

AUDIT REPORT

Atoka Coal CO-OP District K-2

Atoka County, Oklahoma

July 1, 2010 to June 30, 2011

Prepared By:

John D. Turrentine CPA, P.C.
607 East Main Street
Stigler Oklahoma 74462

Atoka Coal CO-OP District K-2

ATOKA COUNTY, OKLAHOMA

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
<u>School District Officials</u>	1
<u>Independent Auditor's Report</u>	2-3
<u>Internal Control and Compliance and Other Matters Report</u>	4-5
<u>Combined Financial Statements</u>	
--Combined Statement of Assets, Liabilities, and Equity - Regulatory Basis - All Fund Types and Account Groups.....	6
--Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Regulatory Basis - All Governmental Fund Types.....	7
--Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Regulatory Basis - Budgeted Governmental Fund Types.....	8
--Notes to Combined Financial Statements.....	9-17
<u>Other Supplementary Information</u>	
Summary Schedule of Disposition of Prior Audit Findings.....	18
Summary Schedule of Surety Bonds.....	19
Accountant's Professional Liability Insurance Affidavit.....	20

Atoka Coal CO-OP District K-2

Board of Education

JUNE 30, 2011

President	Billy Pingleton
Clerk	Roland Smith
Member	Mark Thomas
Member	Dwayne Noble
Member	Stanley Williams
Member	Tony Potts
Member	Lori Boehme
Member	Wes Watson
Director	Kris Hall

John D. Turrentine
Certified Public Accountant, P.C.
607 East Main Street
Stigler Oklahoma 74462

Independent Auditor's Report

The Honorable Board of Education
Atoka Coal Co-Op District K-2

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Atoka Coal Co-Op District K-2, Atoka County, Oklahoma, as listed in the table of contents as combined financial statements, as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Atoka Coal Co-Op District K-2. 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 the standards applicable to financial audits contained in *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 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. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, the Atoka Coal Co-Op District K-2 prepares its financial statements 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 of the school district's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the combined financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Atoka Coal Co-Op District K-2, as of June 30, 2011, or the revenues collected and expenses paid for the year then ended.

As discussed in Note 1, the financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory presentation 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 above, present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group of the Atoka Coal Co-Op District K-2, Atoka County, Oklahoma, as of June 30, 2011, and the revenues collected and expenses paid for the year then ended on the regulatory basis of accounting described in Note 1.

My audit was made for the purpose of forming opinions on the fund type and account group financial statements within the combined financial statement. The combining fund statements and other schedules as listed in the table of contents under other 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 and in my 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.

In accordance with Government Auditing Standards, I have also issued a report dated December 5, 2011 on my considerations of the Atoka Coal Co-Op District K-2's internal control over financial reporting and my tests of it's 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.

This report is intended solely for the information and use of the board of education of the Atoka Coal Co-Op District K-2, Atoka County, Oklahoma, Oklahoma State Department of Education, and certain federal regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of the report, which is a matter of public record when released.

Sincerely,

John D. Turrentine, CPA P.C.
December 5, 2011

John D. Turrentine
Certified Public Accountant P.C.
607 East Main Street
Stigler Oklahoma 74462

**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable Board of Education
Atoka Coal Co-Op District K-2
Atoka, Atoka County, Oklahoma

I have audited the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Atoka Coal Co-Op District K-2, Atoka , Oklahoma as of and for the year ended June 30, 2011 and have issued my report thereon dated December 5, 2011, which was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, our report was qualified for the omission of the general fixed assets 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 the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatements, 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.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, 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.

