

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

Financial Statements  
June 30, 2013

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

School District Officials  
June 30, 2013

**BOARD OF EDUCATION**

President . . . . . James M. Cossairt

Vice-President . . . . . Kevin Reading

Deputy Clerk . . . . . Misty Hailey

Member . . . . . Herb Logan

**CLERK OF BOARD OF EDUCATION**

Kenny Smith

**SCHOOL DISTRICT TREASURER**

Philip Geren

**SUPERINTENDENT OF SCHOOLS**

Jimmy R. Haynes

**ACTIVITY FUND CUSTODIAN**

Linda Colver

**MINUTE CLERK**

Trish Price

**ENCUMBRANCE CLERK**

Trish Price

**COMMERCE SCHOOL DISTRICT NO. I-18**  
**Ottawa County, Oklahoma**  
June 30, 2013

**Table of Contents**

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	5-7
<b>Financial Statements</b>	
Combined Statement of Assets, Liabilities and Fund Balances – All Fund Types and Account Groups – Regulatory Basis .....	8
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types – Regulatory Basis .....	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Funds – Regulatory Basis .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Funds – Regulatory Basis.....	11
<b>Notes to Financial Statements – Regulatory Basis</b> .....	12-31
<b>Other Information</b> .....	32
Combining Statement of Assets, Liabilities and Fund Balances - All Special Revenue Funds – Regulatory Basis .....	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds – Regulatory Basis .....	34
Combining Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Special Revenue Funds – Regulatory Basis.....	35-36
Combining Statement of Assets, Liabilities and Fund Equity – Fiduciary Funds – Regulatory Basis .....	37
Combining Statement of Changes in Assets and Liabilities – Fiduciary Funds - Agency Funds – Activity Funds – Regulatory Basis.....	38-39
Combining Statement of Revenues, Expenditures and Changes in Fund Equity – Trust Funds – Endowment and Scholarship Funds .....	40

**COMMERCE SCHOOL DISTRICT NO. I-18**  
**Ottawa County, Oklahoma**  
June 30, 2013

**Table of Contents**  
(continued)

	<u>Page</u>
<b>Other Information</b> (continued)	
Schedule of Expenditures of Federal Awards .....	41-42
<b>Reports Required by <i>Government Auditing Standards</i></b> .....	43
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 <i>Government Auditing Standards</i> .....	44-45
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	46-48
Schedule of Findings and Questioned Costs .....	49-50
Summary Schedule of Prior Audit Findings.....	51
<b>Other Department of Education Required Information</b>	
Schedule of Accountant's Professional Liability Insurance Affidavit.....	52
Audit Acknowledgement	



## **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 and account group financial statements - regulatory basis of the *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma (*District*), as of and for the year ended June 30, 2013, 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. 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. 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 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. I-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 the *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma as of June 30, 2013, 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 and account group of *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma, as of June 30, 2013, 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 January 28, 2014, on our consideration of the *District's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

  
Archambo & Mueggenborg, PC  
Certified Public Accountants

January 28, 2014

**COMMERCE SCHOOL DISTRICT NO. I-18**  
**Ottawa County, Oklahoma**  
Combined Statement of Assets, Liabilities and Fund Balances  
All Fund Types and Account Groups - Regulatory Basis  
June 30, 2013

