

ANNUAL FINANCIAL REPORT
INDEPENDENT SCHOOL DISTRICT NO. 2
CATOOSA PUBLIC SCHOOL DISTRICT
ROGERS COUNTY, OKLAHOMA
JULY 1, 2010 TO JUNE 30, 2011

CATOOSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2
ROGERS, COUNTY
JUNE 30, 2011

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CATOOSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2
ROGERS, COUNTY
JULY 1, 2010 TO JUNE 30, 2011

SCHOOL DISTRICT BOARD MEMBERS

Jeff Conklin (July 1, 2010 to April 5, 2011)
Robin Hughes (April 5, 2011 to June 30, 2011)
Bruce Johnson
Dean Miller
Tracy Chissoe
Amy Shouse

SUPERINTENDENT OF SCHOOL DISTRICT

Rick Kibbe

CLERK OF THE BOARD

Tracy Chissoe

SCHOOL DISTRICT TREASURER

Wendy Ache

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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EDMOND, OKLAHOMA 73013

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Catoosa Independent School District No. 2
Rogers County, Oklahoma

We have audited the accompanying fund type and account group financial statements of Catoosa School District No. 2, Rogers 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 Catoosa School District, No. 2, Rogers County, Oklahoma. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed or permitted by the Oklahoma State Department of Education, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the 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 Catoosa School District No. 2, Oklahoma, as of June 30, 2011, and the revenues collected, expenditures paid/expenses, and cash flows of each fund type, where applicable, for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the fund type and account group financial statements within the combined financial statement. The combining fund statements and schedules 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 within the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole on the regulatory basis of accounting described in Note 1.

This report is intended solely for the information and use of the Board of Education of Catoosa School District No. 2, 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.

A handwritten signature in cursive script that reads "Putnam & Company". The signature is written in dark ink and is positioned above the company's legal name.

Putnam & Company. PLLC

Edmond, Oklahoma
October 17, 2011

COMBINED FINANCIAL STATEMENTS

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINED STATEMENT OF ASSETS AND LIABILITIES
(ALL FUND TYPES AND ACCOUNT GROUPS) - REGULATORY BASIS
JUNE 30, 2011

	Governmental Fund Types				Fiduciary Fund Types	Account Group	Totals
	General	Special Revenue	Debt Service	Capital Projects Fund	Trust and Agency	General Long-Term Debt	(Memorandum Only)
<u>ASSETS</u>							
Cash and Cash Equivalents	\$2,037,117	543,416	2,248,312	614,818	371,606		5,815,269
Amount available in Debt Service Fund						27,919	27,919
Amount to be provided for retirement of General Long-Term Debt						9,415,333	9,415,333
 Total Assets	<u>\$2,037,117</u>	<u>543,416</u>	<u>2,248,312</u>	<u>614,818</u>	<u>371,606</u>	<u>9,443,252</u>	<u>15,258,521</u>
<u>LIABILITIES</u>							
Warrants Payable	\$755,377	31,902		153	5,815		793,247
General Obligation Bonds Payable			2,179,667			8,790,333	10,970,000
Interest Payable on Bonds			40,726			652,919	693,645
Total Liabilities	<u>755,377</u>	<u>31,902</u>	<u>2,220,393</u>	<u>153</u>	<u>5,815</u>	<u>9,443,252</u>	<u>12,456,892</u>
<u>FUND EQUITY</u>							
Fund Balances:							
Reserved for Encumbrances	139,782	31,539		62,035			233,356
Designated for Debt Service			27,919				27,919
Designated for Student Activities					355,127		355,127
Designated for Capital Projects				552,630			552,630
Fund Balance	1,141,958	479,975			10,664		1,632,597
Total Fund Balance	<u>1,281,740</u>	<u>511,514</u>	<u>27,919</u>	<u>614,665</u>	<u>365,791</u>	<u>0</u>	<u>2,801,629</u>
 Total Liabilities and Fund Equity	<u>\$2,037,117</u>	<u>543,416</u>	<u>2,248,312</u>	<u>614,818</u>	<u>371,606</u>	<u>9,443,252</u>	<u>15,258,521</u>

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

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES AND SIMILAR TRUST FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Fund Types				Fiduciary Fund Types Trust and Agency	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
REVENUES:						
Local Sources	\$5,320,631	872,980	2,687,354	47,359	720,929	9,649,253
Intermediate Sources	419,248					419,248
State Sources	5,381,026	64,412	338			5,445,776
Federal Sources	2,163,796	555,328				2,719,124
Total Revenues	13,284,701	1,492,720	2,687,692	47,359	720,929	18,233,401
EXPENDITURES:						
Instruction	8,564,947			583,217		9,148,164
Support Services	4,744,945	731,014		534,151		6,010,110
Non-Instructional Services		779,749		174	700,211	1,480,134
Facilities Acquisition & Construction Services	1,500			5,442,019		5,443,519
Other Outlays	1,043	1,600				2,643
Other Uses						0
Repayments	1,165	495				1,660
Bank Charges	3,165					3,165
DEBT SERVICE						
Bonds Paid			2,576,334			2,576,334
Coupons Paid			194,484			194,484
Total Expenditures	13,316,765	1,512,858	2,770,818	6,559,561	700,211	24,860,213
Revenues Over (Under) Expenditures	(32,064)	(20,138)	(83,126)	(6,512,202)	20,718	(6,626,812)
OTHER FINANCING SOURCES (USES):						
Return of Assets	50,689	2,751				53,440
Estopped Warrants	647	8,800				9,447
Proceeds from Sale of Bonds				5,400,000		5,400,000
Transfer to Fiscal Agent						0
Deobligation of Prior Year Funds	3,735	10,041		29,251		43,027
Total Other Financing Sources (Uses)	55,071	21,592	0	5,429,251	0	5,505,914
Revenue and Other Sources Over (Under) Expenditures and Other Uses	23,007	1,454	(83,126)	(1,082,951)	20,718	(1,120,898)
Fund Balance, Beginning of Year	1,118,951	478,521	111,045	1,635,581	345,073	3,689,171
Fund Balance, End of Year	\$1,141,958	479,975	27,919	552,630	365,791	2,568,273