Sincerely,

John D. Turrentine CPA, P.C.
Stigler Oklahoma
December 5, 2011

**ATOKA COAL CO-OP DISTRICT K-2
 COMBINED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2011**

<u>Assets</u>	<u>General Fund</u>	
	<u>2010</u>	<u>2011</u>
Cash and Cash Equivalents	\$96,429	\$97,324
Investments	<u>0</u>	<u>0</u>
Total	<u>\$96,429</u>	<u>\$97,324</u>
 <u>Liabilities And Fund Balance</u>		
Liabilities		
Warrants Payable	\$10,198	\$ 8,189
Encumbrance	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>\$10,198</u>	<u>\$ 8,189</u>
 CASH FUND BALANCE	 <u>\$86,231</u>	 <u>\$89,135</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$96,429</u>	 <u>\$97,324</u>

The accompanying notes are an integral part of these statements.

ATOKA COAL CO-OP DISTRICT NO. K-2
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - REGULATORY BASIS
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
June 30, 2011

<u>Revenues Collected</u>	<u>General Fund</u>	
	<u>2010</u>	<u>2011</u>
Local Sources	\$ 129,522	\$127,544
State Sources	<u>91,274</u>	<u>97,432</u>
Total Revenue	<u>\$ 220,796</u>	<u>\$224,976</u>
<u>Expenditures paid</u>		
Instruction	\$ 108,014	\$111,866
Support Services	105,364	105,974
Non-Instructional Service	3,728	4,232
Other Outlays	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 217,107</u>	<u>\$222,072</u>
Revenue Over (Under) Expenditures Paid Before Adjustment to Prior Year	\$ 3,690	\$ 2,904
Estoped Warrants	\$ 0	\$ 0
Cash Fund Balance July 1,	<u>\$ 82,541</u>	<u>\$ 86,231</u>
Cash Fund Balance June 30	<u>\$ 86,231</u>	<u>\$ 89,135</u>

The accompanying notes are an integral part of these statements.

ATOKA COAL CO-OP DISTRICT NO. K-2
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - REGULATORY BASIS - BUDGETED
GOVERNMENTAL FUND TYPES
June 30, 2011

	<u>General Fund</u>			Variance
	Original	Final	Actual	Favorable
	Budget	Budget		(Unfavorable)
<u>Revenues Collected</u>				
Local Sources	\$113,064	\$113,064	\$ 127,544	\$ 14,480
State Sources	<u>\$ 98,184</u>	<u>\$ 98,184</u>	<u>\$ 97,432</u>	<u>\$ (753)</u>
Total Revenue	<u>\$211,248</u>	<u>\$211,248</u>	<u>\$ 224,976</u>	<u>\$ 13,727</u>
<u>Expenditures Paid</u>				
Instruction	\$187,273	\$187,273	\$ 111,866	\$ 75,407
Support Services	\$105,974	\$105,974	\$ 105,974	\$ 0
Non-Instruction Services	\$ 4,232	\$ 4,232	\$ 4,232	\$ 0
Other Uses	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Expenditures Paid	<u>\$297,479</u>	<u>\$297,479</u>	<u>\$ 222,072</u>	<u>\$ 75,407</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances			\$ 2,904	
Other financing sources (uses):				
Bond sale proceeds			\$ 0	
Operating Transfers In			0	
Operating Transfers Out			<u>0</u>	
Total other financing sources (uses)			<u>\$ 0</u>	
Excess (deficiency) of revenue collected over expenditures paid and other financing sources (uses)			\$ 2,904	
Cash fund Balance, beginning of year			<u>\$ 86,231</u>	
Cash fund Balance, end of year			<u>\$ 89,135</u>	

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

ATOKA COAL CO-OP DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

1. Summary of Significant Accounting Policies

The financial statements of the Atoka Coal CO-OP District K-2 (the "District") have been prepared in conformity with another comprehensive basis of accounting required by Oklahoma Statutes. 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 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 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 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.

**ATOKA COAL CO-OP DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 services 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 buildings 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.

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 principal. 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.

**ATOKA COAL CO-OP DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Summary of Significant Accounting Policies, (continued)

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

Account Group

Account group 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.

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. It is also used to account for liabilities for compensated absences and early retirement incentives which are to be paid from funds provided in future years.

