

**Oklahoma County School  
District No. I-89  
Oklahoma City Public Schools**

Financial Statements and Schedule of Expenditures  
of Federal Awards with Reports of Independent  
Auditors  
June 30, 2015

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**Oklahoma County School District No. I-89**  
**Oklahoma City Public Schools**

**District Profile**

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**Board of Education**

<i>Name</i>	<i>Office</i>	<i>District</i>	<i>Term of Office</i>	<i>End of Term</i>
Lynne Hardin	Board Chairperson		4 yrs	2017
Bob Hammack	Member	1	4 yrs	2017
Justin Ellis	Vice-Chairperson	2	4 yrs	2017
Phil Horning	Member	3	4 yrs	2016
Laura Massenat	Member	4	4 yrs	2016
Ruth Veales	Member	5	4 yrs	2018
Gloria Torres	Member	6	4 yrs	2019
Ron Millican	Member	7	4 yrs	2018

**Superintendent**

Rob Neu

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# **FINANCIAL SECTION**



## Independent Auditor's Report

RSM US LLP

To the Board of Education  
Oklahoma County School District No. I-89  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oklahoma County School District No. I-89 (the District) as of and for the year ended June 30, 2015, and the related notes to 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 accounting principles generally accepted in the United States of America; this includes 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, we 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Emphasis of Matter**

As explained in Note 14 to the basic financial statements, the District adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which restated beginning net position, net pension liability and deferred outflows of resources of the governmental activities, business-type activities and the major enterprise fund.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements, statement of changes for fiduciary funds, budgetary schedules, listed in the table of contents as supplementary information, and the accompanying schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Nonprofit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. These statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying Other Information section, as listed in the table of contents, has not been subjected to the procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*RSM US LLP*

Oklahoma City, Oklahoma  
March 17, 2016

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

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Within the management's discussion and analysis of the Oklahoma County School District No. I-89 (the District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements following this section. The reports are prepared using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, which also requires that certain comparative information between the current year and the prior year be presented.

**Financial Highlights**

Key financial highlights for the fiscal year ended June 30, 2015 were:

- The District's Statement of Net Position (Accrual Basis) reported that assets and deferred outflows exceeded liabilities and deferred inflows by \$390 million (net position) a decrease of \$56.4 million, or 16.9% over the previous year-end restated net position of \$333.6 million.
- General fund expenditures (Budgetary basis) of \$330.7 million were greater than total revenues (revenues plus lapsed appropriations) of \$324.5 million by \$6.2 million, or 1.9% of total revenues. The fund balance decreased to \$27.3 million, or 8.4% of total revenues.
- E-Rate funding (Year 14) was approved for \$3.1 million for in-kind goods and services benefiting instructional services.
- The District's Bond Ratings remained favorable with the Moody's bond rating of Aa2 Stable and the Standard & Poor's bond rating of AA Stable.
- Student membership totaled 41,110, an increase of 168 students, or .04%, over last year's membership of 40,942. Membership and attendance are the critical components in the calculation of the District's revenue allocations.
- The District implemented GASB 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* which provides the recognition and disclosure requirements for employers with liabilities to a defined pension plan. This implementation resulted in the recording of a \$259 million liability for the District's portion of the TRS net pension unfunded liability as well as other related entries for subsequent contributions. (Additional information concerning the District's Employee Retirement Plans is contained in Note 8).
- Based on guidance obtained in the current year, the District determined that the assessment/lien date for Property Taxes is January 1, the date in which there is an enforceable claim against the property instead of the levy date. Therefore an entry to record the Property Taxes Receivable and Deferred Inflows of Resources was recorded in both the Governmental Funds Balance Sheet and Government-Wide Statement of Net Position.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which are comprised of three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.



**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

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**District-wide Financial Statements:** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows/inflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information reflecting how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the District include regular education, special education, transportation and administration. The business-type activities of the District include school nutrition services.