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

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REGULATORY BASIS
GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund			Special Revenue Funds		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	\$4,992,712	5,320,631	327,919	832,257	872,980	40,723
Intermediate Sources	416,000	419,248	3,248			0
State Sources	5,384,146	5,381,026	(3,120)	57,987	64,412	6,425
Federal Sources	1,901,261	2,163,796	262,535	465,141	555,328	90,187
Total Revenues	12,694,119	13,284,701	590,582	1,355,385	1,492,720	137,335
EXPENDITURES :						
Instruction	9,084,596	8,564,947	519,649			0
Support Services	4,744,766	4,744,945	(179)	921,538	731,014	190,524
Non-Instructional Services			0	910,273	779,749	130,524
Other Outlays	1,500	1,500	0	1,600	1,600	0
Other Uses	1,043	1,043	0			0
Repayments	1,165	1,165	0	495	495	0
Bank Charges		3,165	(3,165)			0
Total Expenditures	13,833,070	13,316,765	516,305	1,833,906	1,512,858	321,048
Revenues Over (Under) Expenditures	(1,138,951)	(32,064)	1,106,887	(478,521)	(20,138)	458,383
OTHER FINANCING SOURCES (USES):						
Return of Assets	20,000	50,689	30,689		2,751	2,751
Estopped Warrants		647	647		8,800	8,800
Deobligation of Prior Year Funds		3,735	3,735		10,041	10,041
Total Other Financing Sources (Uses)	20,000	55,071	35,071	0	21,592	21,592
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(1,118,951)	23,007	1,141,958	(478,521)	1,454	479,975
Fund Balance, Beginning of Year	1,118,951	1,118,951	0	478,521	478,521	0
Fund Balance, End of Year	\$0	1,141,958	1,141,958	0	479,975	479,975

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

NOTES TO FINANCIAL STATEMENTS

**CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Catoosa Public Schools Independent District No. 2, Rogers County, Oklahoma (the "District") have been prepared in conformity with an other comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on State of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the district, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The 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.

B. Fund Accounting and Description of Funds

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.

CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

B. Fund Accounting and Description of Funds – (continued)

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

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types.”

Governmental Fund Types

Governmental funds are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund – The general fund is used to account for all financial transactions, except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Salary Incentive Aid program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund – The special revenue fund is the District’s Building Fund. The Building Fund consists of monies derived from property taxes levied for the purpose of erecting, remodeling, or repairing buildings and for purchasing furniture and equipment.

The Child Nutrition Fund derives monies from State, Federal and local sources.

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, interest and related costs. 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 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 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.

CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Agency Fund – 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, of collecting, disbursing and accounting for these activity funds.

Account Groups

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

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 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.

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 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 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.

CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

C. Basis of Accounting and Presentation – (continued)

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

D. Budgets and Budgetary Accounting

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 second 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.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent. Under current Oklahoma Statutes, a formal 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.

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.

Investments – Investments consist of 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.

CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

E. Assets, Liabilities, and Fund Equity – (continued)

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

Capital Assets – The accounting treatment over capital assets (property, plant, and equipment) depends on whether the assets are used in governmental fund-type operations or proprietary fund-type operations. Fixed assets used in governmental fund-type operations (general fixed assets) are recorded for as capital outlay expenditures of the governmental fund-type upon acquisition and are recorded as property, plant, and equipment in the General Fixed Asset Account Group. Fixed assets used in proprietary fund-type operations are accounted for as property, plant, and equipment within the proprietary fund itself.

All fixed assets are valued at historical cost, or estimated cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

Depreciation and accumulated depreciation are not reported against general fixed assets.

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.

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.

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.

Fund Balance – Fund balance represents the cash and investments 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 districts based on information accumulated from the districts.

CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

F. Revenue, Expenses, and Expenditures – (continued)

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.

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 expenditure/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

2. DEPOSIT AND INVESTMENT RISKS

Custodial Credit Risk - The District's policy as it relates to custodial credit risk is to secure its uninsured deposits with collateral, valued at no more than market value, at least at a level of 100 percent of the uninsured deposits and accrued interest thereon. The investment policy and state law also limits acceptable collateral to U.S. Treasury and agency securities and direct debt obligations of the state, municipalities, counties, and school districts in the state of Oklahoma, surety bonds, and letters of credit. As required by Federal 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the District must have a written collateral agreement approved by the board of directors or loan committee.

At June 30, 2011, the District was not exposed to custodial credit as defined above.

Investment Credit Risk – The District's investment policy limits investments to those allowed in state law applicable to school districts as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Investment Credit Risk (continued) - Investment credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has no formal policy limiting investments based on credit rating, but discloses any such credit risk associated with their investments. Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits investments to those with a short-term maturities, as a means of managing exposure to fair value losses arising from increasing interest rates. The District discloses its exposure to interest rate risk by disclosing the maturity dates of its various investments.

Concentration of Investment Credit Risk – Exposure to concentration of credit risk is considered to exist when investments in any one issuer represent a significant percent of total investments of the District (any over 5 percent are disclosed). Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this consideration. The District's investment policy requires diversification of investments.

