

ANNUAL FINANCIAL REPORT
CANEY SCHOOL DISTRICT NO. I-26
ATOKA COUNTY, OKLAHOMA
JULY 1, 2011 TO JUNE 30, 2012

AUDITED BY
KERRY JOHN PATTEN, C.P.A.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2012**

Board of Education

President	Myra Watson
Vice-President	Clint Crites
Clerk	Clint Gossett
Member	Mandy Lawson
Member	Misty Green

Superintendent of Schools

Lori Boehme

School District Treasurer

Sharon Wadley

**CANEY SCHOOL DISTRICT NO. I-26
ATOKA COUNTY, OKLAHOMA
JUNE 30, 2012**

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ATOKA COUNTY, OKLAHOMA
JUNE 30, 2012**

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Independent Auditor's Report

The Honorable Board of Education
Caney School District No. I-26
Caney, Atoka County, Oklahoma

I have audited the accompanying combined fund type and account group financial statements – regulatory basis of the Caney School District No. I-26, Atoka 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 (C), 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.

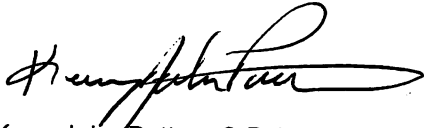
In my opinion, because the District's policy is to prepare its combined financial statements on the basis of accounting discussed in the third paragraph, the combined financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Caney School District No. I-26, in conformity with accounting principles generally accepted in the United States of America, the financial position of Atoka 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 my 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 balances arising from regulatory basis transactions of each fund type and account group of Caney School District No. I-26, Atoka 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.

My 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 for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*; I have also issued my report dated March 7, 2013, on my 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 my 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 my audit.

A handwritten signature in black ink, appearing to read "Kerry John Patten", with a stylized, flowing script.

Kerry John Patten, C.P.A.
March 7, 2013

COMBINED FINANCIAL STATEMENTS

CANEY SCHOOL DISTRICT NO. 1-26
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL FUND TYPES AND ACCOUNT GROUPS - REGULATORY BASIS
JUNE 30, 2012

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Types</u>	<u>Account Groups</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Trust and Agency</u>	<u>General Long-term Debt</u>	<u>June 30, 2012</u>
<u>ASSETS</u>						
Cash	\$ 381,807.96	\$ 78,327.37	\$ 275.50	\$ 38,723.09	\$ -	\$ 499,133.92
Investments	-	-	-	-	-	-
Amounts available in debt service fund	-	-	-	-	275.50	275.50
Amounts to be provided for retirement of general long-term debt	-	-	-	-	196,728.67	196,728.67
Total assets	\$ 381,807.96	\$ 78,327.37	\$ 275.50	\$ 38,723.09	\$ 197,004.17	\$ 696,138.09
 <u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Outstanding warrants	\$ 172,825.13	\$ 14,426.55	\$ -	\$ 426.20	\$ -	\$ 187,677.88
Encumbrances	4,960.10	-	-	-	-	4,960.10
Long-term debt:						
Capitalized lease obligations payable	-	-	-	-	7,150.00	7,150.00
Judgments payable	-	-	-	-	189,854.17	189,854.17
Interest payable	-	-	-	-	-	-
Total liabilities	\$ 177,785.23	\$ 14,426.55	\$ -	\$ 426.20	\$ 197,004.17	\$ 389,642.15
Fund Balances						
Designated for capital projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Designated for debt service	-	-	275.50	-	-	275.50
Cash fund balances	204,022.73	63,900.82	-	38,296.89	-	306,220.44
Total fund balances	\$ 204,022.73	\$ 63,900.82	\$ 275.50	\$ 38,296.89	\$ -	\$ 306,495.94
Total liabilities and fund balances	\$ 381,807.96	\$ 78,327.37	\$ 275.50	\$ 38,723.09	\$ 197,004.17	\$ 696,138.09

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

CANEY SCHOOL DISTRICT NO.1-26
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Debt Service	June 30, 2012
Revenues collected:				
Local sources	\$ 272,278.83	\$ 50,197.80	\$ 275.50	\$ 322,752.13
Intermediate sources	30,158.76	-	-	30,158.76
State sources	1,324,187.43	18,173.54	-	1,342,360.97
Federal sources	470,352.57	122,171.93	-	592,524.50
Total revenues collected	\$ 2,096,977.59	\$ 190,543.27	\$ 275.50	\$ 2,287,796.36
Expenditures paid:				
Instruction	\$ 1,174,532.07	\$ -	\$ -	\$ 1,174,532.07
Support services	724,548.45	9,084.43	-	733,632.88
Non-instructional services	-	156,364.64	-	156,364.64
Capital outlay	-	-	-	-
Other outlays	16,477.49	-	-	16,477.49
Other uses	-	-	-	-
Repayments	-	-	-	-
Debt service:	-	-	-	-
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures paid	\$ 1,915,558.01	\$ 165,449.07	\$ -	\$ 2,081,007.08
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	\$ 181,419.58	\$ 25,094.20	\$ 275.50	\$ 206,789.28
Adjustments to prior year encumbrances	\$ 16,484.35	\$ 148.02	\$ -	\$ 16,632.37
Other financing sources (uses):				
Money Judgment Proceeds	\$ 186,135.47	\$ -	\$ -	\$ 186,135.47
Operating transfers in/(out)	6,198.17	-	(6,198.17)	-
Bank charges	(79.37)	-	-	(79.37)
Total other financing sources (uses)	\$ 192,254.27	\$ -	\$ (6,198.17)	\$ 186,056.10
Excess of revenues collected over (under) expenditures paid and other financing sources (uses)	\$ 390,158.20	\$ 25,242.22	\$ (5,922.67)	\$ 409,477.75
Fund balances, beginning of year	\$ (186,135.47)	\$ 38,658.60	\$ 6,198.17	\$ (141,278.70)
Fund balances, end of year	\$ 204,022.73	\$ 63,900.82	\$ 275.50	\$ 268,199.05

