OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

FINANCIAL STATEMENTS
June 30, 2014

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

SCHOOL DISTRICT OFFICIALS
June 30, 2014

BOARD OF EDUCATION

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Member	Shane Bruce

CLERK OF BOARD OF EDUCATION

Shane Bruce

SCHOOL DISTRICT TREASURER

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SUPERINTENDENT OF SCHOOLS

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OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

October 1, 2014

The Honorable Board of Education
Oak Grove School District Number C-104
Payne County, Oklahoma

Report on the Financial Statements

We have audited the accompanying combined fund type and account group financial statements—regulatory basis of the Oak Grove School District Number C-104, Payne County, Oklahoma (District), as of and for the year ended June 30, 2014, 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 Oak Grove School District Number C-104, 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.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because 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 Oak Grove School District Number C-104, Payne County, Oklahoma as of June 30, 2014, 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 Oak Grove School District Number C-104, Payne County, Oklahoma, as of June 30, 2014, 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 and the schedule of expenditures of federal awards, are presented for purposes of additional analysis and are 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 October 1, 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.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
June 30, 2014

ASSETS

	Governmental Fund Types				Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	Agency	General Long-Term Debt	June 30, 2014	June, 30 2013
Assets:								
Cash and investments	$ 324,100	$ 148,982	$ 21,022	$ 11,346	$ 60,054	$ -	$ 565,504	$ 648,135
Amount available in debt service fund	-	-	-	-	-	21,022	21,022	27,046
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	73,978	73,978	97,954
Total assets	$ 324,100	$ 148,982	$ 21,022	$ 11,346	$ 60,054	$ 95,000	$ 660,504	$ 773,135

LIABILITIES AND FUND BALANCES

	General	Special Revenue	Debt Service	Capital Projects	Agency	General Long-Term Debt	June 30, 2014	June, 30 2013
Liabilities:								
Warrants payable	$ 49,951	$ 1,614	$ -	$ 11,341	$ -	$ -	62,906	$ 64,719
Encumbrances	-	-	-	-	-	-	-	-
Due to others	-	-	-	-	60,054	-	60,054	60,445
General obligation bonds payable	-	-	-	-	-	30,000	30,000	30,000
Long-term liabilities:								
General obligation bonds payable	-	-	-	-	-	65,000	65,000	95,000
Total liabilities	49,951	1,614	-	11,341	60,054	95,000	217,960	250,164
Fund balances:								
Restricted for:								
Building projects	-	124,195	-	-	-	-	124,195	128,029
Capital projects	-	-	-	5	-	-	5	16,910
Child nutrition	-	23,173	-	-	-	-	23,173	33,044
Debt service	-	-	21,022	-	-	-	21,022	27,046
Unassigned	274,149	-	-	-	-	-	274,149	317,942
Total fund balances	274,149	147,368	21,022	5	-	-	442,544	522,971
Total liabilities and fund balances	$ 324,100	$ 148,982	$ 21,022	$ 11,346	$ 60,054	$ 95,000	660,504	$ 773,135

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

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne 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, 2014

	Governmental Fund Types				Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects	June 30, 2014	June 30, 2013
Revenues:						
Local sources	$ 176,647	$ 60,889	$ 27,552	$ -	$ 265,088	$ 245,976
Intermediate sources	59,046	-	-	-	59,046	55,888
State sources	801,783	7,496	4	-	809,283	816,771
Federal sources	24,144	57,333	-	-	81,477	109,641
Other sources	-	26	-	-	26	200
Total revenues collected	1,061,620	125,744	27,556	-	1,214,920	1,228,476
Expenditures:						
Instruction	686,488	-	-	16,860	703,348	734,847
Support services	412,203	28,580	-	45	440,828	402,237
Non-instructional services	-	110,843	-	-	110,843	98,311
Capital outlay	-	-	-	-	-	69,900
Other outlays	6,722	26	-	-	6,748	7,076
Debt service:						
Principal retirement	-	-	30,000	-	30,000	-
Interest and fiscal agent charges	-	-	3,580	-	3,580	3,580
Total expenditures	1,105,413	139,449	33,580	16,905	1,295,347	1,315,951
Excess of revenues over (under) expenditures	(43,793)	(13,705)	(6,024)	(16,905)	(80,427)	(87,475)
Adjustments to prior year encumbrances	-	-	-	-	-	-
Beginning fund balances	317,942	161,073	27,046	16,910	522,971	610,446
Ending fund balances	$ 274,149	$ 147,368	$ 21,022	$ 5	$ 442,544	$ 522,971

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

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne 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, 2014