At June 30, 2011, the District had no concentration of credit risk as defined above.

3. INTERFUND RECEIVABLES AND PAYABLES

There were no Interfund receivables or payables at June 30, 2011.

4. GENERAL LONG-TERM DEBT

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue.

**CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

4. GENERAL LONG-TERM DEBT -(continued)

General long-term debt of the District consists of bonds payable, obligations for compensated absences, and capital leases. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2011:

	Bonds <u>Payable</u>	Compensated <u>Absences</u>	Capital Lease <u>Obligation</u>	<u>Total</u>
Balance, July 1, 2010	\$ 8,270,000	\$	\$	\$ 8,270,000
Additions	5,400,000			5,400,000
Retirements	2,700,000			2,700,000
Balance, June 30, 2011	<u>\$10,970,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 10,970,000</u>

A brief description of the outstanding general obligation bond issues at June 30, 2011 is set forth below:

	<u>Amount Outstanding</u>
Independent School District No. 2 General Obligation Bonds, Series 2010, original issue \$5,400,000, interest rate of 1.20% to 2.10%, due in An initial installment of \$975,000 and installments of \$1,475,000, final payment of \$1,475,000 due June 1, 2015.	\$5,400,000
Independent School District No. 2 General Obligation Bonds, Series 2010, original issue \$1,865,000, interest rate of 1.65% to 2.55%, due in annual installments of \$465,000, final payment of \$470,000 due June 1, 2015.	1,865,000
Independent School District No. 2 Building Bonds, Series 2009, original issue \$895,000, interest rate of 3.00% to 3.55%, due in annual installments of \$295,000, final payment of \$300,000 due January 1, 2013.	600,000
Independent School District No. 2 Building Bonds, Series 2008, original issue \$4,000,000, interest rate of 2.85% to 3.00%, due in an annual installments of \$1,000,000, final payment of \$1,000,000 due June 1, 2013.	2,000,000

CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

4. GENERAL LONG-TERM DEBT -(continued)

Independent School District No. 2
 Building Bonds, Series 2006, original issue
 \$3,315,000, interest rate of 3.65% to 3.70%, due in
 annual installments of \$1,105,000, final
 payment of \$1,105,000 due July 1, 2011. 1,105,000

TOTAL **\$10,970,000**

The annual debt service requirements for retirement of bond principal and payment of interest are as follows:

Year ending <u>June 30</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,870,000	\$ 166,498	\$ 3,036,498
2013	2,740,000	332,473	3,072,473
2014	1,940,000	122,887	2,062,887
2015	1,945,000	56,300	2,001,300
	1,475,000	15,487	1,490,487
	<u>\$ 10,970,000</u>	<u>\$ 693,645</u>	<u>\$ 11,663,645</u>

Interest expense on general long-term debt incurred during the current year totaled \$194,484.

5. EMPLOYEE RETIREMENT SYSTEM

The Retirement 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. Actuarial valuations are not performed on individual school districts. The nonfunded pension benefit obligation of the System, as determined as part of the latest actuarial valuation indicates a significant unfunded pension benefit obligation.

**CATOOSA SCHOOL DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5. EMPLOYEE RETIREMENT SYSTEM – (continued)

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. A participant leaving employment before attaining retirement age, but completing ten years of service, may elect to vest his/her 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. Employers' contribution of applicable employee earnings was 9.5% for the year ended June 30, 2011.

Annual Pension Cost

The District's contribution to the System for the year ending June 30, 2011, was \$1,115,056. The District's total payroll for fiscal year 2010-11 was \$8,984,710.

6. CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

7. RISK MANAGEMENT AND LITIGATION

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, employees' health and life, and natural disasters. The District manages these various risks of loss through the purchase of commercial insurance. 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.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 17, 2011, which is the date the financial statements were issued.

OTHER SUPPLEMENTARY INFORMATION

CATOOSA SCHOOL DISTRICT NO. 2
 ROGERS COUNTY, OKLAHOMA
 COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
 SPECIAL REVENUE FUNDS
 JUNE 30, 2011

	<u>BUILDING FUND</u>	<u>CHILD NUTRITION FUND</u>	<u>TOTALS (Memorandum Only)</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$280,049</u>	<u>263,367</u>	<u>543,416</u>
Total Assets	<u><u>\$280,049</u></u>	<u><u>263,367</u></u>	<u><u>543,416</u></u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants Outstanding	<u>\$24,653</u>	<u>7,249</u>	<u>31,902</u>
Total Liabilities	<u>24,653</u>	<u>7,249</u>	<u>31,902</u>
Fund Equity:			
Reserved for Encumbrances	16,050	15,489	31,539
Fund Balance	<u>239,346</u>	<u>240,629</u>	<u>479,975</u>
Total Fund Equity	<u>255,396</u>	<u>256,118</u>	<u>511,514</u>
Total Liabilities and Fund Equity	<u><u>\$280,049</u></u>	<u><u>263,367</u></u>	<u><u>543,416</u></u>

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

**CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	BUILDING FUND	CHILD NUTRITION FUND	TOTALS (Memorandum Only)
Revenues:			
Local Sources	\$ 730,885	142,095	872,980
State Sources	70	64,342	64,412
Federal Sources		555,328	555,328
	<u>730,955</u>	<u>761,765</u>	<u>1,492,720</u>
Total Revenues Collected			
Expenditures:			
Support Services	731,014		731,014
Non-Instructional Services		779,749	779,749
Other Outlays		1,600	1,600
Repayments		495	495
	<u>731,014</u>	<u>781,844</u>	<u>1,512,858</u>
Total Expenditures			
Excess of Revenues Over Expenditures	<u>(59)</u>	<u>(20,079)</u>	<u>(20,138)</u>
Other Financing Sources (Uses):			
Return of Assets		2,751	2,751
Estopped Warrants		8,800	8,800
Deobligation of Prior Year Funds	2,053	7,988	10,041
	<u>2,053</u>	<u>19,539</u>	<u>21,592</u>
Total Other Financing Sources (Uses):			
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,994	(540)	1,454
Fund Balance, Beginning of Year	<u>237,352</u>	<u>241,169</u>	<u>478,521</u>
Fund Balance, End of Year	<u>\$ 239,346</u>	<u>240,629</u>	<u>479,975</u>

