OF BOARD OF EDUCATION

Herb Logan

SCHOOL DISTRICT TREASURER

Philip Geren

SUPERINTENDENT OF SCHOOLS

Jimmy R. Haynes

ACTIVITY FUND CUSTODIAN

Heather Pittman

MINUTE CLERK

Trish Price

ENCUMBRANCE CLERK

Trish Price

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
 June 30, 2015

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STOTTS • ARCHAMBO
MUEGGENBORG & BARCLAY_{PC}
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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Commerce School District No. I-18
Commerce, Ottawa County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type financial statements - regulatory basis of *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma (the *District*), as of and for the year ended June 30, 2015, and the related notes to the 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 financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1, the financial statements are prepared by the *Commerce School District No. 1-18*, Commerce, Ottawa County, Oklahoma on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of *Commerce School District No. 1-18*, Commerce, Ottawa County, Oklahoma as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type of *Commerce School District No. 1-18*, Commerce, Ottawa County, Oklahoma, as of June 30, 2015, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

Other Matters

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. The combining statements-regulatory basis, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2016 on our consideration of the *District's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the *District's* internal control over financial reporting and compliance.

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

February 1, 2016

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
 Combined Statement of Assets, Liabilities and Fund Balances
 All Fund Types - Regulatory Basis
 June 30, 2015

<u>ASSETS</u>	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Totals</u>	
	<u>General</u>	<u>Special</u>	<u>Fund Types</u>	<u>(Memorandum only)</u>	
		<u>Revenue</u>	<u>Trust</u>	<u>June 30,</u>	<u>June 30,</u>
			<u>and Agency</u>	<u>2015</u>	<u>2014</u>
Cash and investments	\$ 1,486,120	630,656	186,946	2,303,722	2,480,915
Amounts to be provided for capitalized lease obligations	-	-	-	-	-
Total assets	<u>\$ 1,486,120</u>	<u>630,656</u>	<u>186,946</u>	<u>2,303,722</u>	<u>2,480,915</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Warrants payable	\$ 589,258	57,716	-	646,974	798,170
Due to others	-	-	122,731	122,731	142,148
Reserve for encumbrances	99,173	2,978	-	102,151	70,538
Total liabilities	<u>688,431</u>	<u>60,694</u>	<u>122,731</u>	<u>871,856</u>	<u>1,010,856</u>
Fund balances:					
Restricted for:					
Building	-	550,405	-	550,405	685,037
Child nutrition	-	14,678	-	14,678	29,153
Cooperative	-	4,879	-	4,879	4,548
Scholarships	-	-	64,215	64,215	63,694
Unassigned	797,689	-	-	797,689	687,627
Total fund balances	<u>797,689</u>	<u>569,962</u>	<u>64,215</u>	<u>1,431,866</u>	<u>1,470,059</u>
Total liabilities and fund balances	<u>\$ 1,486,120</u>	<u>630,656</u>	<u>186,946</u>	<u>2,303,722</u>	<u>2,480,915</u>

The accompanying notes are an integral part of these financial statements.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances
 All Governmental Fund Types - Regulatory Basis
 For the Fiscal Year Ended June 30, 2015

	<u>Governmental Fund Types</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues:				
Local sources	\$ 917,446	189,987	1,107,433	888,714
Intermediate sources	113,692	-	113,692	96,761
State sources	4,527,971	58,103	4,586,074	4,599,925
Federal sources	559,204	396,155	955,359	1,411,516
Total revenues	<u>6,118,313</u>	<u>644,245</u>	<u>6,762,558</u>	<u>6,996,916</u>
Expenditures:				
Instruction	6,016,532	29,021	6,045,553	4,060,318
Support services	-	-	-	2,392,479
Non-instructional services	-	765,009	765,009	585,624
Facilities	-	2	2	104,569
Other outlays	427	-	427	20,916
Total expenditures	<u>6,016,959</u>	<u>794,032</u>	<u>6,810,991</u>	<u>7,163,906</u>
Excess of revenues (under) expenditures	101,354	(149,787)	(48,433)	(166,990)
Adjustments to prior year encumbrances	8,708	1,011	9,719	-
Beginning fund balances	<u>687,627</u>	<u>718,738</u>	<u>1,406,365</u>	<u>1,573,355</u>
Ending fund balances	<u>\$ 797,689</u>	<u>569,962</u>	<u>1,367,651</u>	<u>1,406,365</u>

The accompanying notes are an integral part of these financial statements.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Regulatory Basis