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

CANEY SCHOOL DISTRICT NO. I-26
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANACES - BUDGET AND ACTUAL
BUDGETED GOVERNMENTAL FUND TYPES - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund			Special Revenue Fund		
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual
Revenues collected:						
Local sources	\$ 234,273.84	\$ 242,119.44	\$ 272,278.83	\$ 37,222.36	\$ 37,222.36	\$ 50,197.80
Intermediate sources	27,920.88	27,920.88	30,158.76	-	-	-
State sources	1,292,762.26	1,327,324.26	1,324,187.43	1,941.62	18,122.90	18,173.54
Federal sources	294,462.64	555,095.22	470,352.57	97,104.00	109,904.81	122,171.93
Total revenues collected	\$ 1,849,419.62	\$ 2,152,459.80	\$ 2,096,977.59	\$ 136,267.98	\$ 165,250.07	\$ 190,543.27
Expenditures paid:						
Instruction	\$ 1,661,977.14	\$ 2,151,152.79	\$ 1,174,532.07	\$ -	\$ -	\$ -
Support services	1,307.01	1,307.01	724,548.45	43,255.59	43,255.59	165,449.07
Non-instructional services	-	-	-	131,670.99	160,653.08	156,364.64
Capital outlay	-	-	16,477.49	-	-	-
Other outlays	-	-	-	-	-	-
Other Uses	-	-	-	-	-	-
Repayment	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures paid	\$ 1,663,284.15	\$ 2,152,459.80	\$ 1,915,558.01	\$ 174,926.58	\$ 203,908.67	\$ 321,813.71
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	\$ 186,135.47	\$ -	\$ 181,419.58	\$ (38,658.60)	\$ (38,658.60)	\$ 25,094.20
Adjustments to prior year encumbrances	\$ -	\$ -	\$ 16,484.35	\$ -	\$ -	\$ -
Other financing sources (uses):						
Operating transfers in/out	\$ -	\$ 186,135.47	\$ 192,333.64	\$ -	\$ -	\$ -
Bank Charges	-	-	(79.37)	-	-	-
Total other financing sources (uses)	\$ -	\$ 186,135.47	\$ 192,254.27	\$ -	\$ -	\$ 9,787.90
Excess of revenues collected over (under) expenditures paid and other financing sources (uses)	\$ 186,135.47	\$ 186,135.47	\$ 390,158.20	\$ (38,658.60)	\$ (38,658.60)	\$ 25,242.22
Fund balance, beginning of year	\$ (186,135.47)	\$ (186,135.47)	\$ (186,135.47)	\$ 38,658.60	\$ 38,658.60	\$ 38,658.60
Fund balance, end of year	\$ -	\$ -	\$ 204,022.73	\$ -	\$ -	\$ 63,900.82

NOTES TO THE FINANCIAL STATEMENTS

**CANEY SCHOOL DISTRICT NO. I-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

1. Summary of Significant Accounting Policies

The accompanying financial statements of the Caney School District No. I-26 (the "District") conform to the regulatory basis of accounting, which is an other 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 the State of Oklahoma. 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 basic – but not the only – criterion for including a potential component unit within 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 are 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 involves 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. These statements present only the activities of the District.

B. Measurement Focus

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 an independent accounting entity with a self-balancing set of accounts. The account groups are financial reporting devices designed to provide accountability for certain assets and liabilities that are not recorded directly in the funds.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District has the following fund types and account groups:

Governmental Funds

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 project funds), and the servicing of general long-term debt (debt service funds). Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental type funds are accounted for using the Regulatory (Statutory) basis of accounting. All revenues from all sources, including property taxes, entitlements, grants, and shared revenues are recognized when they are received, rather than earned. Expenditures are generally recognized when encumbered or reserved, rather than at the time the related liability is incurred. Unmatured interest for debt service is recognized when due and certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

with expendable, available financial resources. Fiduciary type funds are accounted for using the cash basis of accounting. These practices differ from accounting principles generally accepted in the United States of America.

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 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 includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund – The special revenue funds are used for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Building Fund – The 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 technology center property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for center facilities, for purchasing security systems, and for paying salaries of security personnel.

Child Nutrition Fund – The child nutrition fund consists of revenues from local collections, state, and federal sources used to benefit the food service program.

Debt Service Fund – The 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 and interest. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings 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.