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>
<b><u>ASSETS</u></b>					
Cash and investments	\$ 2,078,744	809,694	187,321	-	3,075,759
Amounts to be provided for capitalized lease obligations	-	-	-	97,780	97,780
Total assets	<u>\$ 2,078,744</u>	<u>809,694</u>	<u>187,321</u>	<u>97,780</u>	<u>3,173,539</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Warrants payable	\$ 901,479	50,652	-	-	952,131
Due to others	-	-	124,885	-	124,885
Reserve for encumbrances	359,425	3,527	-	-	362,952
Capitalized lease obligations payable	-	-	-	38,398	38,398
Long-term liabilities:					
Capitalized lease obligations payable	-	-	-	59,382	59,382
Total liabilities	<u>1,260,904</u>	<u>54,179</u>	<u>124,885</u>	<u>97,780</u>	<u>1,537,748</u>
Fund balances:					
Restricted for:					
Building	-	742,743	-	-	742,743
Child nutrition	-	8,558	-	-	8,558
Cooperative	-	4,214	-	-	4,214
Scholarships	-	-	62,436	-	62,436
Unassigned	<u>817,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>817,840</u>
Total fund balances	<u>817,840</u>	<u>755,515</u>	<u>62,436</u>	<u>-</u>	<u>751,301</u>
Total liabilities and fund balances	<u>\$ 2,078,744</u>	<u>809,694</u>	<u>187,321</u>	<u>97,780</u>	<u>2,289,049</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, 2013

	<u>Governmental Fund Types</u>		<b>Totals</b>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Local sources	\$ 881,359	351,676	1,233,035
Intermediate sources	105,379	-	105,379
State sources	4,146,942	60,883	4,207,825
Federal sources	1,076,266	459,087	1,535,353
Total revenues	<u>6,209,946</u>	<u>871,646</u>	<u>7,081,592</u>
Expenditures:			
Instruction	4,315,551	23,154	4,338,705
Support services	2,779,306	14,020	2,793,326
Non-instructional services	22,068	513,915	535,983
Facilities	48,710	29,133	77,843
Other outlays	61,577	-	61,577
Total expenditures	<u>7,227,212</u>	<u>580,222</u>	<u>7,807,434</u>
Excess of revenues over (under) expenditures	(1,017,266)	291,424	(725,842)
Adjustments to prior year encumbrances	77	13	90
Beginning fund balances	<u>1,835,029</u>	<u>464,078</u>	<u>2,299,107</u>
Ending fund balances	<u>\$ 817,840</u>	<u>755,515</u>	<u>1,573,355</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, 2013

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Local sources	\$ 818,632	818,632	881,359	62,727
Intermediate sources	83,394	83,394	105,379	21,985
State sources	4,219,155	4,219,155	4,146,942	(72,213)
Federal sources	1,078,400	1,078,400	1,076,266	(2,134)
Total revenues	<u>6,199,581</u>	<u>6,199,581</u>	<u>6,209,946</u>	<u>10,365</u>
Expenditures:				
Instruction	5,149,420	5,149,420	4,315,551	833,869
Support services	2,730,348	2,730,348	2,779,306	(48,958)
Non-instructional services	26,407	26,407	22,068	4,339
Facilities	-	-	48,710	(48,710)
Other outlays	116,730	116,730	61,577	55,153
Total expenditures	<u>8,022,905</u>	<u>8,022,905</u>	<u>7,227,212</u>	<u>795,693</u>
Net change in fund balance	(1,823,324)	(1,823,324)	(1,017,266)	806,058
Adjustments to prior year encumbrances	(11,705)	(11,705)	77	11,782
Beginning fund balance	<u>1,835,029</u>	<u>1,835,029</u>	<u>1,835,029</u>	<u>-</u>
Ending fund balance	<u>\$ -</u>	<u>-</u>	<u>817,840</u>	<u>817,840</u>

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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, 2013

	<u>Special Revenue Funds</u>			<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Local sources	\$ 177,220	177,220	351,676	174,456
Intermediate sources	-	60,020	-	(60,020)
State sources	60,020	-	60,883	60,883
Federal sources	381,252	401,041	459,087	58,046
Total revenues	<u>618,492</u>	<u>638,281</u>	<u>871,646</u>	<u>233,365</u>
Expenditures:				
Instruction	3,877	22,726	23,154	(428)
Support services	528,911	529,511	14,020	515,491
Non-instructional services	520,649	520,989	513,915	7,074
Facilities	29,133	29,133	29,133	-
Total expenditures	<u>1,082,570</u>	<u>1,102,359</u>	<u>580,222</u>	<u>522,137</u>
Net change in fund balance	(464,078)	(464,078)	291,424	755,502
Adjustments to prior year encumbrances	-	-	13	13
Beginning fund balance	<u>464,078</u>	<u>464,078</u>	<u>464,078</u>	<u>-</u>
Ending fund balance	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>755,515</u></u>	<u><u>755,515</u></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, 2013

**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, 2013  
(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 and account groups:

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, 2013  
(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, 2013  
(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 operations 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, 2013  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

B. Measurement Focus (continued)

Account Groups – are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt.