General Fund

For the Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Local sources	\$ 773,618	773,618	917,446	143,828
Intermediate sources	87,085	87,085	113,692	26,607
State sources	4,543,364	4,543,364	4,527,971	(15,393)
Federal sources	<u>772,256</u>	<u>772,256</u>	<u>559,204</u>	<u>(213,052)</u>
Total revenues	<u>6,176,323</u>	<u>6,176,323</u>	<u>6,118,313</u>	<u>(58,010)</u>
Expenditures:				
Instruction	5,138,307	5,138,307	6,016,532	(878,225)
Support services	1,681,087	1,681,087	-	1,681,087
Non-instructional services	24,102	24,102	-	24,102
Facilities	-	-	-	-
Other outlays	<u>20,454</u>	<u>20,454</u>	<u>427</u>	<u>20,027</u>
Total expenditures	<u>6,863,950</u>	<u>6,863,950</u>	<u>6,016,959</u>	<u>846,991</u>
Net change in fund balance	(687,627)	(687,627)	101,354	788,981
Adjustments to prior year encumbrances	-	-	8,708	8,708
Beginning fund balance	<u>687,627</u>	<u>687,627</u>	<u>687,627</u>	<u>-</u>
Ending fund balance	<u>\$ -</u>	<u>-</u>	<u>797,689</u>	<u>797,689</u>

The notes to the financial statements are an integral part of this financial statement.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Regulatory Basis Special Revenue Funds For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds			Variance with
	Original Budget	Final Budget	Actual	Final Budget Favorable (Unfavorable)
Revenues:				
Local sources	\$ 153,018	153,018	189,987	36,969
Intermediate sources	-	53,107	-	(53,107)
State sources	53,107	-	58,103	58,103
Federal sources	<u>374,008</u>	<u>417,820</u>	<u>396,155</u>	<u>(21,665)</u>
Total revenues	<u>580,133</u>	<u>623,945</u>	<u>644,245</u>	<u>20,300</u>
Expenditures:				
Instruction	19,822	19,822	29,021	(9,199)
Support services	787,498	787,498	-	787,498
Non-instructional services	491,551	535,363	765,009	(229,646)
Facilities	<u>-</u>	<u>-</u>	<u>2</u>	<u>(2)</u>
Total expenditures	<u>1,298,871</u>	<u>1,342,683</u>	<u>794,032</u>	<u>548,651</u>
Net change in fund balance	(718,738)	(718,738)	(149,787)	568,951
Adjustments to prior year encumbrances	-	-	1,011	1,011
Beginning fund balances	<u>718,738</u>	<u>718,738</u>	<u>718,738</u>	<u>-</u>
Ending fund balances	\$ <u>-</u>	<u>-</u>	<u>569,962</u>	<u>569,962</u>

The accompanying notes are an integral part of these financial statements.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Notes to the Financial Statements – Regulatory Basis
June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of *Commerce School District No. I-18*, Ottawa County, Oklahoma (the *District*) conform to the regulatory basis of accounting, which is another comprehensive basis of accounting prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. The *District's* accounting policies are described in the following notes that are an integral part of the *District's* financial statements.

A. Reporting Entity

The *District* is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The *District* is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the *District* is the Board of Education (Board) composed of five elected members. The appointed superintendent is the executive officer of the *District*. The Board, constituting an on-going entity, is the level of government, which has governance responsibilities over all activities, related to public elementary and secondary school education within the jurisdiction of the Local Independent School District. The *District* receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the *District* is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

These financial statements present only the activities of the *District*. There are no component units (entities considered to be financially accountable to the *District*).

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus

The accounts of the *District* are organized and operated on the basis of funds and account groups. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Account Groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in other funds.

The *District* has the following fund types:

Governmental Funds - are used to account for most of the *District's* general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received rather than earned.

Expenditures are generally recognized when encumbered or reserved rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from generally accepted accounting principles.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus (continued)

Governmental funds include the following fund types:

General Fund – is the general operating fund of the *District*. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This is a budgeted fund, and any fund balances are considered as resources available for use. Major revenue sources include local property taxes and federal and state funding. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The General Fund also accounts for federal and state financed programs where restricted monies must be expended for specific programs. Project accounting is employed to maintain integrity for the various sources of these funds.

Special Revenue funds – account for revenue sources that are restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The special revenue funds are composed of the *District*'s Building Fund, Child Nutrition Fund, and a Co-op Fund. These are budgeted funds and any fund balances are considered as resources available for use.

Building Fund – consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing or maintaining school buildings and for purchasing furniture, equipment, and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition Fund - consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the operations of the school cafeteria.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

B. Measurement Focus (continued)

Co-op Fund - consists of monies derived from other districts which participate in shared programs. This fund is used to account for the operations of the shared programs.

Fiduciary funds - account for assets held by the *District* in a trustee capacity or as an agent on behalf of others.

Fiduciary funds include the following fund types:

Agency Fund – is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the cash basis of accounting. This fund is the School Activities Fund used to account for monies collected principally through fundraising efforts of the students and *District*-sponsored groups. This is an unbudgeted fund. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operation of the *District*.

Scholarship Funds – The *District* provides scholarships to seniors from funds established by donations. The Alexander, Bachman, Douglas, and Streeter funds are interest-only and the Miller fund is a combination of interest and principle. The Gilstrap fund is controlled by IBC Bank with the *District* recommending awardees. This is not a budgeted fund. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these Trust funds. These funds do not include revenues and expenditures for general operation of the *District*.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting and Presentation

The *District* prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis for State and Local Governments* with certain modifications. This format differs significantly from that required by GASB 34.