Fiduciary Funds

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 trust agreement, trust funds are used for their accounting and reporting. 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 Funds – The agency fund is the school activities fund, which is used to account for monies, collected principally through fundraising efforts 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.

General Fixed Asset Account Group – This account group is used to account for property, plant, and equipment of the school district. The District does not have the information necessary to include this group in its combined financial statements.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

C. Basis of Accounting and Presentation

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. 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.
- Compensated absences are recorded as an expenditure when the obligation is paid.
- Fixed assets are recorded in the General Fixed Asset Account Group and not in the basic financial statements. Fixed assets are not depreciated.

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.

D. Budgets and Budgetary Accounting

Prior to July 1 each year, the governing board of the school district prepares a verified application showing the needs of the school district and submits the application to the County Excise Board, who makes temporary appropriations for lawful current expenses of the school district. The temporary appropriations are merged with the annual appropriations when the annual budget for the school district is finally approved.

Prior to October 1 each year, the school Board of Education must make a financial statement, showing the true fiscal condition of the school as of the close of the previous fiscal year ended June 30, along with an itemized statement of estimated needs and probable income from all sources for the fiscal year.

A budget is legally adopted by the Board of Education for the general fund and special revenue fund(s) of the school district.

Encumbrances represent commitments 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. Under Oklahoma Law, unencumbered appropriations lapse at the end of the year.

E. Assets, Liabilities and Fund Equity

Memorandum Only – Total Column

The total column on the general purpose 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 generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made on the aggregation of this data.

Cash – Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

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.

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.

Compensated Absences – Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. There are no amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for non-vesting accumulating rights to receive such pay benefits. Vested accumulated rights to receive sick pay benefits have been reported in the general long-term debt account group since none of the vested sick leave is expected to be liquidated with expendable, available financial resources.

Fixed Assets – The District has not maintained a record of its general fixed assets, and, accordingly, a General Fixed Asset Account Group is not included in the financial statements. General fixed assets purchased are recorded as expenditures in the various funds at the time of purchase.

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. For other long-term obligations, only that portion expected to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

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

F. Revenues, Expenses and Expenditures

Local Revenues – Revenue from local sources is revenue produced within the school district, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the school board.

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 prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of the tax 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 year of assessment. If not paid by the following Oct. 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Intermediate Revenues – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, such as a county or municipality, and redistributed to the school district.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

State Revenues – Revenue 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 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. These rules also 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.

Federal Revenues – Revenue from Federal sources is money originating from the Federal government and made available to the school district either as direct grants or under various programs passed-through the State Department of Education.

The Federal government also makes payments to school districts whose revenues are adversely affected by the presence of Federal activities. Although these payments are made in consideration of lost property tax revenue, the Oklahoma State Department of Education advocates classifying such amounts as revenue from Federal sources.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Examples of expenditures that might be included here are the activities of teacher assistant of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators, and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objective of instruction, community services and enterprise programs, rather than as entitles within them.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff, and the community.

Facilities Acquisition and Construction Services Expenditures – Consist 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 improvement to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayments, non-qualified expenditures, and other refunds to be repaid from District funds.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Summary of Significant Accounting Policies (continued)

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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Budgetary Information

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 included in supporting schedules.

2. Deposit Categories of Credit Risk

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
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 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee of 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 county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
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 instrumentalities, and investments in those items listed above.
8. Warrants, bonds or judgments of the school district.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Deposit Categories of Credit Risk (continued)

9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 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.

The District's investment policy instructs the treasurer to minimize risks by diversifying the investment portfolio; structuring investments so that securities mature in time to meet cash requirements; and by investing the full amount of all accounts of the District.

Custodial Credit Risk:

Deposits and Investments - The District's demand deposits are required by law to be collateralized by the amount that is not federally insured.

Securities pledged as collateral are held by a third party or Federal Reserve Bank. Joint custody safekeeping receipts are held in the name of the depositing institution, but are pledged to the District. The security cannot be released, substituted, or sold without the School Treasurer's approval and release of the security.

Certificates of deposit are collateralized at least by the amount not federally insured. As of June 30, 2012, the District had no deposits exposed to custodial credit risk.

The District's investments consist of direct obligations of the U.S. government and agencies' securities.

Interest Rate Risk:

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the District has no formal written policy addressing interest rate risk.

Credit Risk:

The District has no formal written policy addressing credit risk.

At June 30, 2012, the District has no investments that are not guaranteed by the full faith and credit of the United States Government.

3. 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 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 with 25 years from the date of issue.

General long-term debt of the District consists of judgments payable and capitalized leases payables. Debt service requirements for judgments are payable solely from fund balance and future revenues of the debt service fund. These lease payments are appropriated annually from school district funds.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

General Long-Term Debt (continued)

A brief description of the outstanding judgment at June 30, 2012 is set forth below:

Case No. CJ-2011-96 filed and granted on December 22, 2011 for default on overdraft agreements and attorney fees. Original amount of \$189,854.17, interest rate of 5.25%, first principal installment of \$63,284.72 due before June 30, 2013, and two annual principal payments of \$63,284.72 due thereafter.

