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

FINANCIAL STATEMENTS
June 30, 2012

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

SCHOOL DISTRICT OFFICIALS
June 30, 2012

BOARD OF EDUCATION

President	JoAnn Baugus
Vice-President	Shane Bruce
Member	Robert Giddeon

CLERK OF BOARD OF EDUCATION

Robert Giddeon

SCHOOL DISTRICT TREASURER

Steven Cundiff, CPA

SUPERINTENDENT OF SCHOOLS

Krista Burden

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

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CBEW Professional Group, LLP
Certified Public Accountants

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

DON K. ETHRIDGE, CPA
WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

INDEPENDENT AUDITOR'S REPORT

October 5, 2012

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

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 listed in the table of contents as combined financial statements as of and for the year ended June 30, 2012. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements resulting from the use of this regulatory basis of accounting and presentation as compared to accounting principles generally accepted in the United States of America cannot be reasonably determined, but is considered material.

In our opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oak Grove School District Number C-104, Payne County, Oklahoma as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

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.

However, in our opinion, except for the effects of the omission of the general fixed asset account group, the combined 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, 2012, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1.

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Our audit was conducted for the purpose of forming opinions on the fund type financial statements within the combined financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the combined financial statements. The combining statement of changes in assets and liabilities of the fiduciary funds—regulatory basis and other schedules listed as supplemental information in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined financial statements of the District. The combining statement of changes in assets and liabilities of the fiduciary funds—regulatory basis and other schedules listed as supplemental information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, 2012

ASSETS

	Governmental Fund Types			Fiduciary Fund Type	Account Group	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Agency	General Long-Term Debt	June 30, 2012	June, 30 2011
Assets:							
Cash and investments	$ 413,035	$ 139,951	$ 1,005	$ 72,759	$ -	$ 751,750	$ 617,901
Amount available in debt service fund	-	-	-	-	1,005	1,005	4,280
Amount to be provided for retirement of general long-term debt	-	-	-	-	123,995	123,995	15,720
Total assets	$ 413,035	$ 139,951	$ 1,005	$ 72,759	$ 125,000	$ 876,750	$ 637,901

LIABILITIES AND FUND BALANCES

Liabilities:							
Warrants payable	$ 66,911	$ 1,546	$ -	$ -	$ -	68,457	$ 73,291
Encumbrances	88	-	-	-	-	88	-
Due to others	-	-	-	72,759	-	72,759	72,647
General obligation bonds payable	-	-	-	-	-	-	20,000
Long-term liabilities:							
General obligation bonds payable	-	-	-	-	125,000	125,000	-
Total liabilities	66,999	1,546	-	72,759	125,000	266,304	165,938
Fund balances:							
Restricted for:							
Building projects	-	104,957	-	-	-	104,957	99,687
Child nutrition	-	33,448	-	-	-	33,448	31,354
Debt service	-	-	1,005	-	-	1,005	4,280
Unassigned	346,036	-	-	-	-	471,036	336,642
Total fund balances	346,036	138,405	1,005	-	-	610,446	471,963
Total liabilities and fund balances	$ 413,035	$ 139,951	$ 1,005	$ 72,759	$ 125,000	876,750	$ 637,901

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, 2012

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	June 30, 2012	June 30, 2011
Revenues:					
Local sources	$ 172,556	$ 55,321	$ 17,469	$ 245,346	$ 262,805
Intermediate sources	52,067	-	-	52,067	46,185
State sources	798,881	9,393	6	808,280	761,279
Federal sources	95,771	54,706	-	150,477	125,014
Other sources	1,087	-	-	126,087	200
Total revenues collected	1,120,362	119,420	17,475	1,382,257	1,195,483
Expenditures:					
Instruction	723,248	-	-	723,248	685,684
Support services	379,392	18,686	-	398,078	409,037
Non-instructional services	-	93,248	-	93,248	88,422
Capital outlay	-	-	-	-	-
Other outlays	8,328	-	-	8,328	7,192
Debt service:					
Principal retirement	-	-	20,000	20,000	20,000
Interest and fiscal agent charges	-	-	750	750	1,500
Total expenditures	1,110,968	111,934	20,750	1,243,652	1,211,835
Excess of revenues over (under) expenditures	9,394	7,486	(3,275)	138,605	(16,352)
Adjustments to prior year encumbrances	-	-	-	-	-
Beginning fund balances	336,642	131,041	4,280	471,963	488,315
Ending fund balances	$ 346,036	$ 138,527	$ 1,005	$ 610,568	$ 471,963

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, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 151,701	$ 151,701	$ 172,556	$ 20,855
Intermediate sources	41,566	41,566	52,067	10,501
State sources	772,593	772,593	798,881	26,288
Federal sources	32,961	32,961	95,771	62,810
Other sources	-	-	1,087	1,087
Total revenues	998,821	998,821	1,120,362	121,541
Expenditures:				
Instruction	1,335,463	1,335,463	723,248	612,215
Support services	-	-	379,392	(379,392)
Non-instructional services	-	-	-	-
Capital outlay	-	-	-	-
Other outlays	-	-	8,328	(8,328)
Total expenditures	1,335,463	1,335,463	1,110,968	224,495
Net change in fund balance	(336,642)	(336,642)	9,394	346,036
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balance	336,642	336,642	336,642	-
Ending fund balances	$ -	$ -	$ 346,036	$ 346,036

