ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA

Financial Statements
June 30, 2012

With Independent Auditors' Report Thereon

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
June 30, 2012

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INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
June 30, 2012

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ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
June 30, 2012

Board of Education

President	Kaycie Sheppard
Vice-President	Bill Lee
Clerk	Jerel McCullar
Deputy Clerk	Karon Hedges
Member	Justin Point

School District Treasurer

Jeannie McGehee

Minute-Encumbrance Clerk

Karen Bailey

Superintendent of Schools

Craig McVay

JOHNSTON & BRYANT

Certified Public Accountants

P.O. Box 1564
Ada, Oklahoma 74821-1564
(580) 332-5549

Pete Johnston, C.P.A.
Allen Bryant, Jr., C.P.A.

MEMBER
American Institute of Certified Public Accountants
Oklahoma Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Education
Roff Independent School District Number I-37
Roff, Pontotoc County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Roff School District No. I-37, Pontotoc County, Oklahoma, 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 Roff Independent School District, No. I-37, Pontotoc County, Oklahoma. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 differs from 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 addition, the District has not maintained the cost of fixed assets purchased in previous years and thus does not know the amounts that should be recorded in the General Fixed Asset Account Group. Therefore, the General Fixed Asset Account Group has not been presented. This information is required under the regulatory presentation prescribed by the Oklahoma State Department of Education.

Roff Independent School District I-37
Pontotoc County, Oklahoma

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Roff Independent School District, No. I-37, Pontotoc County, Oklahoma, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended.

In our opinion, except for the omission of the General Fixed Asset Account Group which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above do present fairly, in all material respects, the assets, the liabilities, and equity arising from regulatory basis transactions of each fund type and account group of Roff Independent School District No. I-37, Pontotoc County, Oklahoma, as of June 30, 2012, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with Governmental Auditing Standards, we have also issued our report dated August 13, 2012, on our consideration of the Roff Independent School District's internal control over financial reporting and 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.

Our audit was conducted for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented as required by the US Office of Management and Budget Circular A-133, Audit s of States, Local Governments, and Non-Profit Organizations. The Schedule of Expenditures of Federal Awards, the combining fund statements and schedules and other schedules as listed in the table of contents under the supplementary information are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the fund type and account group financial statements within the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

August 13, 2012

Johnson & Bryant

COMBINED FINANCIAL STATEMENTS

Exhibit A

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Combined Statement of Assets, Liabilities and Fund Balance
All Fund Types and Account Groups – Regulatory Basis
June 30, 2012

	Governmental Fund Types			
	General	Special Revenue	Debt Services	Co-Op
ASSETS				
Cash and Cash Equivalents	$ 397,358	$ 75,507	$ 56,481	$ 12,927
Amounts Available In Debt Services Fund	-	-	-	-
Amounts to be Provided for Retirement of General Long-Term Debt	-	-	-	-
TOTAL ASSETS	$ 397,358	$ 75,507	$ 56,481	$ 13,927
LIABILITIES AND FUND BALANCE:				
LIABILITIES:				
Warrants Payable	$ 127,331	$ 11,299	$ -	$ 4,939
Encumbrances	-	-	-	-
Long-Term Debt Bonds Payable	-	-	-	-
TOTAL LIABILITIES	127,331	11,299	-	4,939
FUND BALANCE:				
Fund Balance - Designated	-	-	56,481	-
Fund Balance - Undesignated	270,027	64,208	-	8,988
TOTAL FUND BALANCE	270,027	64,208	56,481	8,988
TOTAL LIABILITIES AND FUND BALANCE	$ 397,358	$ 75,507	$ 56,481	$ 13,927

The accompanying notes are an integral part of this statement.

Governmental Fund-Type	Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Capital Projects	Trust and Agency	Long-Term Debt	
$ 1,607	$ 75,156	$ -	$ 620,036
-	-	56,481	56,481
-	-	388,519	388,519
$ 1,607	$ 75,156	$ 445,000	$ 1,065,036
$ 70	$ -	$ -	$ 143,639
-	-	-	
			-
	-	445,000	445,000
70	-	445,000	588,639
1,537	-	-	58,018
-	75,156	-	418,379
1,537	75,156	-	476,397
$ 1,607	$ 75,156	$ 445,000	$ 1,065,036

Exhibit B

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Combined Statement of Revenues Collected, Expenditures Paid
and Changes in Fund Balances
All Governmental Fund Types – Regulatory Basis
Year Ended June 30, 2012