The financial statements are essentially prepared on the basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Investments are recorded as assets when acquired.
- School supplies are recorded as expenditures and not as inventory assets.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded in the General Long-Term Debt Account Group and not in the basic financial statements.
- Compensated absences are recorded as expenditures when paid and not recorded as a liability.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting and Presentation (continued)

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable, or when they are earned, and expenditures to be recognized when the related liabilities are incurred for governmental fund types; and when revenues are earned.

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures

1. Deposits and Investments

State statutes govern the *District's* investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The *District* invests entirely in certificates of deposit and participates in the Secured Investment Program of Oklahoma State School Boards Association, as authorized by Oklahoma Statutes Title 62, Section 348.

2. Fair Value of Financial Instruments

The *District's* financial statements include cash and investments. The *District's* estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of assets, liabilities and fund balances. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Notes to Financial Statements
June 30, 2015
(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

3. Estimates

The preparation of financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Interfund Transactions

Interfund transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund or expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the fund that is reimbursed. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers.

5. Inventories

Inventories consist of minimal amounts of expendable supplies held for consumption. The value of consumable inventories at year-end is not material to the *District's* financial statements. The costs of inventories are recorded as expenditures when encumbered and purchased rather than when consumed.

6. Fixed Assets

The *District* has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group required by the regulatory basis of accounting prescribed by the Oklahoma State Board of Education is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Notes to Financial Statements
June 30, 2015
(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

7. Compensated Absences

The *District* provides vacation and sick leave benefits in accordance with Title 70 of the Oklahoma Statutes, Article 6-104, which provides for annual sick leave and personal business days. *District* policy allows certified and support employees to accumulate such days to a maximum number of days. The amount of benefits payable upon retirement or death are reflected in each year's contracts with certified and support employees. Accrued vacation and sick leave benefits are not reflected in the financial statements because such statements are prepared on the regulatory basis of accounting. This practice differs from generally accepted accounting principles.

8. Fund Balance

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Notes to Financial Statements
June 30, 2015
(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

9. Fund Balance (continued)

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amounts that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment.

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balance includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Notes to Financial Statements
June 30, 2015
(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

9. Fund Balance (continued)

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

9. Property Taxes and Other Local Revenues

The *District* is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the *District*. The County Assessor, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer. Property taxes are levied on November 1 and are due on receipt of the tax bill. The first half of taxes is due prior to January 1. The second half is due prior to April 1. If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property. No provision has been made for uncollected taxes, as all taxes are deemed collectible. Other local sources of revenues include tuition, fees, rentals, disposals, commissions and reimbursements.

10. Intermediate Revenues

Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the *District* and the State, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Notes to Financial Statements
June 30, 2015
(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

11. State Revenues

Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The *District* receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

12. Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state. Entitlement is the amount of payment to which the *District* is entitled pursuant to an allocation formula contained in applicable statutes. The majority of the federal revenues received by the *District* are apportioned to the general fund. The *District* maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Fund Balance, Revenue and Expenditures (continued)

13. Non-Monetary Transactions

The *District* receives commodities from the U.S. Department of Agriculture. The value of these commodities has been included in the Schedule of Expenditures of Federal Awards; however, they have not been reflected in the combined financial statements as either revenue or expenditure since they are not reported under the regulatory basis of accounting.

14. Memorandum Only – Total Columns

Total columns on the combined financial statements are captioned “memorandum only” because they do not represent consolidated financial information and are presented only to facilitate analysis. The columns do not present information that reflects financial position or results of operations in accordance with generally accepted accounting principals. Inter-fund eliminations have not been made in the aggregation of this data.

15. Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the *District*'s assets, liabilities, fund balances, revenues and expenditures. However, complete comparative data (i.e. presentation of prior year totals by fund type in each of the statements) has not been presented since their inclusion would make the statements unduly complex and difficult to read. Certain previously reported amounts have been reclassified to conform to current year classifications.

16. Resource Use Policy

It is in the *District*'s policy for all funds that when an expenditure is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the *District* considers restricted amounts to be

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Resource Use Policy (continued)

spent first before any unrestricted amounts are used. Furthermore, it is the *District's* policy that when an expenditure is incurred for purposes for which committed, assigned or unassigned resources, including fund balances, are available, the *District* considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

The *District* is required by state law to prepare an annual budget. Under current Oklahoma Statutes, a formal Estimate of Needs (Budget) is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories. The annual Estimate of Needs, when approved by the Board and subsequently filed with the County Clerk and approved by the County Excise Board becomes the legal budget. Supplemental appropriations, if required, were made during the year and are reflected on the budget vs. actual presentations shown as original budget and final budget.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders and other commitments of resources are recorded as expenditures of the applicable fund – is utilized in all governmental funds of the *District*. Purchase orders or contracts document encumbrances for goods or purchased services. Under Oklahoma law, unencumbered appropriations lapse at year-end.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 3 - Detailed Notes Concerning the Funds

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2015, the *District* held deposits of approximately \$2,303,722 at financial institutions. The *District's* cash deposits, including interest-bearing certificates of deposit, are entirely covered Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the *District* or by its agent in the *District's* name.