Total Judgment Outstanding June 30, 2012 \$189,854.17

The following schedule presents future payments of judgment principal and interest payments outstanding at June 30, 2012:

Year ending June 30,	Principal	Interest	Total
2013	\$ 63,284.72	\$ 15,211.67	\$ 78,496.39
2014	63,284.72	6,732.11	70,016.83
2015	63,284.73	3,366.06	66,650.79
Total	\$ 189,854.17	\$ 25,309.84	\$ 215,164.01

The District also had the following lease commitments for copiers in effect at June 30, 2012:

Year ending June 30,	Annual Payment
2013	\$ 6,600.00
2014	550.00
Total	\$ 7,150.00

The above lease contains a clause that gives the District the ability to terminate the lease agreement at the end of each fiscal year. The District has recorded the liability for future lease payments in the General Long-Term Account Group on the financial statements.

The following schedule presents changes in Long-Term Debt for fiscal year 2011-12.

	Judgment Payable	Lease Payable	Total
Balance, July 1, 2011	\$ 0.00	\$ 13,750.00	\$ 13,750.00
Additions	189,854.17	0.00	189,854.17
Retirements	0.00	6,600.00	6,600.00
Balance, June 30, 2012	\$ 189,854.17	\$ 7,150.00	\$ 197,004.17

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

4. Employee Retirement System

Description of Plan

The System is a qualified governmental defined benefit retirement plan. For GASB purposes it is a cost-sharing multiple-employer Public Employee Retirement System. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries. Oklahoma State Statutes establish 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. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

Basis of Accounting

The System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements have also been prepared in compliance with the requirements of the Government Accounting Standards Board Statement No. 34. The financial statements are prepared on the accrual basis of accounting, under which expenses are recorded when the liability is incurred, revenues are recorded in the accounting period they are earned and become measurable, and investment purchases and sales are recorded as of their trade dates. Member and employer contributions are recognized when due, pursuant to formal commitments. Benefits and refunds are recognized when due and payable.

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 nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation dated June 30, 2012, is as follows:

	<u>Dollars in Millions</u>
Actuarial Accrued Liability	\$ 18,588
Actuarial Value of Assets	<u>10,190</u>
Unfunded Actuarial Accrued Liability	\$ <u>8,398</u>

Funding Policy

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two (62) or with reduced benefits as early as age fifty-five (55). The normal retirement allowance paid monthly for life and then to beneficiaries, if certain options are exercised, equals two percent of the average of the highest three earning years of contributory service multiplied by the number of years of credited service. Retiring members may count up to 120 days of unused accumulated sick leave toward an additional year of service credit. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his accumulated contributions and defer receipt of a retirement annuity until a later date. When a participant dies in active service and has completed ten years of credited service, the beneficiary is entitled to a death benefit of \$18,000.00 and the participant's contributions plus interest. If the beneficiary is a surviving spouse, the surviving spouse may, in lieu of the death benefit, elect to receive, subject to the surviving spousal options, the participant's retirement benefits accrued at the time of death. The contribution rates for the Districts, which are not actuarially determined, and its employees are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The employers' contribution rate is 9.5%. Employees contribute 7.0% of covered compensation.

**CANEY SCHOOL DISTRICT NO. I-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012**

Employee Retirement System (continued)

Annual Pension Cost

The District's total contribution for 2012, 2011 and 2010 were \$82,548.45, \$121,104.56 and \$123,243.50, respectively. The District's total payroll for fiscal year 2011-12 amounted to \$1,232,146.20.

5. Litigation

The District is contingently liable for lawsuits and other claims in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would require appropriation of revenues yet to be realized, and would not materially affect the financial position of the District at June 30, 2012.

6. 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 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 participates in the Oklahoma Public Schools Unemployment Compensation Account under the sponsorship of the Oklahoma State School Boards Association and the cooperative council for Oklahoma School Administration. The account was established to let school districts self-insure unemployment benefits for school employees. The funds are held in the name of each school district as reserves to pay unemployment claims. Each school district is individually liable for that portion of the benefits paid from the fund attributable to wages paid by the school district in the same manner as if no group account had been established. The reserve funds may be withdrawn from the account upon request of the school district. At June 30, 2012, the Caney School District had reserves on deposit with the Oklahoma Public Schools Unemployment Compensation Accounting totaling \$5,212.51. This amount has not been included in the District's balance sheet at June 30, 2012.

7. Surety Bonds

The District has a Public Official Name Schedule Bond with Western Surety Co. The bond number is 24914698 for the term of April 11, 2012, to April 13, 2013. This bond covers the following:

Superintendent	\$	100,000
Treasurer		50,000
Encumbrance/Minutes Clk		30,000
Sec. Treasurer		5,000
Child Nutrition Director		1,000

COMBINING FINANCIAL STATEMENTS

CANEY SCHOOL DISTRICT NO. I-26
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
JUNE 30, 2012