	Governmental Type Funds			
	General	Special Revenue	Debt Services	Co-Op
REVENUES COLLECTED:				
District Sources	$ 371,954	$ 105,238	$ 83,477	$ -
Intermediate Sources	54,779	-	-	-
State Sources	1,643,802	2,984	-	56,450
Federal Sources	409,318	180,934	-	-
TOTAL REVENUE COLLECTED	2,479,853	289,156	83,477	56,450
EXPENDITURES PAID:				
Instruction	1,430,938	-	-	53,513
Support Services	1,120,173	5,058	-	-
Non-Instruction Services	-	253,575	-	-
Capital Outlay	10,264	45,778	-	-
Other Outlays	-	-	87,328	-
TOTAL EXPENDITURES PAID	2,561,375	304,411	87,328	53,513
Excess of Revenues Collected Over (Under) Expenditures Paid	(81,522)	(15,255)	(3,851)	2,937
Operating Transfers In	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(81,522)	(15,255)	(3,851)	2,937
FUND BALANCE, BEGINNING OF YEAR	351,549	79,463	60,332	6,051
FUND BALANCE, END OF YEAR	$ 270,027	$ 64,208	$ 56,481	$ 8,988

The accompanying notes are an integral part of this statement.

Capital Projects	Total (Memorandum Only)
$ 25,607	$ 586,276
-	54,779
-	1,703,236
-	590,252
25,607	2,934,543
-	1,484,451
-	1,125,231
-	253,575
24,070	80,112
-	87,328
24,070	3,030,697
1,537	(96,154)
-	-
1,537	(96,154)
-	497,395
$ 1,537	$ 401,241

Exhibit C

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance – Budget and Actual – Regulatory Basis
Budgeted Governmental Fund – General Fund
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES COLLECTED:				
District Sources	$ 317,482	$ 392,006	$ 371,954	$ (20,052)
Intermediate Sources	43,894	43,894	54,779	10,885
State Sources	1,508,834	1,642,686	1,643,802	1,116
Federal Sources	328,199	604,167	409,318	(194,849)
TOTAL REVENUE COLLECTED	2,198,409	2,682,753	2,479,853	(202,900)
EXPENDITURES PAID:				
Instruction	1,419,443	1,903,787	1,430,938	472,849
Support Services	1,120,250	1,120,250	1,120,173	77
Non-Instruction Services	-	-	-	-
Capital Outlay	10,265	10,265	10,264	1
Other Outlays	-	-	-	-
TOTAL EXPENDITURES PAID	2,549,958	3,034,302	2,561,375	472,927
Excess of Revenues Collected Over (Under) Expenditures Paid	(351,549)	(351,549)	(81,522)	270,027
Operating Transfers In (Out)	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(351,549)	(351,549)	(81,522)	270,027
FUND BALANCE, BEGINNING OF YEAR	351,549	351,549	351,549	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ 270,027	$ 270,027

The accompanying notes are an integral part of this statement.

Exhibit D

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA

Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance – Budget and Actual – Regulatory Basis
Budgeted Governmental Fund – Special Revenue
Year Ended June 30, 2012

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES COLLECTED:			
District Sources	$ 110,332	$ 105,238	$ (5,094)
Intermediate Sources	-	-	-
State Sources	2,946	2,984	38
Federal Sources	164,388	180,934	16,546
TOTAL REVENUE COLLECTED	277,666	289,156	11,490
EXPENDITURES PAID:			
Instruction	-	-	-
Support Services	5,060	5,058	2
Non-Instruction Services	261,925	253,575	8,350
Other	90,144	45,778	44,366
Capital Outlays	-	-	-
TOTAL EXPENDITURES PAID	357,129	304,411	52,718
Excess of Revenues Collected Over (Under) Expenditures Paid	(79,463)	(15,255)	64,208
OTHER FINANCING SOURCES (USES)			
Operating Transfers In (Out)	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(79,463)	(15,255)	64,208
FUND BALANCE, BEGINNING OF YEAR	79,463	79,463	-
FUND BALANCE, END OF YEAR	$ -	$ 64,208	$ 64,208

The accompanying notes are an integral part of this statement.