Investment Interest Rate Risk

The *District* does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The *District* has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 3 - Detailed Notes Concerning the Funds (continued)

A. Deposits and Investments (continued)

- d. County, municipal or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The cash and investments held at June 30, 2015 are as follows:

<u>Type</u>	<u>Weighted Average Maturity (Months)</u>	<u>Credit Rating</u>	<u>Market Value</u>	<u>Cost</u>
Demand accounts	N/A	N/A	\$ 1,716,329	1,716,329
Money market	N/A	N/A	<u>587,393</u>	<u>587,393</u>
Total deposits and investments			<u>\$ 2,303,722</u>	<u>2,303,722</u>

Concentration of Investment Credit Risk

The *District* places no limit on the amount it may invest in any one issuer. The *District* has the following concentration of credit risk: 100% in Money Market funds (\$587,393).

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 4 - Other Information

A. 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; or acts of God. The *District* purchases commercial insurance to cover these risks, including general and auto liability, property damage, and public officials liability. The *District* had the following insurance coverage during the year: commercial property - \$1,000,000,000 real and personal property; \$25,000,000 earthquake/volcanic eruption; \$25,000,000 flood; \$100,000,000 boiler and machinery; general liability - \$1,000,000; educators' liability - \$1,000,000; \$25,000 errors and omissions; \$1,000,000 auto liability; and additional automobile physical damage, crime coverage, cyber liability coverage, disaster management and school violent acts protection in various amounts. Limits are shared by Oklahoma School Insurance Group members and subject to statement of values. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The *District* also participates in a risk pool for Workers' Compensation coverage in which there is a transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the *District* reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma. In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG the *District* is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the *District* goes into a loss fund for the *District*. The fee for the loss fund is calculated by projecting losses based on the *District's* losses for the last five years. OSAG provides coverage in excess of the loss fund so the *District's* liability for claim loss is limited to the balance of the loss fund. If the *District* does not use their loss fund in three years it is returned to them with no interest.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 4 - Other Information (continued)

A. Risk Management

The *District* is also a member of the Oklahoma Public Schools Unemployment Compensation Program (the Program). In this Program the *District* is required to maintain funds at a minimum level of \$11,000 for unemployment insurance. The funds for each district are kept separate. Out of this fund the Program pays, on behalf of the *District*, their Oklahoma Employment Security Commission quarterly contribution and Program administration fees. The *District* is billed quarterly. The money contributed by the *District* earns interest and is fully insured. If the *District* has claims in excess of the amount in their account they would be liable for the excess.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the *District* expects such amounts, if any, to be immaterial.

C. Non-Monetary Transactions

The fair market value, as determined by the Oklahoma Department of Human Services, of the commodities received during the period under audit was \$31,022.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 4 - Other Information (continued)

D. Employee Retirement System and Plan

Description of Plan

The *District* participates in the state-administered Oklahoma Teachers' Retirement System (OTRS), which is a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the Board of Trustees of the Oklahoma Teachers' Retirement System (the System). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly-available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 4 - Other Information (continued)

D. Employee Retirement System and Plan (continued)

Funding Policy

The *District*, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the *District* and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The *District* and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The *District* contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The *District* is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The *District* is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The *District's* total contributions for 2015, 2014 and 2013 were \$372,311; \$367,985; and \$427,403, respectively.

E. Section 125 Flexible Benefit Plan

The *District* has adopted a Section 125 Flexible Benefit Plan whereby all employees that complete one month of service and complete at least 17-1/2 hours of service per week are eligible to participate. The employer may, at its sole discretion, provide a non-elective contribution to provide benefits for each participant under the Plan. Available benefits include: group health and surgery insurance, disability income insurance and cancer coverage.

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Notes to Financial Statements

June 30, 2015

(continued)

Note 5 - Surety Bonds

The Superintendent is bonded by the Travelers Casualty and Surety Company of America, bond number 105321284, for the penal sum of \$100,000 for the term July 1, 2014 to June 30, 2015.

The Board of Education Treasurer is bonded by Travelers Casualty and Surety Company of America, bond number 105530508, for the penal sum of \$75,000 for the term December 1, 2013 to December 1, 2016.

The Encumbrance Clerk/Activity Fund Custodian and Co-Custodian/Minutes Clerk and Asst Minutes Clerk/Elementary, Middle and High School Principals/Special Education Director/Federal Programs Director/Board of Education Deputy Clerk are bonded by Travelers Casualty and Surety Company of America, bond number 105530508, for the penal sum of \$5,000 each for the term December 1, 2013 to December 1, 2016.