General Long-Term Debt Account Group – accounts for the outstanding principal balances of all long-term debt of the *District*, which is offset by the amount to be provided in future years to complete retirement of the debt principal.

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 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, 2013  
(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, 2013  
(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, 2013  
(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. Long-term Obligations

The *District* reports long-term debt at face value in the general long-term debt account group. The *District* has no bonds outstanding. Certain other lease obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

9. 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, 2013  
(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 to whom 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 purposes in accordance with the provisions of the standard.

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

Notes to Financial Statements  
June 30, 2013  
(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.

10. 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.

11. 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 with such systems.

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

Notes to Financial Statements  
June 30, 2013  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

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

12. 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 in 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.

13. 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, 2013  
(continued)

**Note 1 - Summary of Significant Accounting Policies** (continued)

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

14. 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.

15. 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.

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 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.

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

Notes to Financial Statements  
June 30, 2013  
(continued)

**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, are 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.

**Note 3 – Detailed Notes Concerning the Funds**

A. Deposits and Investments

*Custodial Credit Risk*

At June 30, 2013, the *District* held deposits of approximately \$2,888,438 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.



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

Notes to Financial Statements  
June 30, 2013  
(continued)

**Note 3 – Detailed Notes Concerning the Funds** (continued)

A. Deposits and Investments (continued)

*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 deposits 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.
- 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.).

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

Notes to Financial Statements  
June 30, 2013  
(continued)

**Note 3 – Detailed Notes Concerning the Funds** (continued)

A. Deposits and Investments (continued)

The cash and investments held at June 30, 2013 are as follows:

Type	Fair Value	Maturities in Years	
		On Demand	Less Than One
Demand accounts	\$ 1,684,740	1,684,740	-
Time deposits	618,065	-	618,065
Money market	585,633	585,633	-
Total deposits and investments	\$ <u>2,888,438</u>	<u>2,270,373</u>	<u>618,065</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 (\$585,633).

B. Long-term Debt

State statues prohibit the *District* from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the *District's* voters. The *District* has no bonds outstanding.

C. Leases

The *District* executed a lease for three (3) modular classroom buildings to be placed at the high school, middle school and elementary school on August 15, 2006 with Welch State Bank. The amount of the lease is \$223,557 with \$2,428 per month for 10 years and interest at 5.49%.

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

Notes to Financial Statements  
June 30, 2013  
(continued)

**Note 3 – Detailed Notes Concerning the Funds** (continued)

C. Leases (continued)

The *District* executed a lease for lighting at the softball fields on July 29, 2010 with Musco Finance. The amount of the lease is \$57,900 with \$13,975 payments annually for 3 years and interest at 5.10%.

Total payments for both leases are as follow:

<u>June</u>		<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2014	\$	38,398	4,710	43,108
2015		26,532	2,601	29,133
2016		28,027	1,106	29,133
2017		4,823	33	4,856
Total	\$	<u>97,780</u>	<u>8,450</u>	<u>106,230</u>

The above leases contain a clause that gives the *District* the ability to terminate the lease agreements at the end of each fiscal year. The *District* has recorded the liability for future lease payments in the general long-term debt account group for these leased assets.