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

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGETED SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2011

	Building Fund			Child Nutrition Fund		
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
Local Sources	\$684,186	730,885	46,699	148,071	142,095	-5,976
State Sources		70	70	57,987	64,342	6,355
Federal Sources			0	465,141	555,328	90,187
Total Revenues	684,186	730,955	46,769	671,199	761,765	90,566
EXPENDITURES :						
Support Services	921,538	731,014	190,524			0
Operation of Non-Instructional Services			0	910,273	779,749	130,524
Other Outlays			0	1,600	1,600	0
Repayments			0	495	495	0
Total Expenditures	921,538	731,014	190,524	912,368	781,844	130,524
Revenues Over (Under) Expenditures	(237,352)	(59)	237,293	(241,169)	(20,079)	221,090
OTHER FINANCING SOURCES (USES):						
Return of Assets			0		2,751	2,751
Estopped Warrant			0		8,800	8,800
Deobligation of Prior Year Funds		2,053	2,053		7,988	7,988
Total Other Financing Sources (Uses)	0	2,053	2,053	0	19,539	19,539
Revenue and Other Sources Over (Under) Expenditures and Other Uses	(237,352)	1,994	239,346	(241,169)	(540)	240,629
Fund Balance, Beginning of Year	237,352	237,352	0	241,169	241,169	0
Fund Balance, End of Year	\$0	239,346	239,346	0	240,629	240,629

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

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
CAPITAL PROJECTS FUNDS
JUNE 30, 2011

	BOND FUND #34	BOND FUND #35	BOND FUND #36	BOND FUND #37	TOTALS (Memorandum Only)
<u>ASSETS</u>					
Cash and Cash Equivalents	<u>\$72,981</u>	<u>29,716</u>	<u>55,474</u>	<u>456,647</u>	<u>614,818</u>
Total Assets	<u>72,981</u>	<u>29,716</u>	<u>55,474</u>	<u>456,647</u>	<u>614,818</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Warrants Outstanding	<u>0</u>	<u></u>	<u></u>	<u>153</u>	<u>153</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>153</u>	<u>153</u>
Fund Equity:					
Reserved for Encumbrances		258		61,777	62,035
Fund Balance	<u>72,981</u>	<u>29,458</u>	<u>55,474</u>	<u>394,717</u>	<u>552,630</u>
Total Fund Equity	<u>72,981</u>	<u>29,716</u>	<u>55,474</u>	<u>456,494</u>	<u>614,665</u>
Total Liabilities and Fund Equity	<u>\$72,981</u>	<u>29,716</u>	<u>55,474</u>	<u>456,647</u>	<u>614,818</u>

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

**CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	BOND FUND #34	BOND FUND #35	BOND FUND #36	BOND FUND #37	TOTALS (Memorandum Only)
Revenues:					
Local Sources	\$0			47,359	47,359
Total Revenues Collected	0	0	0	47,359	47,359
Expenditures:					
Instruction		4,919		578,298	583,217
Support Services		49,484	427	484,240	534,151
Operation of Non Instructional Services				174	174
Facilities Acquisition & Construction Services	5,442,019				5,442,019
Total Expenditures	5,442,019	54,403	427	1,062,712	6,559,561
Excess of Revenues Over Expenditures	(5,442,019)	(54,403)	(427)	(1,015,353)	(6,512,202)
Other Financing Sources (Uses):					
Proceeds from Sale of Bonds	3,650,000			1,750,000	5,400,000
Transfer Among Funds	1,865,000			(1,865,000)	0
Deobligation of Prior Year Funds		28,856		395	29,251
Total Other Financing Sources (Uses):	5,515,000	28,856	0	(114,605)	5,429,251
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	72,981	(25,547)	(427)	(1,129,958)	(1,082,951)
Fund Balance, Beginning of Year	0	55,005	55,901	1,524,675	1,635,581
Fund Balance, End of Year	\$72,981	29,458	55,474	394,717	552,630

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

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF ASSETS AND LIABILITIES - REGULATORY BASIS
TRUST AND AGENCY FUNDS
JUNE 30, 2011

	<u>GIFTS FUND</u>	<u>ACTIVITY FUND</u>	<u>TOTALS (Memorandum Only)</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	<u>\$10,664</u>	<u>360,942</u>	<u>371,606</u>
Total Assets	<u><u>\$10,664</u></u>	<u><u>360,942</u></u>	<u><u>371,606</u></u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Warrants Outstanding	<u>\$0</u>	<u>5,815</u>	<u>5,815</u>
Total Liabilities	<u>\$0</u>	<u>5,815</u>	<u>5,815</u>
Fund Equity:			
Reserved for Encumbrances			0
Fund Balance	<u>10,664</u>	<u>355,127</u>	<u>365,791</u>
Total Fund Equity	<u>10,664</u>	<u>355,127</u>	<u>365,791</u>
Total Liabilities and Fund Equity	<u><u>\$10,664</u></u>	<u><u>360,942</u></u>	<u><u>371,606</u></u>