Note 6 - Subsequent Events

Management has evaluated subsequent events through February 1, 2016, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma

Other Information

June 30, 2015

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Combining Statement of Assets, Liabilities and Fund Balances

All Special Revenue Funds - Regulatory Basis

For the Fiscal Year Ended June 30, 2015

					(Memo Only)
		Child		Total	Total
	<u>Building</u>	<u>Nutrition</u>	<u>Cooperative</u>	<u>June 30,</u>	<u>June 30,</u>
<u>ASSETS</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>2015</u>	<u>2014</u>
Cash	\$ 575,184	48,195	7,277	630,656	774,259
Total assets	\$ <u>575,184</u>	<u>48,195</u>	<u>7,277</u>	<u>630,656</u>	<u>774,259</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Warrants payable	\$ 21,801	33,517	2,398	57,716	47,586
Reserve for encumbrances	<u>2,978</u>	<u>-</u>	<u>-</u>	<u>2,978</u>	<u>7,935</u>
Total liabilities	<u>24,779</u>	<u>33,517</u>	<u>2,398</u>	<u>60,694</u>	<u>55,521</u>
Fund balances					
Restricted	<u>550,405</u>	<u>14,678</u>	<u>4,879</u>	<u>569,962</u>	<u>718,738</u>
Total fund balances	<u>550,405</u>	<u>14,678</u>	<u>4,879</u>	<u>569,962</u>	<u>718,738</u>
Total liabilities and fund balances	\$ <u>575,184</u>	<u>48,195</u>	<u>7,277</u>	<u>630,656</u>	<u>774,259</u>

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances

All Special Revenue Funds - Regulatory Basis

For the Year Ended June 30, 2015

	Building Fund	Child Nutrition Fund	Cooperative Fund	Total June 30, 2015	(Memo Only) Total June 30, 2014
Revenues:					
Local sources	\$ 127,349	62,638	-	189,987	159,043
State sources	-	58,103	-	58,103	59,007
Federal sources	-	379,225	16,930	396,155	415,747
Total revenues	<u>127,349</u>	<u>499,966</u>	<u>16,930</u>	<u>644,245</u>	<u>633,797</u>
Expenditures:					
Instruction	12,422	-	16,599	29,021	17,579
Support services	-	-	-	-	3,500
Non-instructional services	250,568	514,441	-	765,009	544,926
Facilities	2	-	-	2	104,569
Total expenditures	<u>262,992</u>	<u>514,441</u>	<u>16,599</u>	<u>794,032</u>	<u>670,574</u>
Excess of revenues over (under) expenditures	(135,643)	(14,475)	331	(149,787)	(36,777)
Adjustments to prior year encumbrances	1,011	-	-	1,011	-
Beginning fund balances	<u>685,037</u>	<u>29,153</u>	<u>4,548</u>	<u>718,738</u>	<u>755,515</u>
Ending fund balances	<u>\$ 550,405</u>	<u>14,678</u>	<u>4,879</u>	<u>569,962</u>	<u>718,738</u>

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Regulatory Basis

Special Revenue Funds

For the Year Ended June 30, 2015

	<u>Building Fund</u>			<u>Child Nutrition Fund</u>		
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Actual</u>
	<u>Original Budget</u>	<u>Final Budget</u>		<u>Original Budget</u>	<u>Final Budget</u>	
Revenues:						
Local sources	\$ 102,461	102,461	127,349	50,557	50,557	62,638
State sources	-	-	-	53,107	53,107	58,103
Federal sources	-	-	-	358,734	402,546	379,225
Total revenues	<u>102,461</u>	<u>102,461</u>	<u>127,349</u>	<u>462,398</u>	<u>506,210</u>	<u>499,966</u>
Expenditures:						
Instruction	-	-	12,422	-	-	-
Support services	787,498	787,498	-	-	-	-
Non-instructional services	-	-	250,568	491,551	535,363	514,441
Facilities	-	-	2	-	-	-
Total expenditures	<u>787,498</u>	<u>787,498</u>	<u>262,992</u>	<u>491,551</u>	<u>535,363</u>	<u>514,441</u>
Net change in fund balances	(685,037)	(685,037)	(135,643)	(29,153)	(29,153)	(14,475)
Adjustments to prior year encumbrances	-	-	1,011	-	-	-
Beginning fund balances	<u>685,037</u>	<u>685,037</u>	<u>685,037</u>	<u>29,153</u>	<u>29,153</u>	<u>29,153</u>
Ending fund balances	<u>\$ -</u>	<u>-</u>	<u>550,405</u>	<u>-</u>	<u>-</u>	<u>14,678</u>

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual – Regulatory Basis

Special Revenue Funds

For the Year Ended June 30, 2015

(continued)