D. Changes in General Long-term Debt

General long-term debt consists of capital lease obligations. The following is a summary of the changes in general long-term debt transactions of the *District* for the fiscal year:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>
Capitalized lease payable \$	<u>134,179</u>	<u>-</u>	<u>36,399</u>	<u>97,780</u>

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

Notes to Financial Statements  
June 30, 2013  
(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 - \$750,000,000 ; general liability - \$100,000,000 ; and educators liability - \$1,000,000 . 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.

The *District* is also a member of the Oklahoma Public Schools Unemployment Compensation Program (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 these funds 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 each district earns interest and is fully insured. If the *District*

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

Notes to Financial Statements  
June 30, 2013  
(continued)

**Note 4 – Other Information** (continued)

A. Risk Management (continued)

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 \$21,187.

D. Employee Retirement System and Plan

Description of Plan

The *District* participates in the state-administered Oklahoma Teachers' Retirement System, 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 53624, Oklahoma City, OK 73152 or by calling 405-521-2387.

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

Notes to Financial Statements  
June 30, 2013  
(continued)

**Note 4 – Other Information** (continued)

D. Employee Retirement System and Plan

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.

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 the year. The *District* is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members.

Annual Pension Cost

The *District's* total contributions for 2013, 2012 and 2011 were \$427,403; \$398,178; and \$373,195, respectively.

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

Notes to Financial Statements  
June 30, 2013  
(continued)

**Note 4 – Other Information** (continued)

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.

**Note 5 – Surety Bonds**

The Superintendent is bonded by the Travelers Casualty and Surety Company of America, bond number 105321284, for the sum of \$100,000 for the term July 1, 2012 to June 30, 2013.

The Treasurer is bonded by Travelers Casualty and Surety Company of America, bond number 105530508, for the sum of \$75,000 for the term December 1, 2010 to December 1, 2013.

The Encumbrance Clerk/Activity Fund Custodian/Minutes Clerk are bonded by Travelers Casualty and Surety Company of America, bond number 105530508, for the sum of \$5,000 each for the term December 1, 2010 to December 1, 2013.

**Note 6 – Subsequent Events**

Management has evaluated subsequent events through January 28, 2014, 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, 2013**



**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, 2013

<u><b>ASSETS</b></u>	<u><b>Building Fund</b></u>	<u><b>Child Nutrition Fund</b></u>	<u><b>Cooperative Fund</b></u>	<u><b>(Memo Only) Totals</b></u>
Cash	\$ 742,743	58,782	8,169	809,694
Total assets	\$ <u>742,743</u>	<u>58,782</u>	<u>8,169</u>	<u>809,694</u>
 <u><b>LIABILITIES AND FUND BALANCES</b></u>				
Liabilities				
Warrants payable	\$ -	46,697	3,955	50,652
Reserve for encumbrances	<u>-</u>	<u>3,527</u>	<u>-</u>	<u>3,527</u>
Total liabilities	<u>-</u>	<u>50,224</u>	<u>3,955</u>	<u>54,179</u>
Fund balances				
Restricted	<u>742,743</u>	<u>8,558</u>	<u>4,214</u>	<u>755,515</u>
Total fund balances	<u>742,743</u>	<u>8,558</u>	<u>4,214</u>	<u>755,515</u>
Total liabilities and fund balances	\$ <u>742,743</u>	<u>58,782</u>	<u>8,169</u>	<u>809,694</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, 2013

	<b>Building Fund</b>	<b>Child Nutrition Fund</b>	<b>Cooperative Fund</b>	<b>(Memo Only) Totals</b>
Revenues:				
Local sources	\$ 294,109	57,567	-	351,676
State sources	-	60,883	-	60,883
Federal sources	50,563	370,923	37,601	459,087
Total revenues	<u>344,672</u>	<u>489,373</u>	<u>37,601</u>	<u>871,646</u>
Expenditures:				
Instruction	-	-	23,154	23,154
Support services	13,975	-	45	14,020
Non-instructional services	-	513,915	-	513,915
Facilities	29,133	-	-	29,133
Total expenditures	<u>43,108</u>	<u>513,915</u>	<u>23,199</u>	<u>580,222</u>
Excess of revenues over (under) expenditures	301,564	(24,542)	14,402	291,424
Adjustments to prior year encumbrances	-	13	-	13
Beginning fund balances	<u>441,179</u>	<u>33,087</u>	<u>(10,188)</u>	<u>464,078</u>
Ending fund balances	<u>\$ 742,743</u>	<u>8,558</u>	<u>4,214</u>	<u>755,515</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, 2013