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues:				
Local sources	$ 161,018	$ 161,018	$ 176,647	$ 15,629
Intermediate sources	50,299	50,299	59,046	8,747
State sources	798,927	798,927	801,783	2,856
Federal sources	22,624	22,624	24,144	1,520
Other sources	-	-	-	-
Total revenues	1,032,868	1,032,868	1,061,620	28,752
Expenditures:				
Instruction	928,810	928,810	686,488	242,322
Support services	415,000	415,000	412,203	2,797
Non-instructional services	-	-	-	-
Capital outlay	-	-	-	-
Other outlays	7,000	7,000	6,722	278
Total expenditures	1,350,810	1,350,810	1,105,413	245,397
Net change in fund balance	(317,942)	(317,942)	(43,793)	274,149
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balance	317,942	317,942	317,942	-
Ending fund balances	$ -	$ -	$ 274,149	$ 274,149

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

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne 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, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 50,238	$ 50,238	$ 60,889	$ 10,651
Intermediate sources	-	-	-	-
State sources	1,507	1,507	7,496	5,989
Federal sources	52,361	52,361	57,333	4,972
Other sources	-	-	26	26
Total revenues	104,106	104,106	125,744	21,638
Expenditures:				
Support services	151,026	151,026	28,580	122,446
Non-instructional services	114,127	114,127	110,843	3,284
Capital outlay	-	-	-	-
Other outlays	26	26	26	-
Total expenditures	265,179	265,179	139,449	125,730
Net change in fund balance	(161,073)	(161,073)	(13,705)	147,368
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balance	161,073	161,073	161,073	-
Ending fund balances	$ -	$ -	$ 147,368	$ 147,368

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

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - REGULATORY BASIS

DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 26,814	$ 26,814	$ 27,552	$ 738
Intermediate sources	-	-	-	-
State sources	-	-	4	4
Federal sources	-	-	-	-
Total revenues	26,814	26,814	27,556	742
Expenditures:				
Debt service:				
Principal retirement	30,000	30,000	30,000	-
Interest & fiscal agent charges	3,580	3,580	3,580	-
Total expenditures	33,580	33,580	33,580	-
Net change in fund balance	(6,766)	(6,766)	(6,024)	742
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balance	27,046	27,046	27,046	-
Ending fund balances	$ 20,280	$ 20,280	$ 21,022	$ 742

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Oak Grove School District Number C-104, Payne 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).

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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 or expenses 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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.

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 and the Child Nutrition 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.

Debt Service fund - consists of the District's Sinking Fund and accounts for the accumulation of financial resources for servicing of general long-term debt (principal, interest and related costs). This is a budgeted fund. The primary revenue sources are local property taxes levied specifically for debt service.

Capital Project fund - consists of the District's Bond Fund and accounts for the proceeds of bond sales used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and the acquisition of transportation equipment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

Agency fund - is custodial in nature and does not present results of operations or has 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, of 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.

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 available in the debt service fund and 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 expenditure 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.
- A Management's Discussion and Analysis (MD&A) is not required to be presented when the financial statements are prepared on the regulatory basis of accounting.

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 or expenses to be recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District invests entirely in certificates of deposit, U.S. Treasury Securities, 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 instruments 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.

3. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses 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.

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 employees to accumulate such days to a maximum number of days. None of the benefits are payable upon retirement or death. 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. 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 Balances

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).

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 amount 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. The City Ordinance is the highest level of decision-making authority of the City.

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 balances 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balances (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 the 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 source 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.

12. State Revenues

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.

Revenues from state sources for current operations are primarily governed by state aid formula under the provisions of 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 expense 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 principles. Inter-fund eliminations have not been made in the aggregation of this data.

16. 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 expenses. However, complete comparative date (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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District is required by state law to prepare an annual budget. A preliminary budget is submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. The electors of the District have voted on the question to make the ad valorem levy for emergency levy and local support levy permanent; therefore, an annual mileage election (normally the first Tuesday in February) is not necessary. 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.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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.

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2014, the District held deposits of approximately $565,504 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by 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 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.).

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

A. Deposits and Investments (Continued)

The investments held at June 30, 2014 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Checking	N/A	AAAm	$ 325,504	$ 325,504
Certificate of deposit	7.00	N/A	240,000	240,000
Total investments			$ 565,504	$ 565,504

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 of credit risk: 42% in Certificates of Deposit ($240,000) and 58% in checking ($325,504).

B. Long-term Debt

State statutes 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. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

On May 1, 2012, the Oak Grove School District issued combined building and transportation bonds in the amount of $125,000 with an effective interest rate of 1.5% to 6.35%. Bond maturities begin May 1, 2014, in increments of $30,000 per year with a final maturity of $35,000 due May 1, 2017.