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

**CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - REGULATORY BASIS
TRUST AND AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	GIFTS FUND	ACTIVITY FUND	TOTALS (Memorandum Only)
Revenues:			
Local Sources	\$251	720,678	720,929
Total Revenues Collected	251	720,678	720,929
Expenditures:			
Non-Instructional Services	406	699,805	700,211
Total Expenditures	406	699,805	700,211
Excess of Revenues Over Expenditures	(155)	20,873	20,718
Other Financing Sources (Uses):			
Transfer Among Funds			0
Total Other Financing Sources (Uses):	0	0	0
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(155)	20,873	20,718
Fund Balance, Beginning of Year	10,819	334,254	345,073
Fund Balance, End of Year	\$10,664	355,127	365,791

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

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - ACTIVITY FUND
JULY 1, 2010 TO JUNE 30, 2011

	<u>Balance</u> <u>7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> <u>6/30/11</u>
HS Football	\$5,635.78	3,171.00	12,871.29	17,887.82	3,790.25
HS Baseball	771.61	32,904.44	2,680.00	32,566.60	3,789.45
Scoreboard	88.24	0.00	0.00	0.00	88.24
HS Softball	2,039.47	6,977.52	3,320.00	9,796.39	2,540.60
HS Wrestling	228.82	450.00	2,350.86	2,858.78	170.90
HS Golf (Boys)	262.33	893.87	1,200.00	1,701.85	654.35
Cross Country (Boys)	162.06	150.00	330.20	562.20	80.06
HS Soccer (Boys)	700.08	7,592.85	1,449.88	9,742.13	0.68
Athletic Ticket Sales	10,989.17	148,416.78	(19,047.55)	116,747.97	23,610.43
HS Basketball (Boys)	1,766.49	515.00	6,401.50	7,061.16	1,621.83
HS Basketball (Girls)	3,645.67	690.00	6,300.00	7,108.39	3,527.28
Catoosa Hoops Club	1,530.20	3,470.00	(4,000.00)	787.82	212.38
HS Track (Boys)	706.49	12,602.15	1,870.00	9,941.69	5,236.95
HS Cheerleaders	2.23	2,596.00	220.00	2,685.92	132.31
MS Cheerleaders	3,098.15	7,043.19	0.00	5,923.78	4,217.56
Band	5,406.24	9,947.27	220.00	12,514.67	3,058.84
Linihan Marquee	1,628.84	0.00	3,000.00	0.00	4,628.84
Linihan Foundation	1,800.15	0.00	0.00	0.00	1,800.15
Tulsa Run	944.50	2,200.00	0.00	2,184.41	960.09
SOS	517.89	0.00	(517.89)	0.00	(0.00)
Catoosa Education Foundation	1,806.28	8,000.00	0.00	8,654.03	1,152.25
Admin - General Activity	4,658.45	(147.00)	0.00	3,098.23	1,413.22
HS Science	530.00	0.00	(530.00)	0.00	0.00
Foreign Exchange Program	0.00	1,412.50	0.00	1,412.50	0.00
Activity- Interest	15,758.47	914.89	0.00	4,919.91	11,753.45
Outdoor Educ HS	1,800.50	0.00	0.00	0.00	1,800.50
FCCLA (Club)	770.25	599.25	0.00	755.67	613.83
FCA (Club)	21.25	0.00	0.00	0.00	21.25
BPA (Club)	308.54	3,230.80	(250.00)	1,973.83	1,315.51
Rewards EOI	490.50	0.00	0.00	426.93	63.57
Jr. Class (Club)	9,292.43	8,134.41	0.00	5,604.21	11,822.63
Sr. Class (Club)	10,448.28	55,625.35	(1,385.00)	51,787.33	12,901.30
Speech & Drama (Club)	389.33	0.00	0.00	232.87	156.46
HS Student Council	2,101.75	7,248.00	1,385.00	8,613.57	2,121.18
MS Student Council	1,687.23	4,975.77	0.00	4,167.93	2,495.07
Science Club	477.23	610.50	0.00	996.02	91.71
French Club	4,251.94	268.04	0.00	540.04	3,979.94
Spanish Club	1,115.08	248.09	0.00	261.08	1,102.09
NJHS Middle	400.73	1,314.53	0.00	955.44	759.82
NHS (Club)	308.81	1,598.00	0.00	1,396.00	510.81
HS Academic Team	401.05	0.00	0.00	287.50	113.55
JWS PFC	4,012.48	16,050.93	(208.15)	17,489.68	2,365.58

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - ACTIVITY FUND
JULY 1, 2010 TO JUNE 30, 2011