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2012</u>
<u>ASSETS:</u>			
Cash	\$ 37,523.28	\$ 40,804.09	\$ 78,327.37
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>\$ 37,523.28</u></u>	<u><u>\$ 40,804.09</u></u>	<u><u>\$ 78,327.37</u></u>
 <u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Outstanding warrants	\$ -	\$ 14,426.55	\$ 14,426.55
Encumbrances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u><u>\$ -</u></u>	<u><u>\$ 14,426.55</u></u>	<u><u>\$ 14,426.55</u></u>
 Fund balances:			
Cash fund Balances	\$ 37,523.28	\$ 26,377.54	\$ 63,900.82
Total fund balances	<u><u>\$ 37,523.28</u></u>	<u><u>\$ 26,377.54</u></u>	<u><u>\$ 63,900.82</u></u>
 Total liabilities and fund balances	<u><u>\$ 37,523.28</u></u>	<u><u>\$ 40,804.09</u></u>	<u><u>\$ 78,327.37</u></u>

CANEY SCHOOL DISTRICT NO. I-26
COMBINING STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES
ALL SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Total June 30, 2012</u>
Revenues collected:			
Local sources	\$ 36,819.81	\$ 13,377.99	\$ 50,197.80
Intermediate sources	-	-	-
State sources	-	18,173.54	18,173.54
Federal sources	-	122,171.93	122,171.93
Total revenue collected	<u>\$ 36,819.81</u>	<u>\$ 153,723.46</u>	<u>\$ 190,543.27</u>
Expenditures paid:			
Instruction	\$ -	\$ -	\$ -
Support services	9,084.43	-	9,084.43
Non-instructional services	-	156,364.64	156,364.64
Capital outlay	-	-	-
Other outlays	-	-	-
Other uses	-	-	-
Repayments	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Total expenditures paid	<u>\$ 9,084.43</u>	<u>\$ 156,364.64</u>	<u>\$ 165,449.07</u>
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	<u>\$ 27,735.38</u>	<u>\$ (2,641.18)</u>	<u>\$ 25,094.20</u>
Adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ 148.02</u>	<u>\$ 148.02</u>
Other financing sources (uses):			
Operating transfers in/(out)	\$ -	\$ -	\$ -
Bank charges	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of revenues collected over (under) expenditures and other financing sources (uses)	<u>\$ 27,735.38</u>	<u>\$ (2,493.16)</u>	<u>\$ 25,242.22</u>
Fund balances, beginning of year	<u>\$ 9,787.90</u>	<u>\$ 28,870.70</u>	<u>\$ 38,658.60</u>
Fund balances, end of year	<u><u>\$ 37,523.28</u></u>	<u><u>\$ 26,377.54</u></u>	<u><u>\$ 63,900.82</u></u>

**CANEY SCHOOL DISTRICT NO. I-26
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
FIDUCIARY FUNDS - REGULATORY BASIS
JUNE 30, 2012**

	<u>Agency Fund</u>
	<u>Activity Fund</u>
<u>ASSETS:</u>	
Cash	\$ 38,723.09
Investments	<u>-</u>
Total assets	\$ 38,723.09
<u>LIABILITIES AND FUND BALANCES:</u>	
Liabilities:	
Outstanding warrants	\$ 426.20
Encumbrances	<u>-</u>
Total liabilities	\$ 426.20
Fund balances:	
Cash fund Balances	\$ 38,296.89
Total fund balances	\$ 38,296.89
Total liabilities and fund balances	\$ 38,723.09

SUPPLEMENTAL INFORMATION

CANEY SCHOOL DISTRICT NO. 1-26
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues collected:				
Local sources	\$ 33,467.69	\$ 33,467.69	\$ 36,819.81	\$ 3,352.12
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues collected	<u>\$ 33,467.69</u>	<u>\$ 33,467.69</u>	<u>\$ 36,819.81</u>	<u>\$ 3,352.12</u>
Expenditures paid:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services	43,255.59	43,255.59	9,084.43	34,171.16
Non-instructional services	-	-	-	-
Capital outlay	-	-	-	-
Other Outlays	-	-	-	-
Other Uses	-	-	-	-
Repayment	-	-	-	-
Total expenditures	<u>\$ 43,255.59</u>	<u>\$ 43,255.59</u>	<u>\$ 9,084.43</u>	<u>\$ 34,171.16</u>
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	<u>\$ (9,787.90)</u>	<u>\$ (9,787.90)</u>	<u>\$ 27,735.38</u>	<u>\$ 37,523.28</u>
Adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other financing sources (uses):				
Operating transfers in/out	\$ -	\$ -	\$ -	\$ -
Bank charges	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of revenues collected over (under) expenditures paid and other financing sources (uses)	<u>\$ (9,787.90)</u>	<u>\$ (9,787.90)</u>	<u>\$ 27,735.38</u>	<u>\$ 37,523.28</u>
Fund balances, beginning of year	<u>\$ 9,787.90</u>	<u>\$ 9,787.90</u>	<u>\$ 9,787.90</u>	<u>\$ -</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 37,523.28</u></u>	<u><u>\$ 37,523.28</u></u>