Exhibit E

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA

Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance - Budget and Actual – Regulatory Basis
Budgeted Governmental Fund Types – Co-op Fund
Year Ended June 30, 2012

	Original/ Final Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES COLLECTED:				
District Sources	$ 15,011	$ 15,011	$ -	$ (15,011)
Intermediate Sources	-	-	-	-
State Sources	-	-	-	-
Federal Sources	40,064	40,064	56,450	16,386
TOTAL REVENUE COLLECTED	55,075	55,075	56,450	1,375
EXPENDITURES PAID:				
Instruction	61,126	61,126	53,513	7,613
Support Services	-	-	-	-
Non-Instruction Services	-	-	-	-
Capital Outlays	-	-	-	-
Other Outlays	-	-	-	-
TOTAL EXPENDITURES PAID	61,126	61,126	53,513	7,613
Excess of Revenues Collected Over (Under) Expenditures Paid	(6,051)	(6,051)	2,937	8,988
OTHER FINANCING SOURCES (USES)				
Operating Transfers In (Out)	-	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(6,051)	(6,051)	2,937	8,988
FUND BALANCE, BEGINNING OF YEAR	6,051	6,051	6,051	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ 8,988	$ 8,988

The accompanying notes are an integral part of this statement.

Exhibit F

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA

Combined Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balance - Budget and Actual – Regulatory Basis
Budgeted Governmental Fund Types – Debt Service Fund
Year Ended June 30, 2012

	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES COLLECTED:			
District Sources	$ 78,821	$ 83,477	$ 8,507
Intermediate Sources	-	-	-
State Sources	-	-	-
Federal Sources		-	-
TOTAL REVENUE COLLECTED	78,821	83,477	8,507
EXPENDITURES PAID:			
Instruction	-	-	-
Support Services	-	-	-
Non-Instruction Services	-	-	-
Capital Outlays	-	-	-
Debt Service	87,328	87,328	-
TOTAL EXPENDITURES PAID	87,328	87,328	-
Excess of Revenues Collected Over (Under) Expenditures Paid	(8,507)	(3,851)	4,656
OTHER FINANCING SOURCES (USES)			
Operating Transfers In (Out)	-	-	-
Excess Of Revenues Collected Over (Under) Expenditures Paid and Other Financing Sources (Uses)	(8,507)	(3,851)	4,656
FUND BALANCE, BEGINNING OF YEAR	60,332	60,332	-
FUND BALANCE, END OF YEAR	$ 51,825	$ 56,481	$ 4,656

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Roff Public Schools Independent District No. I-37 (the "District") have been prepared in conformity with another comprehensive basis of accounting prescribed or permitted by Oklahoma Department of Education. The more significant of the District's accounting policies are described below.

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 composed of elected members. The appointed Superintendent is the executive officer of the District.

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basis -- but not the only -- criterion for including a potential component unit in the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involved considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity.

Note 1. Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government'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).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. 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 includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue fund of the District consists of the Building Fund and Child Nutrition Fund.

Building Fund - The Building Fund consists of monies derived from property taxes levied for the purpose of constructing, remodeling, or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund - The Child Nutrition Fund consists of monies collected from meals served to students and employees of the district and is expended on food, supplies and salaries.

Co-op Fund- The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint program.

Note 1. Summary of Significant Accounting Policies (continued)

B. **Fund Accounting (continued)**

Debt Service Fund - Debt Service fund is the District's Sinking Fund and is used to account for the accumulation of financial resources for the payment of general long-term debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earning from temporary investments.

Capital Projects Fund - The Capital Projects Fund is the District's Bond Fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary Funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the District (internal service fund).

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a nonexpendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the District is under an obligation to maintain the trust principle. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Agency Fund - The Agency Fund is the Schools Athletic and Activities Fund which is used to account for monies collected principally through fundraising efforts and athletic events of the students and District-sponsored groups. The administration is responsible, under the authority of the Board, for collecting, disbursing and accounting for these activity funds.

Account Groups

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and general fixed assets not accounted for in proprietary funds.

Note 1. Summary of Significant Accounting Policies (continued)

B. **Fund Accounting (continued)**

General Long-Term Debt Account Group - This account group was established to account for 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.

General Fixed Asset Account Group - This account group is used to account for property, plant and equipment of the school district.

Memorandum Only - Total Column

The total column on the combined financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. **Basis of Accounting**

The District prepares its basic 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*. This format significantly differs from that required by GASB 34.

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

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.

Note 1. Summary of Significant Accounting Policies (continued)

C. **Basis of Accounting (continued)**

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

D. **Budgets and Budgetary Accounting**

A budget is legally adopted by the Board of Education for the General Fund and Special Revenue Fund that includes revenues and expenditures.

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.

E. **Encumbrance Accounting**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances outstanding at June 30, 2012 that were provided for in the subsequent year's budget are:

General Fund	$ -
Special Revenue Fund	-
Total	$ -

Note 1. Summary of Significant Accounting Policies (continued)

F. **Assets, Liabilities and Fund Equity**

Cash and Cash Equivalents - For purposes of the statement of cash flows, the District considers all cash on hand, demand deposits and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

Investments - Investments consist of the purchase of Certificates of Deposit. All investments are recorded at cost.