	<u>Balance</u> <u>7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> <u>6/30/11</u>
Cherokee Learning Service	3,417.41	500.00	0.00	3,351.45	565.96
HS Yearbook	0.68	9,754.52	0.00	8,800.00	955.20
HS Newspaper	439.16	0.00	0.00	0.00	439.16
MS Yearbook	6,632.88	6,234.58	0.00	7,259.57	5,607.89
HPLC Yearbook	2,119.08	3,844.00	0.00	3,806.22	2,156.86
Cherokee Yearbook	6,074.31	4,215.00	0.00	3,744.15	6,545.16
JWS Yearbook	1,621.94	4,176.95	0.00	2,998.56	2,800.33
HS Media	198.37	1,052.05	0.00	1,131.51	118.91
MS Media	650.49	3,316.35	0.00	2,822.46	1,144.38
Cherokee Media	9,881.41	4,954.66	0.00	5,679.68	9,156.39
JWS Media	66.98	5,487.53	0.00	5,246.50	308.01
Perkins Challenge	230.00	0.00	0.00	0.00	230.00
Archery	4,940.71	0.00	382.10	568.61	4,754.20
Leadership	107.80	0.00	0.00	0.00	107.80
Concessions	44,833.53	129,402.12	(23,665.51)	88,770.06	61,800.08
HS Testing	361.25	887.00	0.00	782.00	466.25
MS Drama	0.00	0.00	832.92	499.00	333.92
HS BusinessBooks	1.61	0.00	0.00	0.00	1.61
HS Art	344.52	0.00	0.00	0.00	344.52
MS Art	687.54	648.84	0.00	0.00	1,336.38
HS-Pepsi\Imperial	18,571.38	6,705.90	5,000.00	19,002.01	11,275.27
MS-Pepsi\Imperial	12,261.52	2,967.63	(138.66)	3,816.85	11,273.64
CE-Pepsi\Imperial	2,120.02	52.42	0.00	347.28	1,825.16
JWS-Pepsi\Imperial	217.29	404.72	0.00	284.29	337.72
CE General Activity	13,025.37	5,605.34	(306.15)	5,802.24	12,522.32
HS General Activity	2,889.33	3,271.63	0.00	3,053.34	3,107.62
MS General Activity	2,668.37	2,806.77	1,047.89	3,271.15	3,251.88
JWS General Activity	2,809.06	1,898.90	(231.00)	3,775.88	701.08
HPLC General Activity	5,821.23	7,026.02	0.00	4,946.80	7,900.45
Refund Clearing Account	0.00	41.10	0.00	41.10	0.00
Lost Textbooks	0.00	874.50	0.00	874.50	0.00
HS Special Indians	545.84	11,654.86	369.63	10,356.58	2,213.75
Drivers Education	0.00	1,120.00	0.00	1,120.00	0.00
Credit Recovery	0.00	3,775.00	0.00	3,775.00	0.00
Admin-Pepsi\Imperial	4,798.89	5,227.75	0.00	3,778.92	6,247.72
District Wide Special Program	2,415.71	5,000.00	0.00	4,645.32	2,770.39
Trees - New Activity Center	802.98	0.00	0.00	0.00	802.98
Advocacy	0.00	3,236.23	0.00	1,767.16	1,469.07
Cody Berg Monument	0.00	1,051.22	0.00	1,050.00	1.22
HS Soccer (Girls)	1,699.24	5,594.00	548.00	6,641.76	1,199.48
MS PFC	18,373.29	0.00	(3,000.00)	8,017.00	7,356.29
Serteen Club	151.94	0.00	0.00	0.00	151.94
Gifted Education	2,465.41	1,440.00	0.00	1,508.76	2,396.65
Vocal Music	1,613.95	11,705.53	(1,699.31)	9,254.34	2,365.83
Volleyball	7,585.80	8,806.20	1,980.00	13,528.16	4,843.84
9th Gr Cheerleaders	19.06	0.00	0.00	0.00	19.06

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
REGULATORY BASIS - ACTIVITY FUND
JULY 1, 2010 TO JUNE 30, 2011

	<u>Balance</u> <u>7/01/10</u>	<u>Deposits</u>	<u>Transfers</u>	<u>Disbursed</u>	<u>Balance</u> <u>6/30/11</u>
Kindergarten	2,991.08	1,065.00	2,400.11	3,955.67	2,500.52
HPLC-Pepsi/Imperial	219.85	317.37	0.00	242.21	295.01
Choir Parent Club	853.71	5,281.36	(694.26)	4,539.52	901.29
Middle/Choir Trip	30.00	0.00	0.00	0.00	30.00
High/Choir Trip	378.39	6,086.83	(3,199.19)	3,266.03	0.00
HPLC Special Indians	313.66	686.00	600.00	849.03	750.63
CE PFC	13,335.32	33,556.70	(267.80)	24,056.34	22,567.88
HPLC PFC	3,955.76	25,618.23	(1,825.00)	21,980.51	5,768.48
Speech & Debate Team	297.25	0.00	0.00	0.00	297.25
MS Mathcounts	59.72	196.60	0.00	91.79	164.53
Universal Hiring Program	13,182.39	3,500.00	0.00	13,569.95	3,112.44
Campus Police	16.82	0.00	0.00	0.00	16.82
HPLC Media	536.61	4,332.35	100.00	4,569.13	399.83
HS Golf (Girls)	289.41	848.87	1,350.00	1,866.84	621.44
Cross Country (Girls)	162.03	150.00	330.20	562.20	80.03
HS Track (Girls)	612.20	10,465.66	3,070.00	8,366.44	5,781.42
MS Softball	0.58	0.00	0.00	0.00	0.58
JWS Special Indians	925.79	4,354.70	331.00	4,051.06	1,560.43
MS Special Indians	166.80	0.00	0.00	0.00	166.80
CE Special Indians	874.24	516.29	300.00	1,193.82	496.71
Pre-K HPLC	265.44	0.00	0.00	210.00	55.44
1st Grade Classroom	2,511.56	7,502.02	(1,275.11)	4,727.11	4,011.36
Clock Tower	1,900.00	0.00	0.00	0.00	1,900.00
International Club	155.30	0.00	0.00	0.00	155.30
Creative Writing	25.00	0.00	0.00	0.00	25.00
SADD	4.94	0.00	0.00	0.00	4.94
MS Academic Team	181.25	184.00	0.00	99.46	265.79
2nd Grade Account	2,256.34	1,510.00	(660.00)	551.33	2,555.01
3rd Grade Account	395.89	63.00	660.00	369.38	749.51
Vedigris Valley	936.36	0.00	0.00	925.32	11.04
TOTAL	<u>\$334,254.03</u>	<u>720,678.43</u>	<u>0.00</u>	<u>699,805.70</u>	<u>355,126.76</u>