	<b>Building Fund</b>			<b>Child Nutrition Fund</b>		
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original Budget</b>	<b>Final Budget</b>		<b>Original Budget</b>	<b>Final Budget</b>	
Revenues:						
Local sources	\$ 116,865	116,865	294,109	60,355	60,355	57,567
State sources	-	-	-	60,020	60,020	60,883
Federal sources	-	-	50,563	367,187	367,187	370,923
Total revenues	<u>116,865</u>	<u>116,865</u>	<u>344,672</u>	<u>487,562</u>	<u>487,562</u>	<u>489,373</u>
Expenditures:						
Instruction	-	-	-	-	-	-
Support services	528,911	528,911	13,975	-	-	-
Non-instructional services	-	-	-	520,649	520,649	513,915
Facilities	<u>29,133</u>	<u>29,133</u>	<u>29,133</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>558,044</u>	<u>558,044</u>	<u>43,108</u>	<u>520,649</u>	<u>520,649</u>	<u>513,915</u>
Net change in fund balances	(441,179)	(441,179)	301,564	(33,087)	(33,087)	(24,542)
Adjustments to prior year encumbrances	-	-	-	-	-	13
Beginning fund balances	<u>441,179</u>	<u>441,179</u>	<u>441,179</u>	<u>33,087</u>	<u>33,087</u>	<u>33,087</u>
Ending fund balances	<u>\$ -</u>	<u>-</u>	<u>742,743</u>	<u>-</u>	<u>-</u>	<u>8,558</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, 2013  
(continued)

	<b>Cooperative Fund</b>			<b>Total Special Revenue Funds</b>		
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
Revenues:						
Local sources	\$ -	-	-	177,220	177,220	351,676
State sources	-	-	-	60,020	60,020	60,883
Federal sources	14,065	33,854	37,601	381,252	401,041	459,087
Total revenues	14,065	33,854	37,601	618,492	638,281	871,646
Expenditures:						
Instruction	3,877	22,726	23,154	3,877	22,726	23,154
Support services	-	600	45	528,911	529,511	14,020
Non-instructional services	-	340	-	520,649	520,989	513,915
Facilities	-	-	-	29,133	29,133	29,133
Total expenditures	3,877	23,666	23,199	1,082,570	1,102,359	580,222
Net change in fund balances	10,188	10,188	14,402	(464,078)	(464,078)	291,424
Adjustments to prior year encumbrances	-	-	-	-	-	13
Beginning fund balances	(10,188)	(10,188)	(10,188)	464,078	464,078	464,078
Ending fund balances	\$ -	-	4,214	-	-	755,515

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

Combining Statement of Assets, Liabilities and Fund Equity  
Fiduciary Funds – Regulatory Basis  
June 30, 2013

	<u>Agency Funds</u>	<u>Trust Funds</u>	<u>Total Trust and Agency Funds</u>
<b><u>ASSETS</u></b>	<b><u>Activity Funds</u></b>	<b><u>Scholarship Funds</u></b>	
Cash	\$ 124,885	62,436	187,321
Total assets	<u>\$ 124,885</u>	<u>62,436</u>	<u>187,321</u>
 <b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities:			
Due to student groups	\$ 124,885	-	124,885
Total liabilities	<u>124,885</u>	<u>-</u>	<u>124,885</u>
Fund Equity:			
Reserved for scholarships:			
Streeter	-	5,628	5,628
Miller	-	37,156	37,156
Alexander	-	2,613	2,613
Douglas	-	2,001	2,001
Gilstrap	-	5,904	5,904
Bachman	-	6,859	6,859
Furnace	<u>-</u>	<u>2,275</u>	<u>2,275</u>
Total fund equity	<u>-</u>	<u>62,436</u>	<u>62,436</u>
Total liabilities and fund equity	<u>\$ 124,885</u>	<u>62,436</u>	<u>187,321</u>