Inventories - The value of consumable inventories at June 30, 2012 is not material to the financial statements.

Fixed Assets and Property, Plant and Equipment - The General Fixed Assets Account Group is not presented.

Compensated Absences - The school does not calculate a dollar value of compensated absences. The amount is paid each year to the employees.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year.

Due to Activity Groups - Due to Activity groups represent the funds received from school related groups and organizations over which the board of education exercises control. These funds are credited to the account maintained by the District for the benefit of the group or organization.

Reserved for Debt Service - The balance of the sinking fund is restricted by Oklahoma statutes to be used only for paying of the principal and interest on bonds and judgments (to the extent of all outstanding obligations of the District).

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, and outstanding warrants.

G. **Revenue, Expenses and Expenditures**

Local Sources - Revenues from local sources is the money generated from within the District's boundaries. It includes ad valorem tax, interest income, tuition, fees, rentals, disposals, commissions and reimbursements.

Note 1. Summary of Significant Accounting Policies (continued)

G. **Revenue, Expenses and Expenditures (continued)**

Intermediate Sources - Revenues from intermediate sources are monies collected by an intermediate administrative unit (i.e. county government) between the District and the state levels, and distributed to the District in amounts that are different than the proportion collected within the District's boundaries.

State Sources - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

The District receives revenues from the state to administer certain categorical educational programs. State Board of Education rules require that revenue ear-marked 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 revenue be accounted for in the general fund.

Federal Sources - Revenues from federal sources are monies received from the federal government in the form of grants or entitlements (either directly or passed through another entity). A grant is monies received which must be spent for a specific purpose or activity. An entitlement is an amount given to the District based upon an allocation formula.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction.

Operation of Non-Instructional Services Expenditures - This expenditures category consists of activities which provide non-instructional services to students, staff or the community.

Note 1. Summary of Significant Accounting Policies (continued)

G. Revenue, Expenses and Expenditures (continued)

Capital Outlays - This expenditure category consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvements to sites.

Other Outlays - This category is for items not properly classified as expenditures, but which still require budgetary or accounting control.

Interfund Transactions - Quasi-external 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.

H. Statement of Cash Flows

Since the District does not currently have any Proprietary Fund Types, the statement of cash flows has not been presented in the fiscal 2012 accompanying financial statements.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during that reporting period. Actual results could differ from those estimates.

Note 2. Property Taxes

The District's ad valorem property tax is levied each October 1 on the assessed value listed for all real, business personal and public service property located in the District. The assessed value of the certified roll, upon which the levy for the 2011 fiscal year was based, was $9,405,408. On February 13, 2001, voters of the school district voted to make all support levies permanent.

Note 3. Cash and Investments

The District's investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government and Agencies; certificate 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.

In accordance with state statutes, the districts investment policy as follows:

The Treasurer shall invest the full amount of the investment account in:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the Government of the United States is pledged; provided, a treasurer of a school district who has completed the appropriate training offered by the State Department of Education may invest funds in the investment account in other obligations of the United States Government, its agencies, or instrumentalities;

2. Obligations to the payment of which the full faith and credit of this state is pledged;

3. Certificates of deposit of banks when such certificates of deposit are secured by acceptable collateral;

4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation;

5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 including obligations of the United States, its agencies and instrumentalities, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes;

6. County, municipal, or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such country, municipality or school district ordered by a court of record or bonds or bond and revenue notes issued by a pubic trust for which such country, municipality or school district is a beneficiary thereof;

7. Money market mutual funds regulated by the securities and exchange commission and which investments consist of obligations of the United States, its agencies and

Note 3. Cash and Investments (continued)

instrumentalities, and investments in those items and those restrictions specified in paragraphs 1 through 6;

8. Warrants, bonds, or judgments of the school district; or

9. Qualified pooled investment programs. The investment of which consist of those items specified in paragraphs 1 through 8 as well as obligations of the United States agencies and instrumentalities, regardless of the size of the districts budget. To be qualified, a pooled investment program for the schools funds must be governed through an interlocal cooperative agreement formed pursuant to 70 O.S. 5-117b and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the board of education.

Any interest received from investments may be placed in the general fund, the sinking fund, the building fund, or the fund from which the investment was made as approved by the board of education at a lawfully convened board meeting.

The treasurer shall place primary emphasis on safety and liquidity in the investment funds. Taking into account the need to use sound investment judgment prior to purchasing direct obligations of the United States Government or other obligations of the United States Government, its agencies or instrumentalities, the school district should utilize competitive bids, to the extent practicable. All investments shall be designed to maximize yield within the class of investment instrument, consistent with the safety of the funds invested.