Annual debt service requirements to maturity are as follows:

Year Ended June 30,	General Obligation Bonds		Total Requirements
	Principal	Interest	
2015	$ 30,000	$ 1,675	$ 31,675
2016	30,000	1,225	31,225
2017	35,000	700	35,700
Total	$ 95,000	$ 3,600	$ 98,600

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Changes in General Long-term Debt

General long-term debt consists of bonds payable. The following is a summary of the changes in general long-term debt transactions of the District for the fiscal year:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Bonds payable	$ 125,000	$ -	$ 30,000	$ 95,000
Total	$ 125,000	$ -	$ 30,000	$ 95,000

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. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School 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 School 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 schools 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. In this program the District is required to contribute 1.6% of their taxable payroll for unemployment insurance. The funds for each district are kept separate and districts can contribute more than 1.6% of their payroll if they elect to. The money contributed by each 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.

4. OTHER INFORMATION (Continued)

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 $10,760.

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.

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 tax 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 school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The District's total contributions for 2014, 2013 and 2012 were $68,678, $63,449 and $62,308, respectively.

4. OTHER INFORMATION (Continued)

E. Surety Bonds

The District has a Public Official School Bond with Old Republic Surety Company. The bond number is POB-1057105, it covers the encumbrance clerk, activity fund custodian, minutes clerk and lunch fund custodian for the penal sum of $100,000, $5,000, $5,000 and $5,000 for the term July 1, 2013 to June 30, 2014.

The superintendent is bonded by Old Republic Surety Company. The bond number POB-1057105, for the penal sum of $100,000 for the term July 1, 2013 to June 30, 2014.

The treasurer is bonded by Ohio Casualty. The bond number 5059760, for the penal sum of $100,000 for the term July 1, 2013 to June 30, 2014.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and has determined that no additional information needs to be added to the financial statements.

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

OTHER INFORMATION
June 30, 2014

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
For the Fiscal Year Ended June 30, 2014

ASSETS

	Building Fund	Child Nutrition Fund	Total June 30, 2014	(Memo Only) Total June 30, 2013
Assets:				
Cash and investments	$ 124,195	$ 24,787	$ 148,982	$ 162,943
Total assets	$ 124,195	$ 24,787	$ 148,982	$ 162,943

LIABILITIES AND FUND BALANCES

Liabilities:				
Warrants payable	$ -	$ 1,614	$ 1,614	$ 1,870
Encumbrances	-	-	-	-
Total liabilities	-	1,614	1,614	1,870
Fund balances:				
Restricted	124,195	23,173	147,368	161,073
Total fund balances	124,195	23,173	147,368	161,073
Total liabilities and fund balances	$ 124,195	$ 24,787	$ 148,982	$ 162,943

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
For the Fiscal Year Ended June 30, 2014

	Building Fund	Child Nutrition Fund	Total June 30, 2014	(Memo Only) Total June 30, 2013
Revenues:				
Local sources	$ 24,741	$ 36,148	$ 60,889	$ 53,336
Intermediate sources	-	-	-	-
State sources	5	7,491	7,496	9,523
Federal sources	-	57,333	57,333	58,179
Other sources	-	26	26	-
Total revenues collected	24,746	100,998	125,744	121,038
Expenditures:				
Support services	28,580	-	28,580	-
Non-instructional services	-	110,843	110,843	98,311
Capital outlay	-	-	-	-
Other outlays	-	26	26	59
Total expenditures	28,580	110,869	139,449	98,370
Excess of revenues over (under) expenditures	(3,834)	(9,871)	(13,705)	22,668
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balances	128,029	33,044	161,073	138,405
Ending fund balances	$ 124,195	$ 23,173	$ 147,368	$ 161,073

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
AGENCY FUND
REGULATORY BASIS
June 30, 2014

	Agency Funds			
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Assets:				
Cash:				
All funds	$ 60,445	$ 85,908	$ 86,299	$ 60,054
Total Assets	$ 60,445	$ 85,908	$ 86,299	$ 60,054
Liabilities:				
Due to student groups:				
FCA	$ -	$ -	$ -	$ -
Administration	14,200	14,232	15,512	12,920
School Pictures	-	-	-	-
8th Grade	5,545	27,343	24,304	8,584
Lake Country Conference	-	4,370	2,276	2,094
Comm Club - Athletics	12,745	26,508	32,507	6,746
Yearbook	5,626	2,366	3,089	4,903
Community Club	10,657	2,041	1,738	10,960
Library	3,799	5,977	5,075	4,701
Student Council	492	1,390	1,242	640
Petty Cash	-	-	-	-
Cheerleader	129	-	-	129
Playground Equipment	7,252	1,681	556	8,377
Total Liabilities	$ 60,445	$ 85,908	$ 86,299	$ 60,054