**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, 2013

<u>Assets</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Cash and cash equivalents:					
Activity fund	\$ 121,228	307,018	-	303,361	124,885
 <u>Liabilities</u>					
Due to Student Groups:					
Football booster club	\$ 3,358	9,171	-	12,036	493
AES Parent faculty club	9,525	12,999	(444)	12,203	9,877
General fund	4,504	3,935	504	6,850	2,093
Elementary kindergarten	403	2,760	-	2,472	691
AES Library	1,642	6,796	-	6,778	1,660
Principals elementary	10,035	18,115	344	13,667	14,827
AES Phys Ed	542	396	300	481	757
AES Miscellaneous	1,850	-	-	-	1,850
AES 21st CC,C	42	13	-	-	55
Alexander Grant	-	500	-	491	9
Ping Pong Club	119	-	-	-	119
CHS Key Club	16	-	-	-	16
MS Cheerleaders	7	6,122	90	3,892	2,327
MS Cheerleaders booster	13	-	-	-	13
Class of 2011	241	-	(241)	-	-
MS Library	352	-	-	248	104
MS Sadd	8	-	-	-	8
MS STUCO	288	2,721	-	2,715	294
TSA club	1,181	9,523	-	10,397	307
Principals middle school	43	8,068	(116)	7,758	237
Annual	6,031	6,944	-	8,049	4,926
Soccer	1,680	4,801	-	5,893	588
HS Academic team	674	-	-	115	559
Class of 2013	490	510	-	974	26
Art supplies	161	1,532	-	346	1,347
Mickey Mantle Tournament	9,854	19,132	(137)	14,698	14,151
Athletics-boys and girls track	522	120	-	-	642
Athletics-HS gate/officials	20,304	45,268	(590)	56,393	8,589
Athletics-concessions	12,519	30,850	437	31,630	12,176
Athletics-boys basketball	478	3,189	-	3,490	177
Athletics-softball	4,523	8,933	(600)	6,322	6,534
Athletics-Lift-A-Thon	1,254	6,905	-	7,577	582
Athletics-girls basketball	808	1,876	-	2,617	67
Athletics-baseball	849	4,216	-	2,726	2,339
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, 2013  
(continued)

<u>Liabilities</u> (continued)	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
Due to Student Groups (continued):					
Band	1,975	7,250	366	7,322	2,269
Choir/AES Music	623	409	-	286	746
Band boosters	1,040	566	-	830	776
Baseball booster club	1,311	3,321	-	1,518	3,114
Banquet account	7	-	-	-	7
HS Cheerleaders	952	2,551	-	3,486	17
HS Cheerleader boosters	3,481	28,870	-	23,432	8,919
Girls Softball B Club	-	3,960	-	1,395	2,565
Drama/Speech	903	660	100	859	804
Boys basketball booster club	69	-	-	-	69
FCCLA	5,411	27,697	-	26,886	6,222
FCA	152	-	-	-	152
Foreign Language	894	400	-	1,011	283
JR Parents After Prom	50	7,548	-	7,544	54
HS Library	735	68	-	189	614
NHS	1	151	-	148	4
HS Principal	6,710	1,806	250	1,881	6,885
HS Sadd	478	-	-	286	192
HS Science Club	391	949	-	921	419
Class of 2014	-	1,920	-	1,192	728
Class of 2012	263	-	(263)	-	-
Class of 2016	-	17	-	-	17
HS Stuco	822	3,368	-	3,245	945
HS Miscellaneous	629	112	-	112	629
Total liabilities	\$ 121,228	307,018	-	303,361	124,885