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, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 47,153	$ 47,153	$ 55,321	$ 8,168
Intermediate sources	-	-	-	-
State sources	1,541	1,541	9,393	7,852
Federal sources	49,124	49,124	54,706	5,582
Total revenues	97,818	97,818	119,420	21,602
Expenditures:				
Support services	121,353	121,353	18,686	102,667
Non-instructional services	107,506	107,506	93,248	14,258
Capital outlay	-	-	-	-
Other outlays	-	-	-	-
Total expenditures	228,859	228,859	111,934	116,925
Net change in fund balance	(131,041)	(131,041)	7,486	138,527
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balance	131,041	131,041	131,041	-
Ending fund balances	$ -	$ -	$ 138,527	$ 138,527

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, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Local sources	$ 16,470	$ 16,470	$ 17,469	$ 999
Intermediate sources	-	-	-	-
State sources	-	-	6	6
Federal sources	-	-	-	-
Total revenues	16,470	16,470	17,475	1,005
Expenditures:				
Debt service:				
Principal retirement	20,000	20,000	20,000	-
Interest & fiscal agent charges	-	-	750	(750)
Total expenditures	20,000	20,000	20,750	(750)
Net change in fund balance	(3,530)	(3,530)	(3,275)	255
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balance	4,280	4,280	4,280	-
Ending fund balances	$ 750	$ 750	$ 1,005	$ 255

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, 2012, the District held deposits of approximately $751,750 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, 2011 are as follows:

Type	Weighted Average Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Checking	N/A	AAAm	$ 511,750	$ 511,750
Certificate of deposit	7.00	N/A	240,000	240,000
Total investments			$ 751,750	$ 751,750

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: 32% in Certificates of Deposit ($240,000) and 68% in checking ($511,750).

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, 2006, the Oak Grove School District issued building bonds in the amount of $100,000 with an effective interest rate of 5.00%. Bond maturities begin May 1, 2008, in increments of $20,000 per year with a final maturity due May 1, 2012. This bond paid off in the current year.

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	
2013	$ -	$ 3,580	$ 3,580
2014	30,000	3,580	33,580
2015	30,000	1,675	31,675
2016	30,000	1,225	31,225
2017	35,000	700	35,700
Total	$ 125,000	$ 10,760	$ 135,760

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, 2011	Additions	Retirements	Balance June 30, 2012
Bonds payable	$ 20,000	$ 125,000	$ 20,000	$ 125,000
Total	$ 20,000	$ 125,000	$ 20,000	$ 125,000

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 $6,365.

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.

Annual Pension Cost

The District's total contributions for 2012, 2011 and 2010 were $62,308, $66,061 and $60,040, 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 and lunch fund custodian for the penal sum of $100,000 for the term July 1, 2011 to June 30, 2012.

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, 2011 to June 30, 2012.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2012, 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

SUPPLEMENTAL INFORMATION
June 30, 2012

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, 2012

ASSETS

	Building Fund	Child Nutrition Fund	Total June 30, 2012	(Memo Only) Total June 30, 2011
Assets:				
Cash and investments	$ 104,957	$ 34,994	$ 139,951	$ 132,810
Total assets	$ 104,957	$ 34,994	$ 139,951	$ 132,810

LIABILITIES AND FUND BALANCES

Liabilities:				
Warrants payable	$ -	$ 1,546	$ 1,546	$ 1,769
Encumbrances	-	-	-	-
Total liabilities	-	1,546	1,546	1,769
Fund balances:				
Restricted	104,957	33,448	138,405	131,041
Total fund balances	104,957	33,448	138,405	131,041
Total liabilities and fund balances	$ 104,957	$ 34,994	$ 139,951	$ 132,810

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, 2012

	Building Fund	Child Nutrition Fund	Total June 30, 2012	(Memo Only) Total June 30, 2011
Revenues:				
Local sources	$ 23,949	$ 31,372	$ 55,321	$ 51,692
Intermediate sources	-	-	-	-
State sources	7	9,386	9,393	9,481
Federal sources	-	54,706	54,706	54,582
Total revenues collected	23,956	95,464	119,420	115,755
Expenditures:				
Support services	18,686	-	18,686	-
Non-instructional services	-	93,248	93,248	87,383
Capital outlay	-	-	-	-
Other outlays	-	122	122	-
Total expenditures	18,686	93,370	112,056	87,383
Excess of revenues over (under) expenditures	5,270	2,094	7,364	28,372
Adjustments to prior year encumbrances	-	-	-	-
Beginning fund balances	99,687	31,354	131,041	102,669
Ending fund balances	$ 104,957	$ 33,448	$ 138,405	$ 131,041

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
AGENCY FUND
REGULATORY BASIS
June 30, 2012