To determine that the schools funds are properly secured, the treasurer shall, on a monthly basis, obtain from each bank where funds are deposited a listing of collateral pledged, setting forth the par value and market value of such collateral. The board shall utilize said documents in reviewing the investment performance of the treasurer.

The board of education shall review the investment performance of the treasurer each month at its regularly scheduled board meeting. Such review shall include, but is not limited to, a determination of whether the treasurer is making informed investment decisions regarding the safety, return, liquidity, costs, and benefits of various investment options in selecting investments for the school district.

Credit Risk is the risk that an issuer or other counter part to an investment will not fulfill its obligation. Generally, the school's investments are managed under the custody of the school's treasurer. Investing is performed in accordance with the school's investment policy as described above. As of June 30, 2012 the school's investments were deposited in local banks in bank accounts and certificates of deposits. These accounts are in one bank that is entirely insured by the

Note 3. Cash and Investments (continued)

FDIC up to its limits, with the individual bank pledging securities for the deposits in excess of the FDIC limits. As such at June 30, 2012 the school was not subject to custodial credit risk. However, the school is subject to concentration of Credit Risk since the one bank has deposits in excess of five percent of the school's total investments.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investment held for longer periods of time are subject to increased risk of adverse interest rate changes. The School's policy provides that to the extent practicable, investments are matched with anticipated cash flows. The school's investments are held in bank accounts and certificates of deposits which are short term to minimize Interest Rate Risk to as low a level as possible.

The District's deposits and investments are in one financial institution as follows:

	Bank Balance	Pledged Collateral	FDIC Insurance
Oklahoma Heritage Bank, Roff, OK	$ 620,036	$ 400,000	$ 250,000
Total Deposits	$ 620,036	$ 400,000	

Note 4. General 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 the approval by the District 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 10 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.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2012.

Obligation	Balance Outstanding 7-1-11	Issued (Retired) During Year	Balance Outstanding 6-30-12
2008 GO Bonds	$ 515,000	$ 70,000	$ 445,000
Totals	$ 515,000	$ 70,000	$ 445,000

Year Ending June 30	Principal	Interest	Totals
2013	$ 70,000	$ 15,228	$ 85,228
2014	70,000	12,988	82,988
2015	70,000	10,713	80,713
2016	70,000	8,368	78,368
2017	70,000	5,952	75,952
2018	95,000	3,468	98,468
Totals	$ 445,000	$ 56,717	$ 501,717

Note 5. Employee Retirement System

Plan Description – The District participates in the Oklahoma Teacher's Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teacher's 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 Teacher's 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 Teacher's Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405)521-2387.

Funding Policy – The contribution rates for the District and its employees are established by and may be amended by Oklahoma statute. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation.

Note 6. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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.

Note 7. Subsequent Events

There have been no subsequent events that would have a material adverse effect on the financial condition of the District.

Note 8. Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 9. Surety Bonds

The treasurer is bonded by Western Surety Company for the sum of $50,000 as of June 30, 2012.

The minute clerk/encumbrance clerk is bonded by Western Surety Company for the sum of $2,000 as of June 30, 2012.

The superintendent is bonded by Western Surety Company for the sum of $100,000 as of June 30, 2012.

The Activity Fund Custodian is bonded by Western Surety Company for the sum of $3,500 as of June 30, 2012.

COMBINING FINANCIAL STATEMENTS

Schedule 1

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Assets, Liabilities and Fund Balances
All Special Revenue Funds – Regulatory Basis
June 30, 2012

	Building Fund	Child Nutrition Program Fund	Total (Memorandum Only)
ASSETS:			
Cash and Cash Equivalents	$ 52,521	$ 22,986	$ 75,507
TOTAL ASSETS	$ 52,521	$ 22,986	$ 75,507
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Warrants Payable	$ 958	$ 10,341	$ 11,299
Encumbrances	958	-	-
TOTAL LIABILITIES	-	10,341	11,299
FUND BALANCE:			
Fund Balances	51,563	12,645	64,208
TOTAL LIABILITIES AND FUND BALANCES	$ 52,521	$ 22,986	$ 75,507

Schedule 2

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balances - All Special Revenue Funds – Regulatory Basis
Year Ended June 30, 2012