**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, 2013

Revenues	
Investment income	\$ 659
Contributions	<u>2,809</u>
Total revenues	<u>3,468</u>
Expenditures	
Scholarships	<u>1,439</u>
Total expenditures	<u>1,439</u>
Excess of revenues over expenditures	2,029
Fund equity reserved for endowment and scholarships, beginning	<u>60,407</u>
Fund equity reserved for endowment and scholarships, ending	\$ <u><u>62,436</u></u>



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

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor's Project Number	Program or Award Amount	Balance at June 30, 2012	Revenue Collected	Total Expenditures	Balance at June 30, 2013
<b><u>U.S. Department of Education</u></b>							
Direct Programs							
Title VII - Indian Education	84.060	561	\$ 62,100	(19,045)	64,601	62,100	(16,544)
Title VIII - Impact Aid	84.041	591,592,593	59,563	(16,020)	52,067	59,563	(23,516)
Sub-total			121,663	(35,065)	116,668	121,663	(40,060)
Passed Through Oklahoma State Department of Education							
Title I, Grants to Local Educational Agencies	84.010	511	290,946	(174,531)	361,310	284,815	(98,036)
Title I, School Support	84.010	515	29,692	(75,157)	101,027	29,692	(3,822)
Title I, Part C, Migrant Education	84.011	521	47,655	(22,514)	58,275	47,021	(11,260)
Title II - Part A	84.367	541	37,201	(16,831)	42,075	35,185	(9,941)
Title III - Part A English Language Acquisition	84.365	572	23,666	(14,065)	37,601	23,536	-
Title IV - 21st Century Community Learning Centers	84.287	553	140,907	(67,899)	125,448	140,907	(83,358)
Title VI - Part B	84.358	587	19,333	(12,191)	26,745	19,144	(4,590)
IDEA B - Flow Through	84.027	621	188,963	(72,365)	223,676	188,594	(37,283)
IDEAB - Preschool	84.173	641	7,666	-	7,666	7,666	-
Sub-total			786,029	(455,553)	983,823	776,560	(248,290)
Total U.S. Department of Education			907,692	(490,618)	1,100,491	898,223	(288,350)

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

Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2013  
(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Grantor's Project Number	Program or Award Amount	Balance at June 30, 2012	Revenue Collected	Total Expenditures	Balance at June 30, 2013
<b><u>U.S. Department of the Interior</u></b>							
<b><u>Bureau of Indian Affairs</u></b>							
Passed through the State of Oklahoma							
Johnson O'Malley 3 month	15.130	564	\$ 17,702	-	2,464	360	2,104
Total U.S. Department of the Interior			17,702	-	2,464	360	2,104
<b><u>U.S. Department of Health and Human Services</u></b>							
Passed through the Oklahoma Health Care Authority							
Medical Assistance Programs	93.778	698	61,447	-	61,447	61,447	-
Total U.S. Department of Health and Human Services			61,447	-	61,447	61,447	-
<b><u>U.S. Department of Agriculture:</u></b>							
Passed through the Oklahoma State Department of Education							
Child Nutrition Cluster							
Breakfast Program	10.553	385	90,117	-	90,117	90,117	-
Lunch Program	10.555	385	275,235	-	275,235	275,235	-
Summer Food Program	10.559	766	5,998	(5,571)	5,571	5,998	(5,998)
Passed through Oklahoma Department of Human Services							
(Note A)	10.551		21,187	-	21,187	21,187	-
Total Department of Agriculture			392,537	(5,571)	392,110	392,537	(5,998)
Total Expenditures of Federal Awards			\$ 1,361,676	(496,189)	1,556,512	1,352,567	(292,244)

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 schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements except

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

**Reports Required by *Government Auditing Standards***  
**June 30, 2013**



ARCHAMBO & MUEGGENBORG, PC

CERTIFIED PUBLIC ACCOUNTANTS

**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 fund type and account group financial statements - regulatory basis within the combined financial statements of the *Commerce School District No. I-18*, Ottawa County, Oklahoma (*District*), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the *District's* financial statements, and have issued our report thereon dated January 28, 2014, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.