	Agency Funds			
	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Assets:				
Cash:				
All funds	$ 72,647	$ 74,381	$ 74,269	$ 72,759
Total Assets	$ 72,647	$ 74,381	$ 74,269	$ 72,759
Liabilities:				
Due to student groups:				
FCA	$ -	$ -	$ -	$ -
Administration	23,927	13,471	12,937	24,461
School Pictures	-	-	-	-
8th Grade	10,418	21,238	18,513	13,143
4-H Club	-	-	-	-
Comm Club - Athletics	11,856	26,895	30,532	8,219
Yearbook	4,800	2,570	2,025	5,345
Community Club	14,477	2,584	4,745	12,316
Library	2,520	4,826	4,194	3,152
Petty Cash	-	468	468	-
Clearing	-	-	-	-
Cheerleader	129	-	-	129
Playground Equipment	4,520	2,329	855	5,994
Total Liabilities	$ 72,647	$ 74,381	$ 74,269	$ 72,759

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, 2012

	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	$ 21,666	$ 21,666	$ 23,949	$ 25,487	$ 25,487	$ 31,372	$ 47,153	$ 47,153	$ 55,321
Intermediate sources	-	-	-	-	-	-	-	-	-
State sources	-	-	-	1,541	1,541	9,386	1,541	1,541	9,386
Federal sources	-	-	-	49,124	49,124	54,706	49,124	49,124	54,706
Total revenues	21,666	21,666	23,949	76,152	76,152	95,464	97,818	97,818	119,413
Expenditures:									
Instruction	-	-	-	-	-	-	-	-	-
Support services	121,353	121,353	18,686	-	-	-	121,353	121,353	18,686
Non-instructional services	-	-	-	107,506	107,506	93,248	107,506	107,506	93,248
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	121,353	121,353	18,686	107,506	107,506	93,248	228,859	228,859	111,934
Net change in fund balance	(99,687)	(99,687)	5,263	(31,354)	(31,354)	2,216	(131,041)	(131,041)	7,479
Adjustments to prior year encumbrances	-	-	-	-	-	-	-	-	-
Beginning fund balance	99,687	99,687	99,687	31,354	31,354	31,354	131,041	131,041	131,041
Ending fund balances	$ -	$ -	$ 104,950	$ -	$ -	$ 33,570	$ -	$ -	$ 138,520

OAK GROVE SCHOOL DISTRICT C-104
Payne County, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Project Number	Approved Amount	Balance @ July 1, 2011	Receipts	Expenditures	Balance @ June 30, 2012
U.S. Department of Education:							
Direct Programs:							
Small Rural School Achievement Program	84.358	777	$ 23,621	$ -	$ 23,621	$ 23,621	$ -
Passed through State Department of Education:							
Title I	84.010	511	$ 18,452	$ -	$ 17,353	$ 17,353	$ -
Title I 10-11	84.010	511	20,711	(20,711)	20,711	-	-
Title II, Part A	84.367	586	3,415	-	3,378	3,378	-
Education Jobs Fund	84.410	790	32,632	-	30,708	30,708	-
Sub-Total			75,210	(20,711)	72,150	51,439	-
U. S. Department of Agriculture:							
Passed Through State Department of Education:							
Child Nutrition Programs:							
School Breakfast Program	10.553	385	15,844	-	15,844	15,844	-
National School Lunch Program	10.555	385	38,862	-	38,862	38,862	-
Passed through Oklahoma Department of Human Services (Note A)	10.550		6,365	-	6,365	6,365	-
Sub-Total			61,071	-	61,071	61,071	-
Total Expenditures of Federal Awards			$ 159,902	$ (20,711)	$ 156,842	$ 136,131	$ -

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

ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

JULY 1, 2011 TO JUNE 30, 2012

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 2011-2012.

CBEW PROFESSIONAL GROUP, LLP

Auditing Firm

By Walter A Webb

Authorized Agent

Subscribed and sworn to before me on this 5th day of, October, 2012.

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 August, 2015 11007004.

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

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2012

CBEW Professional Group, LLP
Certified Public Accountants

DON K. ETHRIDGE, CPA
WALTER H. WEBB, CPA
JANE FRAZIER, CPA
CHARLES E. CROOKS, CPA
TRISHA J. RIEMAN, CPA

206 N. HARRISON ● P.O. BOX 790 ● CUSHING, OKLAHOMA 74023 ● 918-225-4216 ● FAX 918-225-4315

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 5, 2012

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

We have audited 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, 2012, and have issued our report thereon dated October 5, 2012, 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. 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's combined 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.*

Members of American Institute and Oklahoma Society of CPA's and Inpact Americas, an International Network of independent accounting firms
Serving Our Clients Since 1960

This report is intended solely for the information and use of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be and should not be used by anyone other than these specified parties.

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, 2012

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, 2012

1. None observed

OAK GROVE SCHOOL DISTRICT NUMBER C-104
Payne County, Oklahoma
June 30, 2012

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 1, 2012, 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, _____, 2012.

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

_____
Notary Public

Affix Notary Seal