	Building Fund	Child Nutrition Program Fund	Total (Memorandum Only)
REVENUES COLLECTED:			
District Sources of Revenue	$ 52,509	$ 52,729	$ 105,238
State Sources of Revenue	-	2,984	2,984
Federal Sources of Revenue	-	180,934	180,934
TOTAL REVENUE	52,509	236,647	289,156
EXPENDITURES PAID:			
Instruction	-	-	-
Support Services	5058	-	5,058
Non-Instruction Services	-	253,575	253,575
Capital Outlay	45,778	-	45,778
Other Outlays	-	-	-
TOTAL EXPENDITURES PAID	50,836	253,575	304,411
Excess of Revenues Over (Under) Expenditures Paid	1,673	(16,928)	(15,255)
OTHER RESOURCES AND USES:			
Operating Transfers In (Out)	-	-	-
Revenues and Other Resources Over (Under) Expenditures and Other Uses	1,673	(16,928)	(15,255)
FUND BALANCE, BEGINNING OF YEAR	49,890	29,573	79,463
FUND BALANCE, END OF YEAR	$ 51,563	$ 12,645	$ 64,208

Schedule 3

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Revenues Collected, Expenditures Paid
And Changes in Fund Balances – Budget and Actual (Regulatory Basis)
Special Revenue Fund Types
Year Ended June 30, 2012

	Building Fund		
	Original Budget	Final Budget	Actual
Revenues Collected:			
District Sources of Revenue	$ 45,314	$ 45,314	$ 52,509
State Sources of Revenue	-	-	-
Federal Sources of Revenue	-	-	-
TOTAL REVENUE COLLECTED	45,314	45,314	52,509
EXPENDITURES			
Instruction	-	-	-
Support Services	5,060	5,060	5,058
Non-Instruction Services	-	-	-
Capital Outlays	90,144	90,144	45,778
Other Outlays	-	-	-
TOTAL EXPENDITURES PAID	95,204	95,204	50,836
Excess of Revenue Over (Under) Expenditures Paid	(49,890)	(49,890)	1,673
OTHER RESOURCES AND USES:			
Operating Transfers In	-	-	-
Revenues and Other Resources Over (Under) Expenditures and Other Uses	(49,890)	(49,890)	1,673
FUND BALANCE, BEGINNING OF YEAR	49,890	49,890	49,890
FUND BALANCE, END OF YEAR	$ -	$ -	$ 51,563

Child Nutritional Fund			Total		
Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
$ 30,263	$ 65,018	$ 52,729	$ 75,577	$ 110,332	$ 105,238
2,946	2,946	2,984	2,946	2,946	2,984
154,221	164,388	180,934	154,221	164,388	180,934
187,430	232,352	236,647	232,744	277,666	289,156
-	-	-	-	-	-
-	-	-	5,060	5,060	5,058
217,003	261,925	253,575	217,003	261,925	253,575
-	-	-	90,144	90,144	45,778
-	-	-	-	-	-
217,003	261,925	253,575	312,207	357,129	304,411
(29,573)	(29,573)	(16,928)	(79,463)	(79,463)	(15,255)
-	-	-	-	-	-
(29,573)	(29,573)	(16,928)	(79,463)	(79,463)	(15,255)
29,573	29,573	29,573	79,463	79,463	79,463
$ -	$ -	$ 12,645	$ -	$ -	$ 64,208

Schedule 4

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Combining Statement of Assets, Liabilities and Fund Balance
Fiduciary Funds – Regulatory Basis
June 30, 2012

	Agency Fund School Activity Fund
ASSETS	
Cash	$ 79,745
TOTAL ASSETS	$ 79,745
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Checks Payable	$ 4,589
TOTAL LIABILITIES	4,589
FUND BALANCE:	
Unreserved/Undesignated	22,888
Designated Student Groups	52,268
TOTAL FUND BALANCE	75,156
TOTAL LIABILITIES AND FUND BALANCE	$ 79,745