Archambo & Mueggenborg, PC  
Certified Public Accountants

January 28, 2014

**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 the *Commerce School District No. I-18*, Commerce, Ottawa County, Oklahoma (*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, 2013. 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, 2013.

#### *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.

*Archambo & Mueggenborg, PC*

*Archambo & Mueggenborg, PC*  
Certified Public Accountants

January 28, 2014



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

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Summary of Auditor's Results**

*Financial Statements*

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 group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? \_\_\_Yes XNo

Significant Deficiencies identified not considered to be material weaknesses?  
\_\_\_Yes XNo

Noncompliance material to financial statements noted? \_\_\_Yes XNo

*Federal Awards:*

Type of auditors report issued on compliance for major programs: Unqualified

Internal Control Over Major Programs:

Material Weakness(es) identified? \_\_\_Yes XNo

Significant Deficiencies identified no considered to be material weaknesses?  
\_\_\_Yes XNo

Audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_Yes XNo

Dollar threshold used to distinguish Type A and Type B programs \$300,000

Auditee Qualified as low-risk auditee? \_\_\_Yes XNo

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

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013  
(continued)

**Summary of Auditor's Results** (continued)

*Identification of Major Programs:*

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.553	Child Nutrition Cluster - School Breakfast
10.555	Child Nutrition Cluster – School Lunch
10.559	Child Nutrition Cluster – School Summer Food Program
84.010	Title I

**Findings – Financial Statement Audit**

1. None

**Findings and Questioned Costs – Major Federal Award Programs Audit**

1. None

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

Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2013

2012-1 Warrants and encumbrances outstanding

Current status: This finding is cleared.

2012-2 Preparation of the Schedule of Expenditures of Federal Awards

Current status: This finding is cleared.

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

Schedule of Accountant's Professional  
Liability Insurance Affidavit  
July 1, 2012 to June 30, 2013

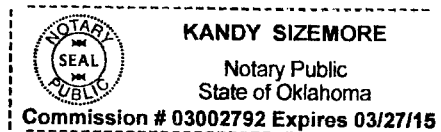
State of Oklahoma            )  
  ) ss  
County of Washington        )

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 2012-2013.

*Archambo & Mueggenborg, PC*  
Archambo & Mueggenborg, PC  
Certified Public Accountants

Subscribed and sworn to before me on this 6<sup>th</sup> day of February, 2014.

Kandy Sizemore  
Notary Public



My commission expires on : 27<sup>th</sup> day of March, 2015

**Janet Barresi**  
**State Superintendent of Public Instruction**  
**Oklahoma State Department of Education**  
**2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599**

**AUDIT ACKNOWLEDGEMENT**

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

**Audit Year: 2013**

The annual independent audit for the Commerce Public Schools  
(District Name)  
was presented to the Board of Education in an Open Board Meeting on February 10, 2014  
(Date of Meeting)  
by Archambo & Mueggenborg, PC  
(Independent Auditor)

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."

Jimmy R. Hays  
Superintendent of Schools

Karin Beacham  
Board of Education President

\_\_\_\_\_  
Board of Education Vice President

Kenny Smith  
Board of Education Member

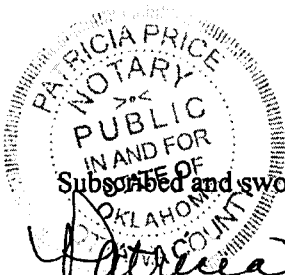
Misty Haulley  
Board of Education Member

Heck Logan  
Board of Education Member

\_\_\_\_\_  
Board of Education Member

\_\_\_\_\_  
Board of Education Member

\_\_\_\_\_  
Board of Education Member



Subscribed and sworn before me on 2/10/2014  
(Sworn On)

Patricia Price  
(Notary Public)

My Commission expires 04/14/2017