	Cooperative Fund			Total Special Revenue Funds		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:						
Local sources	\$ -	-	-	153,018	153,018	189,987
State sources	-	-	-	53,107	53,107	58,103
Federal sources	15,274	15,274	16,930	374,008	417,820	396,155
Total revenues	15,274	15,274	16,930	580,133	623,945	644,245
Expenditures:						
Instruction	19,822	19,822	16,599	19,822	19,822	29,021
Support services	-	-	-	787,498	787,498	-
Non-instructional services	-	-	-	491,551	535,363	765,009
Facilities	-	-	-	-	-	2
Total expenditures	19,822	19,822	16,599	1,298,871	1,342,683	794,032
Net change in fund balances	(4,548)	(4,548)	331	(718,738)	(718,738)	(149,787)
Adjustments to prior year encumbrances	-	-	-	-	-	1,011
Beginning fund balances	4,548	4,548	4,548	718,738	718,738	718,738
Ending fund balances	\$ -	-	4,879	-	-	569,962

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Combining Statement of Assets, Liabilities and Fund Equity
Fiduciary Funds – Regulatory Basis
June 30, 2015

	Agency Funds	Trust Funds	Total
<u>ASSETS</u>	Activity Funds	Scholarship Funds	Trust and Agency Funds
Cash	\$ 122,731	64,215	186,946
Total assets	\$ 122,731	64,215	186,946
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Due to student groups	\$ 122,731	-	122,731
Total liabilities	122,731	-	122,731
Fund Equity:			
Reserved for scholarships:			
Streeter	-	5,628	5,628
Miller	-	38,925	38,925
Alexander	-	2,613	2,613
Douglas	-	2,001	2,001
Gilstrap	-	5,904	5,904
Bachman	-	6,860	6,860
Furnace	-	2,284	2,284
Total fund equity	-	64,215	64,215
Total liabilities and fund equity	\$ 122,731	64,215	186,946

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds – Regulatory Basis
Agency Funds – Activity Fund
June 30, 2015

<u>Assets</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
Cash and cash equivalents:					
Activity fund	\$ 142,186	255,668	-	275,123	122,731
<u>Liabilities</u>					
Due to Student Groups:					
Football booster club	\$ 105	5,126	-	4,947	284
AES Parent faculty club	14,751	17,836	-	19,497	13,090
General fund	1,238	1,192	147	2,109	468
Elementary kindergarten	1,493	2,077	-	1,699	1,871
AES Library	1,343	8,049	-	8,027	1,365
Principals elementary	15,825	1,994	-	10,414	7,405
AES Phys Ed	1,638	259	-	1,225	672
AES Miscellaneous	529	340	-	-	869
AES 21st CC,C	115	-	-	-	115
Alexander Grant	12	500	-	493	19
Ping Pong Club	119	-	-	-	119
CHS Key Club	16	-	-	-	16
MS Cheerleaders	4,038	6,583	90	8,194	2,517
MS Cheerleaders booster	13	-	-	-	13
MS Library	105	3	-	-	108
MS Sadd	8	-	-	-	8
MS STUCO	945	247	-	-	1,192
TSA club	178	11,588	(107)	8,120	3,539
TSA Booster Club	7,237	3,367	-	5,796	4,808
Principals middle school	1,958	2,642	(240)	3,590	770
Annual	3,544	6,497	-	6,007	4,034
Soccer	888	4,248	-	2,945	2,191
Soccer Booster Club	-	68	92	-	160
HS Academic team	380	-	-	115	265
Art supplies	3,489	2,401	(318)	3,847	1,725
Art Club	-	156	579	280	455
Mickey Mantle Tournament	13,981	22,594	-	18,472	18,103
Athletics-boys and girls track	607	180	-	303	484
Athletics-HS gate/officials	12,004	34,268	(198)	39,812	6,262
Athletics-concessions	8,029	20,437	-	22,465	6,001
Athletics-boys basketball	213	1,097	-	94	1,216
Athletics-softball	4,454	4,833	-	4,813	4,474
Athletics-Lift-A-Thon	722	5,686	39	6,442	5
Athletics-girls basketball	981	2,950	67	2,802	1,196
Athletics-baseball	3,624	-	5	1,525	2,104
Lady Tigers basketball booster	15	-	-	-	15

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Combining Statement of Additions and Deletions
Fiduciary Funds – Regulatory
Agency Funds – Activity Fund
For the Fiscal Year ended June 30, 2015
(continued)

