

**AUDIT REPORT**

**Atoka Coal CO-OP District K-2**

**Atoka County, Oklahoma**

**July 1, 2014 to June 30, 2015**

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, 2015**

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.....	9-16
<u>Other Supplementary Information</u>	
Schedule of Findings and Disposition of Prior Audit Findings.....	17
Summary Schedule of Surety Bonds.....	18
Accountant's Professional Liability Insurance Affidavit.....	19

**Atoka Coal CO-OP District K-2**

**Board of Education**

**JUNE 30, 2015**

President	Roland Smith
Vice-President	Tony Potts
Clerk	Brian Walker
Member	Jay McAdams
Member	Lori Boehme
Member	Bill Pingleton
Member	Stanley Williams
Director	Mark McPerson

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

\*\*\*\*\*

INDEPENDENT AUDITOR'S REPORT

November 10, 2015

The Honorable Board of Education  
Atoka-Coal Co-Op School District K-02  
Atoka County, Oklahoma

**Report on the Financial Statements**

I have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Atoka-Coal Co-Op School District K-02, Atoka County, Oklahoma (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Oklahoma State Department of Education to meet financial reporting requirements of the State of Oklahoma; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As discussed in Note 1C, the financial statements are prepared by the District on the basis of the financial reporting provisions of the Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the

requirements of the Oklahoma State Department of Education. The effects on the financial statements of the variances between these regulatory basis of accounting described in Note 1C and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

**Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In my opinion, because the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

**Basis for Qualified Opinion on Regulatory Basis of Accounting**

The financial statements referred to above do not include the general fixed asset account group, which is a departure from the regulatory basis of accounting prescribed by the Oklahoma State Department of Education. The amount that should be recorded in the general fixed asset account group is not known.

**Qualified Opinion on the Regulatory Basis of Accounting**

In my opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities, and fund balance arising from regulatory basis transactions of each fund type and account group of the Atoka-Coal Co-Op School District, Atoka County, Oklahoma, as of June 30, 2015, and the revenues collected and expenditures paid and encumbered for the year then ended on the regulatory basis of accounting described in Note 1C.

**Other Matters**

The School Board voted to dissolve the Atoka-Coal Co-Op School District during the fiscal year ending June 30, 2015.

**Other Reporting required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2015 on my consideration of the District’s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and is 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* in considering the District’s internal control over financial reporting and compliance.

John David Turrentine  
Certified Public Accountant

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-002  
Atoka County, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standard, issued by the Comptroller General of the United States, the accompanying fund type and account group financial statements-regulatory basis within the combined financial statements of the Atoka-Coal Co-Op School District K-02, Atoka County, Oklahoma as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated November 10, 2015. The report was adverse with respect to the presentation of the financial statements in conformity with accounting principles generally accepted in the United States because the presentation followed the regulatory basis of accounting for Oklahoma school districts and did not conform to the presentation requirements of the Governmental Accounting Standards Board. However, my report was qualified for the omission of the general fixed asset account group with respect to the presentation of financial statements on the regulatory basis of accounting authorized by the Oklahoma State Board of Education.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

John D. Turrentine CPA, P.C.  
Stigler Oklahoma  
November 10, 2015

**ATOKA COAL CO-OP DISTRICT K-2  
 COMBINED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY  
 REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2015**

<u>Assets</u>	<u>Co-Op Fund</u>	
	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents	\$67,464	\$27,067
Investments	<u>0</u>	<u>0</u>
Total	<u>\$67,464</u>	<u>\$27,067</u>
 <b><u>Liabilities And Fund Balance</u></b>		
Liabilities		
Warrants Payable	\$ 8,347	\$ 4,998
Encumbrance	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>\$ 8,347</u>	<u>\$ 4,998</u>
 CASH FUND BALANCE	 <u>\$59,117</u>	 <u>\$22,069</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$67,464</u>	 <u>\$27,067</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, 2015**