CANEY SCHOOL DISTRICT NO. 1-26
BUDGETARY COMPARISON SCHEDULE - REGULATORY BASIS
CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues collected:				
Local sources	\$ 3,754.67	\$ 3,754.67	\$ 13,377.99	\$ 9,623.32
Intermediate sources	-	-	-	-
State sources	1,941.62	18,122.90	18,173.54	50.64
Federal sources	97,104.00	109,904.81	122,171.93	12,267.12
Total revenues collected	<u>\$ 102,800.29</u>	<u>\$ 131,782.38</u>	<u>\$ 153,723.46</u>	<u>\$ 21,941.08</u>
Expenditures paid:				
Instruction	\$ -	\$ -	\$ -	\$ -
Support services	-	-	-	-
Non-instructional services	131,670.99	160,653.08	156,364.64	4,288.44
Capital outlay	-	-	-	-
Other Outlays	-	-	-	-
Other Uses	-	-	-	-
Repayment	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>\$ 131,670.99</u>	<u>\$ 160,653.08</u>	<u>\$ 156,364.64</u>	<u>\$ 4,288.44</u>
Excess of revenues collected over (under) expenditures paid before adjustments to prior year encumbrances	<u>\$ (28,870.70)</u>	<u>\$ (28,870.70)</u>	<u>\$ (2,641.18)</u>	<u>\$ 26,229.52</u>
Adjustments to prior year encumbrances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 148.02</u>	<u>\$ 148.02</u>
Other financing sources (uses):				
Operating transfers in/out	\$ -	\$ -	\$ -	\$ -
Bank charges	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of revenues collected over (under) expenditures paid and other financing sources (uses)	<u>\$ (28,870.70)</u>	<u>\$ (28,870.70)</u>	<u>\$ (2,493.16)</u>	<u>\$ 26,377.54</u>
Fund balances, beginning of year	<u>\$ 28,870.70</u>	<u>\$ 28,870.70</u>	<u>\$ 28,870.70</u>	<u>\$ -</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,377.54</u>	<u>\$ 26,377.54</u>

CANEY SCHOOL DISTRICT NO. I-26
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Grantor's Number</u>	<u>Balance at July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2012</u>
<u>U.S. Department of Education</u>						
Direct Programs:						
<u>2010-2011 Programs</u>						
Title VII, Indian Education	84.060A	N/A	\$ (34,767.45)	34,767.45	-	-
Small Rural Achievement Program	84.358A	S358A110255	<u>34,025.00</u>	<u>\$ -</u>	<u>\$ 34,025.00</u>	<u>\$ -</u>
Sub-Total			<u>\$ (742.45)</u>	<u>\$ 34,767.45</u>	<u>\$ 34,025.00</u>	<u>\$ -</u>
<u>2011-2012 Programs</u>						
Impact Aid	84.041	S041B20123864	\$ -	\$ 15,440.18	\$ 15,440.18	\$ -
Title VII, Indian Education	84.060A	S060A110738	<u>-</u>	<u>23,228.16</u>	<u>31,957.00</u>	<u>(8,728.84)</u>
Sub-Total			<u>\$ -</u>	<u>\$ 38,668.34</u>	<u>\$ 47,397.18</u>	<u>\$ (8,728.84)</u>
Passed-Through State Department of Education						
<u>2010-2011 Programs</u>						
Title I, Basic	84.010	N/A	\$ (26,052.41)	\$ 26,052.41	\$ -	\$ -
IDEA-B Flow Through	84.027	N/A	(3,558.35)	3,558.35	-	-
ARRA Title I	84.389	N/A	(13,871.60)	13,871.60	-	-
Title II, Part A Training & Recruiting Fund	84.367	N/A	(4,589.53)	4,589.53	-	-
Title II Part D	84.318X	N/A	(227.26)	227.26	-	-
21st Century	84.287	N/A	(74,666.60)	74,666.60	-	-
Title IV Safe & Drug Free School	84.186	N/A	<u>(10,153.51)</u>	<u>10,153.51</u>	<u>-</u>	<u>-</u>
Sub-Total			<u>\$ (133,119.26)</u>	<u>\$ 133,119.26</u>	<u>\$ -</u>	<u>\$ -</u>
Passed-Through State Department of Education						
<u>2011-2012 Programs</u>						
* Title I, Basic	84.010	N/A	\$ -	\$ 66,591.53	\$ 104,606.05	\$ (38,014.52)
* 21st Century	84.287	N/A	-	126,041.31	148,977.83	(22,936.52)
Title II, Part A Training & Recruiting Fund	84.367	N/A	-	24,531.83	32,117.29	(7,585.46)
* IDEA-B Flow Through	84.027	N/A	-	45,325.84	58,601.45	(13,275.61)
* Preschool	84.173	N/A	<u>-</u>	<u>1,307.01</u>	<u>1,307.01</u>	<u>-</u>
Sub-Total			<u>\$ -</u>	<u>\$ 263,797.52</u>	<u>\$ 345,609.63</u>	<u>\$ (81,812.11)</u>