<u>Liabilities</u> (continued)	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Due to Student Groups (continued):					
Band	\$ 2,727	7,789	35	7,485	3,066
Choir/AES Music	778	540	-	411	907
Band boosters	560	597	-	1,008	149
Baseball booster club	4,007	2,084	-	4,137	1,954
Banquet account	7	-	-	-	7
HS Cheerleaders	1,377	1,545	75	2,309	688
HS Cheerleader boosters	8,048	25,280	(177)	25,390	7,761
Girls Softball B Club	3,357	1,426	-	1,937	2,846
Drama/Speech	749	-	-	15	734
Boys basketball booster club	109	-	-	-	109
FCCLA	6,073	23,035	101	24,072	5,137
FCA	153	-	-	-	153
Foreign Language	157	1,964	153	2,099	175
JR Parents After Prom	111	11,001	-	10,959	153
HS Library	332	69	-	80	321
NHS	1,034	175	9	562	656
HS Principal	4,002	2,227	313	2,671	3,871
HS SADD	6	-	13	-	19
HS Science Club	464	271	73	292	516
Class of 2017	-	-	3	-	3
Class of 2018	-	159	92	159	92
Class of 2014	147	-	(147)	-	-
Class of 2015	309	193	141	544	99
Class of 2016	54	2,620	-	1,680	994
HS STUCO	2,406	7,113	(837)	4,930	3,752
HS Miscellaneous	622	362	(3)	350	631
Total liabilities	\$ <u>142,186</u>	<u>255,668</u>	<u>-</u>	<u>275,123</u>	<u>122,731</u>

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma

Combining Statement of Revenues, Expenditures
and Changes in Fund Equity - Trust Funds
Endowment and Scholarship Funds
For the Fiscal Year Ended June 30, 2015

Revenues	
Investment income	\$ 353
Contributions	<u>1,618</u>
Total revenues	<u>1,971</u>
Expenditures	
Scholarships	<u>1,450</u>
Total expenditures	<u>1,450</u>
Excess of revenues over expenditures	521
Fund equity reserved for endowment and scholarships, beginning	<u>63,694</u>
Fund equity reserved for endowment and scholarships, ending	<u><u>\$ 64,215</u></u>

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Project Number</u>	<u>Program or Award Amount</u>	<u>Balance at June 30, 2014</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Balance at June 30, 2015</u>
<u>U.S. Department of Education</u>							
Direct Programs							
Title VII - Indian Education	84.060	561	\$ 28,939	-	28,939	51,650	(22,711)
Title VIII - Impact Aid	84.041	591,592	6,764	10,023	6,764	910	15,877
Sub-total			<u>35,703</u>	<u>10,023</u>	<u>35,703</u>	<u>52,560</u>	<u>(6,834)</u>
Passed Through Oklahoma State Department of Education							
Title I, Grants to Local Educational Agencies	84.010	511	263,093	-	208,804	279,111	(70,307)
Title I, Part C, Migrant Education	84.011	521	54,112	-	42,618	54,112	(11,494)
Title II - Part A	84.367	541	16,018	-	16,018	-	16,018
Title III - Part A English Language Acquisition	84.365	572	16,930	-	16,930	16,930	-
Title IV - 21st Century Community Learning Centers	84.287	553	-	(34,185)	34,185	-	-
Title VI - Part B	84.358B	587	17,060	-	17,060	17,060	-
IDEA B - Flow Through	84.027	621	187,153	-	142,665	187,153	(44,488)
IDEAB - Preschool	84.173	641	2,794	-	2,794	2,794	-
Sub-total			<u>557,160</u>	<u>(34,185)</u>	<u>481,074</u>	<u>557,160</u>	<u>(110,271)</u>
Total U.S. Department of Education			<u>592,863</u>	<u>(24,162)</u>	<u>516,777</u>	<u>609,720</u>	<u>(117,105)</u>

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma

Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Grantor's Project Number	Program or Award Amount	Balance at June 30, 2015	Revenue Collected	Total Expenditures	Balance at June 30, 2014
<u>U.S. Department of the Interior</u>							
<u>Bureau of Indian Affairs</u>							
Passed through the State of Oklahoma							
Johnson O'Malley 3 month	15.130	563	\$ 6,193	(14,331)	6,193	6,269	(14,407)
Total U.S. Department of the Interior			6,193	(14,331)	6,193	6,269	(14,407)
<u>U.S. Department of Health and Human Services</u>							
Passed through the Oklahoma Health Care Authority							
Medical Assistance Programs	93.778	698	53,128	41,130	53,128	40,045	54,213
Total U.S. Department of Health and Human Services			53,128	41,130	53,128	40,045	54,213
<u>U.S. Department of Agriculture:</u>							
Passed through the Oklahoma State Department of Education							
Child Nutrition Cluster							
Breakfast Program	10.553	764	87,158	-	87,158	99,619	5,683
Breakfast Program-carryover	10.553	764			18,144		
Lunch Program	10.555	763	291,845	-	286,833	291,845	-
Lunch Program-carryover	10.555	763			5,012		
Summer Food Program	10.559	766	5,234		5,234	-	9,110
Summer Food Program-carryover	10.559	766			3,876		
Passed through Oklahoma Department of Human Services							
Commodities Distributed (Note A)	10.555		31,022	-	31,022	31,022	-
Total Department of Agriculture			415,259	-	437,279	422,486	14,793
Total Expenditures of Federal Awards			\$ 1,067,443	2,637	1,013,377	1,078,520	(62,506)

Note A - Food Distribution: Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed.

Note B - The above schedule of expenditures of federal awards includes the federal grant activity of Commerce School District I-18, Ottawa County, Oklahoma. The schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements except for nonmonetary assistance noted in Note A.