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

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 in the aggregation of this data.

C. Basis of Accounting

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 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

**ATOKA COAL CO-0P DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 and inventories are recorded as assets when purchased.
- Capital assets in proprietary funds are recorded when acquired and depreciated over their useful lives.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from the 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

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

A budget is legally adopted by the Board of Education for the General 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. Encumbrances expire at year end.

E. 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.

**ATOKA COAL CO-0P DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Investments - Investments consist of Commercial Bank Certificate of Deposit and direct obligations of the United States Government and Agencies with maturities greater than three months when purchased. All investments are recorded at cost, which approximates market value.

Property Tax Revenues - The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are 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 October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Inventories - The value of consumable inventories at June 30, 2011 is not material to the financial statements.

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

Compensated Absences - Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an 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.

In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick 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.

**ATOKA COAL CO-OP DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

F. Revenue, Expenses and Expenditures

State Revenues - 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 district 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 years 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 and require that the money not be 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.

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. All other interfund transfers are reported as operating transfers.

**ATOKA COAL CO-0P DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

G. Statement of Cash Flows

The District has not presented a statement of cash flows in the fiscal 2011 financial statements.

2. 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; 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.

In accordance with state statutes, the District's investment policy is to comply with these requirements. The district currently has no investments.

Deposits and Investments - The District's cash deposits at June 30, 2011 of \$97,324 were completely insured or collateralized by federal deposit insurance, direct obligations of the U.S. Government, or securities held by the district or by its agent in the district's name.

3. Employee Retirement System

The District participates in the state-administered Oklahoma Teacher's Retirement System (the "System"), which is a cost-sharing, multiple-employer public employee retirement system (PERS). Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirement. The System issues an independent financial report, financial statements, and required supplementary information that can be obtained in writing at the Teachers' Retirement System of Oklahoma, Post Office Box 53524, Oklahoma City, OK 73152 or by calling 405-521-2387.

**ATOKA COAL CO-OP DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

A participant with five years of creditable service may retire with a normal retirement allowance at the age of sixty-two or with reduced benefits as early as age fifty-five. 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. 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 actuarial determined, and its employees are established by Statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.0% beginning January 1, 2009 and 9.5% beginning January 1, 2010 and thereafter. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. The required contribution for participating members is 7% of regular annual compensation.

The District's required and actual contributions to the System for the years ending June 30, 2009, 2010, and 2011 were \$21,097 , \$22,180 , and \$ 22,683 respectively.

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 unfunded actuarial accrued liability of the System, as determined as part on the latest actuarial valuation dated June 30, 2011, is as follows:

Total actuarial accrued liability	\$17,560,754,452
Less Actuarial value of assets	<u>9,960,576,151</u>
Unfunded actuarial accrued liability	<u>\$ 7,600,178,301</u>

The System's accounting records are maintained on the cash basis of accounting, except for accruals of interest income.

**ATOKA COAL CO-OP DISTRICT K-2
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Ten year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2011. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

4. Contingencies

Amounts received 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.

5. Risk Management

The District is exposed to various risks to loss. The District purchases commercial insurance to manage these various risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled Claims have not exceeded this insurance coverage in any of the past three fiscal years.

ATOKA COAL CO-OP DISTRICT NO. K-2
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND
MATERIAL INSTANCES OF NON-COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2011

There were no prior year reportable conditions or material instances of non-compliance for the Atoka-Coal Co-Op school district K-002.

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

ATOKA COAL CO-OP DISTRICT NO. K-2
Summary Schedule of Surety Bonds
FOR THE YEAR ENDED JUNE 30, 2011

<u>Bond Type</u>	<u>Bonding Company</u>	<u>Bond Number</u>	<u>Amount</u>	<u>Expiration Date</u>
Surety/ Treasurer	Western Surety	69775186	\$100,000.00	September 2, 2011

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