**CANEY SCHOOL DISTRICT NO. 1-26
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA #</u>	<u>Grantor's Number</u>	<u>Balance at July 1, 2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance at June 30, 2012</u>
<u>U. S. Department of Agriculture</u>						
Passed-Through State Department of Education:						
Child Nutrition Cluster:						
Non-Cash Assistance (Commodities):						
National School Lunch Program	10.555	N/A	\$ -	\$ 7,790.43	\$ 7,790.43	\$ -
Non-Cash Assistance Sub-Total			\$ -	\$ 7,790.43	\$ 7,790.43	\$ -
Cash Assistance:						
School Breakfast Program	10.553	N/A	\$ -	\$ 41,342.07	\$ 41,342.07	\$ -
National School Lunch Program	10.555	N/A	-	74,389.07	74,389.07	-
Summer Food Program	10.559	N/A	-	6,440.79	-	6,440.79
Cash Assistance Sub- Total			\$ -	\$ 122,171.93	\$ 115,731.14	\$ 6,440.79
Sub- Total for Child Nutrition Cluster			\$ -	\$ 129,962.36	\$ 123,521.57	\$ 6,440.79
<u>Other Federal Assistance</u>						
<u>2011-2012 Programs</u>						
Johnson O'Malley	15.130	N/A	\$ -	\$ -	\$ 3,305.10	\$ (3,305.10)
Sub-Total			\$ -	\$ -	\$ 3,305.10	\$ (3,305.10)
TOTAL FEDERAL ASSISTANCE			\$ (133,861.71)	\$ 600,314.93	\$ 553,858.48	\$ (87,405.26)

* Major program

The accompanying notes are an integral part of this schedule

**CANEY SCHOOL DISTRICT NO. I-26
ATOKA COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

1. For all federal programs, the District uses the fund types prescribed by the Oklahoma State Department of Education and conforms to the system of accounting authorized by the State of Oklahoma. The General and Child Nutrition Fund are used to account for resources restricted, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in the General Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial measurement focus. All federal grant funds were accounted for in the General and Child Nutrition Fund, which are Governmental Funds type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of this is fund present increases and decreases in net current assets.

The Regulatory Basis of Accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenue from all sources when they are received. Federal grant funds are considered to be recognized when encumbered or reserved to the extent of expenditures made under the provisions of the grant.

3. Positive amounts listed in the either "Balance at July 1, 2011" or "Balance at June 30, 2012" column represent funds received by the school and not yet expended or coded to the program. Negative amounts represent expenditures which have been claimed, but the revenue not yet collected.
4. The District received donated foods through the Federal Food Distribution Program (10.555). At June 30, 2012, the school maintained an immaterial amount of food commodities inventory. Per the Regulatory Basis of Accounting, the commodities received and used are not recognized as revenue or expenditures in the school's Financial Statements.
5. Reconciliation of the revenue shown on the *Schedule of Expenditures of Federal Awards* to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

Total revenue per "Schedule of Expenditures of Federal Awards"	\$ 600,314.93
Less Commodities:	<u>(7,790.43)</u>
Net Total	<u>\$ 592,524.50</u>
Federal program revenues per "Statement of Revenue, And Changes in Fund Balance"	
General Fund	\$ 470,352.57
Child Nutrition Fund	<u>122,171.93</u>
Net Total	<u>\$ 592,524.50</u>

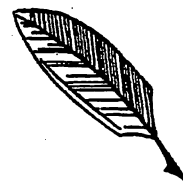
**CANEY SCHOOL DISTRICT NO. I-26
SCHOOL ACTIVITY FUND
RECEIPTS, TRANSFERS, DISBURSEMENTS AND SUB-ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2012**

Activities	Balance 7-1-11	Deposited	Net Transfers/ Adjustments	Disbursed	Balance 6-30-12
Senior Class	\$ 400.00	\$ 8,189.50	\$ (1,955.80)	\$ 6,633.70	\$ -
Jr. Class	-	3,284.12	2,451.83	4,490.97	1,244.98
FFA	100.00	8,022.87	495.00	8,101.50	516.37
FCCLA	100.00	6,193.91	242.05	2,795.30	3,740.66
NHS	100.00	1,840.81	41.89	1,087.32	895.38
Elementary General Activity	500.00	9,057.33	2,898.25	10,873.21	1,582.37
BPA	-	575.70	287.00	548.66	314.04
2M2L	-	162.70	-	160.37	2.33
Basebal	200.00	8,368.75	1,436.17	8,934.45	1,070.47
Girls Basketbal	400.00	5,896.70	(584.34)	2,886.42	2,825.94
Softball	200.00	12,301.15	729.35	9,424.07	3,806.43
High School General Activity	200.00	5,391.23	392.12	4,189.43	1,793.92
Yearbook	700.00	4,063.00	(261.89)	3,188.60	1,312.51
District Wide	-	4,743.20	125.70	4,188.63	680.27
CNS	9,433.28	14,394.30	(595.14)	9,000.00	14,232.44
High School Athletics	200.00	4,941.84	(262.95)	4,715.22	163.67
Boys Basketbal	-	5,758.70	(55.59)	2,909.00	2,794.11
Elementary & Jr. High Athletics	-	3,359.00	(1,498.00)	540.00	1,321.00
	<u>\$ 12,533.28</u>	<u>\$ 106,544.81</u>	<u>\$ 3,885.65</u>	<u>\$ 84,666.85</u>	<u>\$ 38,296.89</u>
Total Activities					

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

KERRY JOHN PATTEN, C.P.A.