<u>Revenues Collected</u>	<u>Co-Op Fund</u>	
	<u>2015</u>	<u>2014</u>
Local Sources	\$ 156,511	\$ 83,873
State Sources	<u>85,620</u>	<u>82,295</u>
Total Revenue	<u>\$ 242,131</u>	<u>\$166,168</u>
<u>Expenditures paid</u>		
Instruction	\$ 115,743	\$111,133
Support Services	83,337	91,310
Non-Instructional Service	6,003	3,506
Other Outlays	<u>0</u>	<u>0</u>
Total expenditures	<u>\$ 205,083</u>	<u>\$205,949</u>
Revenue Over (Under) Expenditures Paid Before Adjustment to Prior Year	\$ 37,048	\$(39,782)
Estoped Warrants	\$ 0	\$ 0
Cash Fund Balance July 1,	<u>\$ 22,069</u>	<u>\$ 61,851</u>
Cash Fund Balance June 30	<u>\$ 59,117</u>	<u>\$ 22,069</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, 2015**

	<b>Co-Op Fund</b>			<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Favorable</b>
<u>Revenues Collected</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Local Sources	\$ 77,372	\$110,434	\$ 156,511	\$ 46,077
State Sources	\$ 85,314	\$ 85,314	\$ 85,620	\$ 306
Total Revenue	<u>\$162,687</u>	<u>\$195,749</u>	<u>\$ 242,131</u>	<u>\$ 46,383</u>
<u>Expenditures Paid</u>				
Instruction	\$ 95,416	\$128,478	\$ 115,743	\$ 12,735
Support Services	\$ 83,337	\$ 83,337	\$ 83,337	\$ 0
Non-Instruction Services	\$ 6,003	\$ 6,003	\$ 6,003	\$ 0
Other Uses	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures Paid	<u>\$184,756</u>	<u>\$217,818</u>	<u>\$ 205,083</u>	<u>\$ 12,735</u>
Excess of revenues collected over (under) expenses paid before adjustments to prior year encumbrances			\$ 37,048	
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)			\$ 37,048	
Cash fund Balance, beginning of year			<u>\$ 22,069</u>	
Cash fund Balance, end of year			<u>\$ 59,117</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, 2015**

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, 2015**

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-0P DISTRICT K-2  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Summary of Significant Accounting Policies, (continued)

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 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.

**ATOKA COAL CO-0P DISTRICT K-2  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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 - 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 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.

**ATOKA COAL CO-0P DISTRICT K-2  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Inventories - The value of consumable inventories at June 30, 2015 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.

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.

**ATOKA COAL CO-0P DISTRICT K-2  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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.

G. Statement of Cash Flows

The District has not presented a statement of cash flows in the fiscal 2015 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, 2015 of \$67,464 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.



**ATOKA COAL CO-0P DISTRICT K-2  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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.

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%. 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, 2013, 2014, and 2015 were \$ 23,116, \$19,578, and \$19,721 respectively.

**ATOKA COAL CO-OP DISTRICT K-2  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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, 2014, is as follows:

Total actuarial accrued liability	\$19,575,551,730
Less Actuarial value of assets	<u>12,368,960,848</u>
Unfunded actuarial accrued liability	\$ <u>7,206,590,882</u>

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

Ten year historical trend information is presented in the Teacher's Retirement System of Oklahoma Annual Report for the year ended June 30, 2014. 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.

6. Other Matters

The district board members voted to dissolve the district in its current form during the fiscal year ending June 30, 2015. Operation of the 2015/16 alternative school was assumed by the Atoka Public School District, with the opportunity for the Atoka-Coal Co-Op District members to join the Atoka Public School Alternative Co-Op.

ATOKA COAL CO-OP DISTRICT NO. K-2  
SCHEDULE OF CURRENT YEAR FINDINGS AND  
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND  
MATERIAL INSTANCES OF NON-COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2015

PRIOR YEARS FINDINGS (July 1, 2013 to June 30, 2014)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS.

No matters were reported.

CURRENT YEARS FINDINGS (July 1, 2014 to June 30, 2015)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters to report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS.

No matters to report.

\*\*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, 2015**

<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, 2015
Surety/Director	Old Republic	W150216245	\$100,000.00	January 27, 2016

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

**Atoka Coal Interlocal CO-OP District K-2  
Atoka County, Oklahoma  
Schedule of Accountant's Professional Liability Insurance Affidavit  
June 30, 2015**


State of Oklahoma)  
)  
County of Haskell )

The undersigned auditing firm of lawful age, being first duly sworn on oath says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the audit engagement with Atoka Coal CO-OP District K-2 for the year 2014-2015.

John D. Turrentine, CPA P.C.  
Auditing Firm

by   
Authorized Agent

Subscribed and sworn before me this 10<sup>th</sup> day of November, 2015

  
NOTARY PUBLIC