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2012

Description	Beginning Balance 6/30/11	Receipts	Adjustments	Disbursements	Ending Balance 6/30/12
Athletics	$ 3,905	$ 85,170	$ -	$ 82,690	$ 6,384
Miscellaneous	92	140,803	-	126,590	14,304
FFA	167	25,842	-	23,708	2,301
Elementery Conc	1,243	8,185	-	7,511	1,917
Sr. Trip	44	4,266	2,036	6,324	22
Jr. Trip	2,036	1,105	(1,026)	50	2,065
Soph	1,011	968	(110)	1,192	677
Freshman	901	1,315	(901)	890	425
Library	2,108	2,292	-	2,047	2,353
OERB	1,167	-	-	140	1,028
Business Club	1,260	5,048	-	4,379	1,929
Academics	159	2,457	-	2,230	386
Jr. 4-H	924	138	-	270	791
Yearbook	22	11,317	-	2,040	9,298
Sr. Misc	-	1,055	-	1,055	-
Science Fair	-	1,175	-	1,175	(0)
Sped. ED	487	2,385	-	2,130	742
Cheerleaders	1,486	3,603	-	3,574	1,515
Baseball Hitting Facility	11,969	21,865	-	25,365	8,469
Girls Athletics	375	10,991	-	10,322	1,044
6th	-	50	-	-	50
7th	-	146	-	-	146
Art Studio	-	8,057	-	3,220	4,837
21st Century	-	374	-	-	374
Music	16	1,520	-	20	1,516
Flower Fund	26	65	-	82	9
BETA Club	2,902	2,999	-	2,181	3,721
Student Council	2,142	26,484	-	27,117	1,510
Pre-School	33	1,001	-	1,031	3
FCA	1,069	-	-	-	1,069
Alt. Ed	344	-		-	344
Child Nut	-	19,327	-	19,252	76
Drama	514	-	-	-	514
Nat. Honor Society	2,081	1,354	-	300	3,135
High School Misc.	6,779	-	-	6,536	243
Boys Basketball	2,037	8,750		8,830	1,957
	-	-	-	-	-
Grand Total	$ 47,300	$ 400,106	$ -	$ 372,251	$ 75,154

SUPPORTING SCHEDULES

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Schedule of Expenditures of Federal Awards - Regulatory Basis
Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/ Program Title	Federal CFDA No.	Pass Through Grantor's Number	Balance June 30, 2011	Receipts For Prior Year Expenditures	Receipts For Current Year Expenditures
U.S. Department of Education Direct Programs:					
Indian Education Title VII	84.060	B060A010063	$ -	$ -	$ 14,351
TOTAL U.S. DEPARTMENT OF EDUCATION			-	-	14,351
Passed Through State Department of Education:					
Title I - Part A	84.010	N/A	10,931	10,931	95,284
21st Century Community Learning Center	84.287	N/A	-	-	138,864
IDEA - B - Flow Through	84.027	N/A	16,593	16,593	66,069
IDEA - B - Categorical - Discretionary	84.027	N/A	-	-	4,902
Rehabilitation Services	84.126	N/A	-	-	8,516
Special ED - Pre-School	84.173	N/A	-	-	1,592
ARRA - PreSchool	84.392	N/A	-	-	965
Indian Education JOM	15.130	N/A	1,475	1,475	-
Title II Part A Reap	84.367	N/A			15,584
Indian Ed - Small Rural	84.358A	N/A			13,308
			-	-	-
TOTAL DEPARTMENT OF EDUCATION			28,999	28,999	345,084
Passed Through Oklahoma Tourism and Recreation Department					
Land and Water Conservation Fund	15.916	N/A	-	-	18,307
Passed Through State Department of Vocational and Technical Education					
Carl D Perkins	84.048	N/A	7,479	7,479	-
Passed Through U.S. Department of Agriculture:					
Child Nutrition - Breakfasts	10.553	N/A	-	-	60,091
Child Nutrition - Lunches	10.555	N/A	-	-	110,676
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	-	170,767
Passed Through U.S. Department of Human Services					
Commodity Supplemental Food Program	10.565	N/A	-	-	10,167
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES			-	-	10,167
TOTAL FEDERAL ASSISTANCE			$ 36,478	$ 36,478	$ 558,676

Current Year Expenditures	Balance June 30, 2012
$ 14,477	$ 29
14,477	29
96,868	1,584
137,279	1,585
66,444	-
4,902	-
11,173	-
1,592	-
965	-
3,208	3,185
15,673	89
13,394	-
-	-
351,498	6,443
34,247	15,940
7,159	7,159
60,091	-
110,676	-
170,767	-
10,167	-
10,167	-
$ 588,315	$ 29,571

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Notes to Schedule of Expenditures of Federal Awards - Regulatory Basis
Year Ended June 30, 2012

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant expenditures of Roff Public Schools, I-37, Pontotoc County, Oklahoma and is presented on the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

No amounts were passed through to a subrecipient.

SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

ROFF PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Schedule of Accountant's Professional Liability Insurance Affidavit
July 1, 2011 to June 30, 2012

STATE OF OKLAHOMA)
)ss
COUNTY OF PONTOTOC)

The undersigned representative of the auditing firm listed below being 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 the Roff Public Schools for the audit year 2011-2012.

Johnston and Bryant, C.P.A.'S.