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

CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011

	OCAS Project Number	Federal CFDA Number	Program or Award Amount	Cash/ Beginning Balance at July 1, 2010	Federal Receipts	Federal Expenditures	Cash/ Ending Balance at June 30, 2011
U.S. Department of Education:							
Direct Programs							
Indian Education	561	84.060A	\$ 155,806.00		155,806.00	155,806.00	0.00
Indian Education - Prior Year	799	84.060A		(3,829.99)	3,829.99		0.00
Sub-total			155,806.00	(3,829.99)	159,635.99	155,806.00	0.00
Passed through the Department of Education:							
Title I	511	84.010	387,336.17		212,151.01	325,897.49	(113,746.48)
Title I, Part A ARRA	516	84.389	9,729.53		9,729.53	9,729.53	0.00
Title II, Part A	541	84.367	113,724.62		65,709.36	77,050.18	(11,340.82)
Title II, Part A - Prior Year	799	84.367		(1,994.50)	1,994.50		0.00
Title II-D Technology	546	84.318	1,237.69		0.00	1,237.69	(1,237.69)
Title II-D Technology	799	84.318		(2,470.13)	2,470.13		0.00
Title II-D Technology (Staff Development)	548	84.318	1,235.94		0.00	1,235.94	(1,235.94)
Educational Technology ARRA	549	84.386	229,822.55		110,990.84	229,822.55	(118,831.71)
Educational Technology ARRA - Prior Year	799	84.386		(45,842.85)	45,842.85		0.00
Title IV, Part A	551	84.186	5,720.23		5,592.08	5,688.28	(96.20)
Title IV, Part A - Prior Year	799	84.186		(4,320.00)	4,320.00		0.00
IDEA-B Flow Through	621	84.027	439,045.26		248,614.14	353,144.42	(104,530.28)
IDEA-B Flow Through - Prior Year	799	84.027		(244,787.89)	244,787.89		0.00
IDEA-B Flow Through ARRA	622	84.391	63,225.51		63,225.51	63,225.51	0.00
IDEA-B Flow Through ARRA - Prior Year	622	84.391		(12,519.32)	12,519.32		0.00
Foundation & Salary Incentive Aid ARRA	782	84.394	439,430.00		439,430.00	439,430.00	0.00
Education Jobs	790	84.410	375,091.00		375,090.72	375,090.72	0.00
Early Intervening	623	84.027	72,302.00		65,850.00	65,850.00	0.00
Early Intervening ARRA - Prior Year	799	84.391		(37,000.00)	37,000.00		0.00
Preschool	641	84.173	8,157.11		8,157.11	8,157.11	0.00
Sub-total			2,146,057.61	(348,934.69)	1,953,474.99	1,955,559.42	(351,019.12)
Passed Through Department of Vocational and Technical Education:							
Carl Perkins Vocational and Applied Technology	421	84.048	24,830.00		24,830.00	24,830.00	0.00
Carl Perkins Vocational and Applied Technology - Prior Year	799	84.048		(1,266.75)	1,266.75		0.00
Sub-total			24,830.00	(1,266.75)	26,096.75	24,830.00	0.00

**CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>OCAS Project Number</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Cash/ Beginning Balance at July 1, 2010</u>	<u>Federal Receipts</u>	<u>Federal Expenditures</u>	<u>Cash/ Ending Balance at June 30, 2011</u>
Other Federal Assistance							
Johnson O'Malley	563	15.130	20,150.00		12,131.12	20,150.00	(8,018.88)
Johnson O'Malley - Prior Year	799	15.130		(6,689.78)	6,689.78		0.00
Flood Control	770	12.112	<u>1,846.62</u>		<u>1,846.62</u>	<u>1,846.62</u>	<u>0.00</u>
Sub-total			<u>21,996.62</u>	<u>(6,689.78)</u>	<u>20,667.52</u>	<u>21,996.62</u>	<u>(8,018.88)</u>
U.S. Department of Homeland Security							
FEMA	594	97.036	<u>3,921.00</u>		<u>3,921.00</u>	<u>3,921.00</u>	<u>0.00</u>
Sub-total			<u>3,921.00</u>	<u>0.00</u>	<u>3,921.00</u>	<u>3,921.00</u>	<u>0.00</u>
U.S. Department of Agriculture:							
Passed Through State Department of Education							
Commodities	385	10.550	54,213.02		49,017.63	49,017.63	0.00
National School Lunch	385	10.555	443,215.36		443,215.36	443,215.36	0.00
School Breakfast	385	10.553	<u>112,112.72</u>		<u>112,112.72</u>	<u>112,112.72</u>	<u>0.00</u>
Sub-total			<u>609,541.10</u>	<u>0.00</u>	<u>604,345.71</u>	<u>604,345.71</u>	<u>0.00</u>
Total Federal Assistance			<u>\$ 2,962,152.33</u>	<u>(360,721.21)</u>	<u>2,768,141.96</u>	<u>2,766,458.75</u>	<u>(359,038.00)</u>

Note A: Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Stillwater Public Schools District and is presented on another comprehensive basis of accounting conforming with the accounting practices prescribed or permitted by the Oklahoma State Department of Education which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recognized when an approved purchase order is issued.

Note B: Commodities representing non-cash expenditures have been included in the Schedule of Federal Awards which is an exception to the prescribed basis of accounting.

**CATOOSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
SCHEDULE OF STATUTORY, FIDELITY, AND HONESTY BONDS
JULY 1, 2010 TO JUNE 30, 2011**

Rick Kibbe – Superintendent

Employee Dishonesty Bond
The Ohio Casualty Insurance Company Policy No. 5056678
\$100,000.00 Limit
Effective: July 1, 2010 to Until Cancelled

Wendy Ache - Treasurer

Employee Dishonesty Bond
Traveler's Policy No. 100845541
\$150,000.00 Limit
Effective: From October 23, 1999 To Until Cancelled

Assistant Treasurer (if position is filled)

Employee Dishonesty Bond
Traveler's Policy No. 100845541
\$50,000.00 Limit
Effective: From October 23, 1999 To Until Cancelled

Donna Tapley – Activity Clerk

Employee Dishonesty Bond
Liberty Mutual Policy No 5056679
\$100,000.00 Limit
Effective: From July 1, 2010 to Until Cancelled

INTERNAL CONTROL AND COMPLIANCE REPORTS

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

Fax (405) 348-7965

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
Catoosa School District No. 2
Rogers County, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Catoosa School District No. 2, Rogers County, Oklahoma, as of and for the year ended June 30, 2011, which collectively compromise the District's financial statements and have issued our report thereon dated October 17, 2011. The report on these financial statements is adverse with respect to the presentation of financial statements in conformity with accounting principles generally accepted in the United States of America because the District has elected to prepare its financial statements in conformity with a regulatory basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Catoosa School District No. 2 in a separate letter dated October 17, 2011.

This report is intended solely for the information and use of management, the audit committee and others within the organization, 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. However, though restricted in use, this report is a matter of public record, and its distribution is not limited.


Putnam & Company, PLLC

Edmond, Oklahoma
October 17, 2011

PUTNAM & COMPANY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

169 S.E. 32ND

EDMOND, OKLAHOMA 73013

(405) 348-3800

Fax (405) 348-7965

Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls over Compliance In Accordance with *Office of Management and Budget Circular A-133*

The Honorable Board of Education
Catoosa School District No. 2
Rogers County, Oklahoma

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. District's major federal programs are identified in the summary of auditor's 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 District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

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

In our opinion, the 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, 2011.

Internal Control Over Compliance

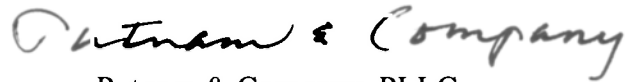
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A *material weakness* is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Putnam & Company".

Putnam & Company, PLLC

Edmond, Oklahoma
October 17, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Qualified due to regulatory basis presentation.

Internal control over financial reporting:

- * Material weakness(es) identified? ☐ Yes ☒ No
- * Significant Deficiency(ies) identified
not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Noncompliance material to financial statement noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- * Material weakness(es) identified? ☐ Yes ☐ No ☒ N/A
- * Significant Deficiency(ies) identified
not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Type of auditors’ report issued on compliance for
Major programs:

Unqualified

Any audit findings disclosed that are required to
be reported in accordance with section 510 (a)
of OMB Circular A-133?

☐ Yes ☒ No

Identification of major programs:

CFDA Number

Name of Federal Program

84.010

Title I

84.394

Foundation & Salary Incentive Aid ARRA

84.027

IDEA-B Flowthrough, Early Intervening

10.555, 10.553, 10.550

Food Service

Dollar threshold used to distinguish between type
A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No

**CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

Section II – Findings Relating to the Financial Statements

None

Section III – Findings and Questioned Costs for Federal Awards

N/A

Section IV – Status of Prior Year Audit Findings

None related to the financial statements or questioned costs for federal awards.

Section V – Management's Corrective Action Plan

N/A

ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT

Schedule of Accountants' Professional Liability Insurance Affidavit For the Year Ending June 30, 2011



MANAGEMENT LETTER AND COMMENTS

PUTNAM & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
169 S.E. 32ND
EDMOND, OKLAHOMA 73013
(405) 348-3800
fax (405) 348-7965

October 17, 2011

The Honorable Board of Education
Catoosa School District No. 2
Rogers County, Oklahoma

We have audited financial statements of Catoosa School District No. 2, Rogers County, Oklahoma, as of and for the year ended June 30, 2011, as listed in the table of contents, and have issued our report thereon dated October 17, 2011. As a part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

However, during our audit we became aware of some matters that, while not involving material weaknesses in internal accounting control, are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 17, 2011 on the financial statements of Catoosa School District No. 2.

We will review the status of these comments during our next audit engagement. We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We also wish to express our appreciation of the courteous attention and cooperation which we received from staff members during our engagement.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Putnam", with a stylized, flowing script.

Jerry W. Putnam

**CATOOSA SCHOOL DISTRICT NO. 2
ROGERS COUNTY, OKLAHOMA
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

PRIOR YEAR'S COMMENTS AND RECOMMENDATIONS

The prior year's comments have been addressed and resolved.

CURRENT YEAR'S COMMENTS AND RECOMMENDATIONS

REVIEW OF PURCHASE ORDERS AND PAYMENTS

Our review of the purchase orders indicated that in almost every instance the purchase orders were properly approved and supported with adequate documentation. However we noted the following during our review:

<u>Findings</u>	<u>No. of Instances</u>
Invoice Date <u>Before</u> Purchase Order Date	5
Paid Sales Tax	3
Paid From a Vendor's Statement	2
Paid From a Copy of the Original Invoice	1
Inaccurate Math	1
No Non-Kickback Affidavit	1

REVIEW OF ACTIVITY FUND TRANSACTIONS

During our review of the Activity Fund transactions we noted that the transactions were well documented.

DISTRICT'S RESPONSE TO AUDIT COMMENTS/CORRECTIVE ACTION PLAN

The District is generally in agreement with the finding and recommendations above and will review current procedures in order to implement necessary changes.