2101 N. Willow Ave.
Broken Arrow, OK 74012
Phone Number (918) 250-8838
FAX Number (918) 250-9853



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

The Honorable Board of Education
Caney School District No. 1-26
Caney, Atoka County, Oklahoma

I have audited the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Caney School District No.1-26, Caney, Atoka County Oklahoma (District), as of and for the year ended June 30, 2012, and have issued my report thereon dated March 7, 2013, 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, my 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. I conducted my 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 my audit, I considered Caney School District's internal control over financial reporting as a basis for designing my audit procedures for the purpose of expressing my opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Caney School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

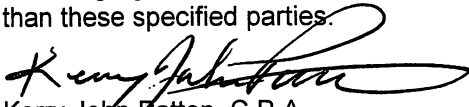
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting. 2012-1. A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Caney School District's combined financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management in the Schedule of Comments included on page 31 of this audit report.

This report is intended solely for the information and use of the audit committee, management 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.



Kerry John Patten, C.P.A.
March 7/2013

KERRY JOHN PATTEN, C.P.A.

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Broken Arrow, OK 74012
Phone Number (918) 250-8838
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Board of Education
Caney School District No. 1-26
Caney, Atoka County, Oklahoma

Compliance

I have audited the compliance of Caney School District No. 1-26 Atoka County, Oklahoma (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 Caney School District's major federal programs for the year ended June 30, 2012. Caney School District's major federal programs are identified in the Summary of Audit 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 the District's management. My responsibility is to express an opinion on Caney School District's 1-26 compliance based on my audit.

I conducted my 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 I 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 Caney School District's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Caney School District's compliance with those requirements.

In my opinion Caney 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.

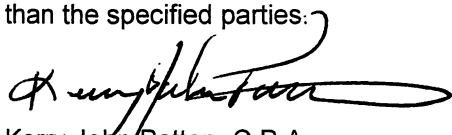
Internal Control over Compliance

The management of Caney 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 my audit, I considered Caney School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the Caney School 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.

My 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. I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above.

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

A handwritten signature in black ink, appearing to read "Kerry John Patten", with a long horizontal flourish extending to the right.

Kerry John Patten, C.P.A.
March 7, 2013

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

A. SUMMARY OF AUDIT 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. There was one audit findings reported of deficiencies in internal control, which the auditor considers to be a "significant deficiencies" as defined in A.I.C.P.A. standards.
3. No instances of noncompliance material to the financial statements of Caney School District were disclosed during the audit.
4. There were no audit findings reported of deficiencies in internal control over major programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A. standards.
5. The auditor's report on compliance for the major federal award programs for Caney School District expresses an unqualified opinion.
6. There were no audit findings relative to major federal award programs for Caney School District.
7. The programs tested as major programs included: Title I (84.010); IDEA B Cluster (84.027 & 84.173); 21st Century (84.287).
8. A threshold for distinguishing Types A and B programs was \$300,000.00.
9. Caney School District did not qualify as a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

2012-1

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in places that provide reasonable assurance that any one individual does not have control over several of the financial functions of the school district.

Effect: Because of the inadequate segregation of duties there may be an opportunity for an employee to alter record keeping or override controls.

Recommendation: We recommend that the school district strive to implement an adequate segregation of duties

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. No matters were reported

**CANEY SCHOOL DISTRICT NO. I-26
ATOKA COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
JULY 1, 2011 TO JUNE 30, 2012**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

2011-1

Condition: An adequate internal control structure does not exist because of the small size of the entity nor is there adequate segregation of duties.

Criteria: Internal controls should be in places that provide reasonable assurance that any one individual does not have control over several of the financial functions of the school district.

Effect: Because of the inadequate segregation of duties there may be an opportunity for an employee to alter record keeping or override controls.

Recommendation: We recommend that the school district strive to implement an adequate segregation of duties

The auditor found the condition still existed during 2011-12.

**CANEY SCHOOL DISTRICT NO. 1-26
ATOKA COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
JULY 1, 2011 TO JUNE 30, 2012**

The following conditions, while not representing material weaknesses in the system of internal accounting control, represent areas noted during my review of the school's accounting system in which I feel improvements in the internal control and/or operational efficiency may be attained. I have also noted, as required, any noncompliance with State Department of Education Regulations.

1. **Condition:** Several employees of the District were paid for extra work performed (summer program etc). We could find no documentation of board approval for any of these amounts paid.

Recommendation: A school district is not authorized to pay any salary, benefit, or other compensation to school employees without specific contract provisions or other form of authorization by the school board of education. In addition, all amounts paid to employees of the District for any reason, other than a direct reimbursement, must be run through payroll allowing proper taxes to be withheld.

Previous Year's Audit Comments

There are no items in the school's 2010-11 audit report, which have been repeated in this report.

I would like to express my appreciation for the courtesies and cooperation extended to us by school district administrators and employees during the course of this audit.

**CANEY SCHOOL DISTRICT NO. I-26
ATOKA COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2011 TO JUNE 30, 2012**

State of Oklahoma)
County of Tulsa)

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 Caney School District for the audit year 2011-12.

Kerry John Patten, C.P.A.
AUDITING FIRM

BY 
AUTHORIZED AGENT



Subscribed and sworn to before me on this

7 day of March, 2013

 05010870
NOTARY PUBLIC

My commission expires on:

30 day of Nov., 2013