By Pete Johnston

Subscribed and sworn to before me this 16th day of November, 2012

Keisha Brewer
Notary Public

My commission expires 3-15-14

Commission No. 06002835

KEISHA BREWER NOTARY # 06002835 PUBLIC STATE OF OKLAHOMA

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

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

The Board of Education
Roff Independent School District Number I-37
Roff, Pontotoc County, Oklahoma

We have audited the financial statements of Roff Independent School District No. I-37, Pontotoc County, Oklahoma as of and for the year ended June 30, 2012, and have issued our report thereon dated August 13, 2012. As stated in our report, the financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education which differs from accounting principles generally accepted in the United States of America. In our report, our opinion was qualified because the omission of the General Fixed Assets Account Group results in an incomplete presentation. 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 Roff Independent School District's., internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Roff Independent School 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.

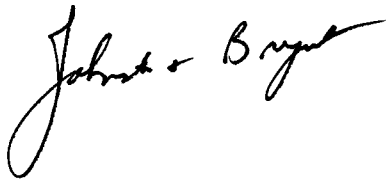
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness.01-12 and 02-12.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Roff Independent School 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.

This report is intended solely for the information and use of management, others within the organization, board of education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



August 13, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Education
Roff Independent School District No. I-37
Roff, Pontotoc County, Oklahoma

Compliance

We have audited the compliance of Roff Independent School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2012. Roff Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Roff Independent School District's management. Our responsibility is to express an opinion on Roff Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with Auditing Standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Roff Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Roff Independent School District's compliance with those requirements.

In our opinion, Roff Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

The Board of Education
Roff Independent School District No. I-37
Roff, Pontotoc County, Oklahoma

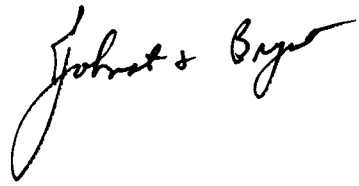
Internal Control Over Compliance

Management of Roff Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Roff Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended solely for the information and use of management, others within the organization, board of education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



August 13, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ROFF INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Qualified

Internal Control over financial reporting

Material weaknesses identified?	X Yes	__No
Reportable conditions identified that are not considered to be material weaknesses?	__Yes	X None Noted
Noncompliance material to financial statements noted?	__Yes	X No
Findings relating to the financial statements which are required to be reported in accordance with GAGAS?	__Yes	X None Noted

Federal Awards

Internal control over major programs: Unqualified

Material weaknesses identified?	__Yes	X No
Reportable conditions identified that are not considered to be material weaknesses?	__Yes	X No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133?	__Yes	X No
Findings and questioned costs for Federal Awards	__Yes	X None Noted

Identification of Major Programs:

CFDA Number	Name of Federal Program
84.287A	21st Century Community Learning Center
15.916	Land and Water Conservation Fund

Dollar threshold used to distinguish between type A and type B programs: $ 300,000

Auditee qualified as low-risk auditee? X Yes __No

ROFF INDEPENDENT SCHOOL DISTRICT NO. I-37
PONTOTOC COUNTY, OKLAHOMA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Status of Prior Year Findings

None.

Status of Current Year Findings

See Finding 01-12 and 02-12 on page 38.

01-12 General Fund Cash Reconciliation

Criteria: Proper internal controls dictate the general fund cash balance to be properly reconciled to the bank account on a monthly basis.

Condition: As of June 30, 2012, the school's general fund balance per their financial statements totaled $402,898.79.The reconciled Bank account for the general fund totaled $397,358.22. A difference existed totaling $5,540.97.

Cause: During the year the school was using a contract treasurer who was unable to keep the general fund cash account reconciled to the bank account.

Effect or Potential Effect: By not knowing the exact amount of money in the school general fund, the funds could inadvertently be overspent. Also, proper reconciliation of the account reduces the potential ability of someone spending money fraudulently.

Recommendation: Reconcile all cash accounts to the bank accounts on a monthly basis. Any differences should be thoroughly investigated and resolved immediately.

Responsible Official's Response:

The new school treasurer will reconcile the general fund monthly and promptly report any differences so they can be resolved timely.

02-12 Coding of Federal Expenditures

Criteria: Receipt of Federal Funding requires the proper recognition of those funds as federal expenditures when spent.

Condition: During the fiscal year ending June 30, 2012, the school received and spent 170,767 of federal child nutrition revenues but failed to properly record the expenditures as federal expenditures in their records.

Cause: The school used an incorrect coding when recording the expenditure of those funds.

Effect or Potential Effect: Understatement of federal expenditures by 170,767 as reported on the school's OCAS report.

Recommendation: Review all expenditure coding as related to federal funds and determine that the proper coding is used.

Responsible Official's Response: The school agrees to the recommendation.