Note C - Revenues for Project code 541 (Title II, Part A) in the amount of \$16,018 were transferred to Project code 511 (Title I) for expenditure.

Note D - Expenditures include indirect cost where applicable.

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma

Reports Required by *Government Auditing Standards*

June 30, 2015



STOTTS • ARCHAMBO
MUEGGENBORG & BARCLAY_{PC}
Certified Public Accountants

JD Stotts, CPA

Mark W. Archambo, CPA, CFP™

Deborah E. Mueggenborg, CPA

Tom K. Barclay, CPA, CFP™

John Whipple, CPA

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*

The Honorable Board of Education
Commerce School District No. I-18
Commerce, Ottawa County, Oklahoma

We have audited, 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, the accompanying combined fund type financial statements - regulatory basis of *Commerce School District No. I-18*, Ottawa County, Oklahoma (the *District*), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the *District's* basic financial statements, and have issued our report thereon dated February 1, 2016, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

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

Purpose of this Report

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

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

February 1, 2016



STOTTS • ARCHAMBO
MUEGGENBORG & BARCLAY_{PC}
Certified Public Accountants

JD Stotts, CPA

Mark W. Archambo, CPA, CFP™

Deborah E. Mueggenborg, CPA

Tom K. Barclay, CPA, CFP™

John Whipple, CPA

**Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

The Honorable Board of Education
Commerce School District No. I-18
Commerce, Ottawa County, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma (the *District*)'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the *District*'s major federal programs for the year ended June 30, 2015. The *District*'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma (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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the *District's* internal control over compliance.

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

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

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

Stotts, Archambo, Mueggenborg & Barclay, PC

Stotts, Archambo, Mueggenborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

February 1, 2016

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2015

Summary of Auditor's Results

Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued: adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education. | |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements Noted? | No |

Federal Awards

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)? | No |
| 4. Identification of major program: | |

CFDA Number

Name of Federal Program

- | | | |
|---|---|-----------|
| 10.553 | Child Nutrition Cluster – School Breakfast | |
| 10.555 | Child Nutrition Cluster – School Lunch | |
| 10.559 | Child Nutrition Cluster – Summer Food Program | |
| 10.555 | Child Nutrition Cluster – Commodities | |
| 84.027 | Special Education Cluster – IDEA-B Flow Through | |
| 84.173 | Special Education Cluster – IDEA-B Preschool | |
| | | |
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | | \$300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | | No |

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2015

(continued)

CURRENT YEAR

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs Audit

None

PRIOR YEAR

None

COMMERCE SCHOOL DISTRICT NO. I-18
Ottawa County, Oklahoma
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Financial Statement Findings:

None

Federal Programs Findings:

None

COMMERCE SCHOOL DISTRICT NO. I-18

Ottawa County, Oklahoma

Schedule of Accountant's Professional

Liability Insurance Affidavit

July 1, 2014 to June 30, 2015

State of Oklahoma)
) ss
County of Washington)

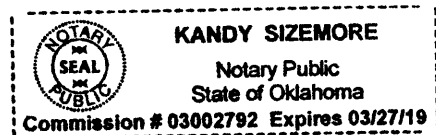
The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with *Commerce School District No. I-18* for the audit year 2014-2015.

Stotts, Archambo, Mueggengborg & Barclay, PC

Stotts, Archambo, Mueggengborg & Barclay, PC
Certified Public Accountants
Bartlesville, OK

Subscribed and sworn to before me on this 5 day of February, 2016.

Kandy Sizemore
Notary Public



My commission expires on: 27 day of March, 2019

Joy Hofmeister
State Superintendent of Public Instruction
Oklahoma State Department of Education
2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599

AUDIT ACKNOWLEDGEMENT

District Name Commerce Public School District District Number 1018
County Name Ottawa County Code 58

Audit Year: 2014-2015

The annual independent audit for the Commerce Public School District
(District Name)
was presented to the Board of Education in an Open Board Meeting on 02/08/2016
(Date of Meeting)
by Stotts, Archambo, Mueggenborg & Barclay, PC Deborah E. Mueggenborg
(Independent Auditor/Firm) (Independent Auditor's Signature)

The School Board acknowledges that as the governing body of the district, responsible for the district's financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the State Board of Education and the State Auditor and Inspector within 30 days from its presentation, as stated in 70 O.S. § 22-108:

"The district board of education shall forward a copy of the auditor's opinions and related financial statements to the State Board of Education and the State Auditor and Inspector within thirty (30) days after receipt of the audit."

Jarvis R. Hayes
Superintendent of Schools
Kenny Smith
Board of Education President

Misty Haulin
Board of Education Vice President
Janice H. Johnston
Board of Education Member
Heidi Long
Board of Education Member
Karen Beach
Board of Education Member

Board of Education Member

Board of Education Member

Board of Education Member

Subscribed and sworn before me on 2-8-16
(Sworn On)
Patricia Price
(Notary Public)

My Commission Expires 02-14-17