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - REGULATORY BASIS

SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014

	BUILDING FUND			CHILD NUTRITION FUND			TOTALS		
	Budgeted Amounts			Budgeted Amounts			Budgeted Amounts		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues:									
Local sources	$ 22,997	$ 22,997	$ 24,741	$ 27,241	$ 27,241	$ 36,148	$ 50,238	$ 50,238	$ 60,889
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	5	1,507	1,507	7,491	1,507	1,507	7,496
Federal sources	-	-	-	52,361	52,361	57,333	52,361	52,361	57,333
Other sources	-	-	-	-	-	26	-	-	26
Total revenues	22,997	22,997	24,746	81,109	81,109	100,998	104,106	104,106	125,744
Expenditures:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	151,026	151,026	28,580	-	-	-	151,026	151,026	28,580
Non-instructional services	-	-	-	114,127	114,127	110,843	114,127	114,127	110,843
Other outlays	-	-	-	26	26	26	26	26	26
Total expenditures	151,026	151,026	28,580	114,153	114,153	110,869	265,179	265,179	139,449
Net change in fund balance	(128,029)	(128,029)	(3,834)	(33,044)	(33,044)	(9,871)	(161,073)	(161,073)	(13,705)
Adjustments to prior year encumbrances	-	-	-	-	-	-	-	-	-
Beginning fund balance	128,029	128,029	128,029	33,044	33,044	33,044	161,073	161,073	161,073
Ending fund balances	$ -	$ -	$ 124,195	$ -	$ -	$ 23,173	$ -	$ -	$ 147,368

OAK GROVE SCHOOL DISTRICT C-104
Payne County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Approved Amount	Balance @ July 1, 2013	Receipts	Expenditures	Balance @ June 30, 2014
U.S. Department of Education:							
Passed through State Department of Education:							
Title I	84.010	511	$ 19,577	$ -	$ 18,602	$ 18,602	$ -
Title II, Part A	84.367	541	3,268	-	3,268	3,268	-
Sub-Total			22,845	-	21,870	21,870	-
U. S. Department of Agriculture:							
Passed Through State Department of Education:							
Child Nutrition Programs:							
School Breakfast Program	10.553	764	16,128	10,091	16,128	16,128	10,091
National School Lunch Program	10.555	763	41,205	5,448	41,205	41,205	5,448
Passed through Oklahoma Department of Human Services (Note A)	10.550		10,760	-	10,760	10,760	-
Sub-Total			68,093	15,539	68,093	68,093	15,539
Other Federal Assistance:							
Forestry Department - Schools & Roads	10.666	770	2,274	-	2,274	2,274	-
Total Expenditures of Federal Awards			$ 93,212	$ 15,539	$ 92,237	$ 92,237	$ 15,539

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

Note B - This 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.

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2014

CBEW Professional Group, LLP
Certified Public Accountants

DON K. ETHRIDGE, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 1, 2014

The Honorable Board of Education
Oak Grove School District Number C-104
Payne 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 Oak Grove School District Number C-104, Payne County, Oklahoma (District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 1, 2014, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

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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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an 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. No significant deficiencies relating to the audit of the financial statements is reported in the Schedule of Findings and Questioned Costs.

3. No instances of noncompliance material to the financial statements of Oak Grove School District were disclosed during the audit.

FINDINGS - FINANCIAL STATEMENT AUDIT

1. None observed

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2. None observed

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014

1. None observed

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma

ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT

JULY 1, 2013 TO JUNE 30, 2014

State of Oklahoma)

County of Payne)

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 Oak Grove School District for the audit year 2013-2014.

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountant

Auditing Firm

By Walter H Webb

Authorized Agent

Subscribed and sworn to before me on this 1st day of, October, 2014.

Rebecca Toops

Notary Public

REBECCA TOOPS
Notary Public, State of Oklahoma
Commission # 11007004
My Commission Expires August 02, 2015

My commission expires on:

2nd day of Aug, 2014 11007004.

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma
June 30, 2014

AUDIT ACKNOWLEDGEMENT

The annual independent audit for the Oak Grove School District Number C-104 was presented to the Board of Education in an Open Board Meeting on November 3, 2014, by CBEW Professional Group, LLP.

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 Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

> "The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

_____	_____
Superintendent of Schools	Board of Education Vice President
_____	_____
Board of Education President	Board of Education Member

Subscribed and sworn to before me on this _____ day of, _____, 2014.

My commission expires on _____ day of _____, 20_____.

_____
Notary Public

Affix Notary Seal