The district-wide financial statements can be found on pages 17 and 18.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District has three kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's short-term financing requirements. Most of the District's basic services are included here, such as regular education, special education, transportation and administration. Property taxes, federal grants, state grants and state aid formula provide the financing for most of these activities.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances each provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

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The Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are presented on pages 19 and 21. Major funds are presented separately, and nonmajor governmental funds are combined into a single column. Individual fund data for each of these nonmajor governmental funds are provided in a combining statement on pages 59 and 60.

*Proprietary funds* are reported in the fund financial statements and include services for which the District charges a fee. A Statement of Cash Flows – Proprietary Fund is also reported. The District maintains one proprietary fund, which is the enterprise fund for the District's School Nutrition Services program. Proprietary funds are used to report the same functions presented as business-type activities in the district-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 23 through 25.

*Fiduciary funds* are funds for which the District is the trustee or fiduciary for assets that belong to others. The District is responsible for ensuring that the assets of the funds are used only for their intended purposes and by whom the assets belong. The District maintains one fiduciary fund, which is the student activity fund. Fiduciary fund financial statements report resources that are not available to fund District programs and, as a result, are not included in the district-wide financial statements.

The basic fiduciary fund financial statement can be found on page 26.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. Notes to the financial statements can be found on pages 27 through 53.

**Required Supplementary Information:** The *Required Supplementary Information (RSI)* section presents information concerning the District's budgeting process. The District adopts an annual appropriated budget for the following funds: general fund, building fund, school nutrition fund, bond funds, debt service fund and insurance fund.

The District is required to present a budget to actual comparison schedule for both the general fund and each major special revenue fund with a legally adopted annual budget. A budgetary comparison schedule has been provided for the general fund, to demonstrate compliance with the budgets. There are no major special revenue funds with a legally adopted annual budget.

Pension information is also included in required supplementary information.

**Other Supplementary Information:** The *Other Supplementary Information* section presents the detailed by non-major Other Governmental Funds Balance Sheet and Revenues and Expenditures, and Changes in Fund Balances, The Fiduciary Statement of Changes in Assets and Liabilities, and budgetary comparison schedules for the non-major special revenue funds and other funds: building fund, bond funds, debt service fund and insurance fund.

**District-wide Financial Analysis:** The following financial analysis discussion reports the District's comparative results in two basic fund categories: Governmental Activities and Business-Type Activities. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

**Net Position:** The District's total net position at June 30, 2015 was \$390.0 million, a decrease of \$56.4 million or 16.9%, over last year's restated total net position of \$333.6 million. As a result of the implementation of GASB 68 and 71, the District is unable to report positive balances in all categories of net position, both for the District as a whole, as well as for its separate governmental and business-type activities.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

**Net Position--Continued:** The largest portion of the District's net position, \$554.5 million (138.6% of total net position), reflects its net investment in capital assets. The District uses these capital assets to provide instruction, support and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Detailed financial information is available on page 17.

The following table provides a comparative summary of the District's statements of net position as of June 30, 2015 and 2014:

	Statements of Net Position (in thousands)					
	June 30, 2015 and 2014					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current assets	\$ 380,118	\$ 392,033	\$ 3,594	\$ 3,028	\$ 383,712	\$ 395,061
Capital and other	659,544	601,167	180	264	659,724	601,431
<b>Total assets</b>	<b>1,039,662</b>	<b>993,200</b>	<b>3,774</b>	<b>3,292</b>	<b>1,043,436</b>	<b>996,492</b>
<b>Deferred outflows of resources</b>	<b>30,937</b>	<b>-</b>	<b>1,248</b>	<b>-</b>	<b>32,185</b>	<b>-</b>
Current liabilities	61,812	71,313	1,825	1,892	63,637	73,205
Long-term liabilities	428,514	164,003	10,682	285	439,196	164,288
<b>Total liabilities</b>	<b>490,326</b>	<b>235,316</b>	<b>12,507</b>	<b>2,177</b>	<b>502,833</b>	<b>237,493</b>
<b>Deferred inflows of resources</b>	<b>180,123</b>	<b>111,170</b>	<b>2,678</b>	<b>-</b>	<b>182,801</b>	<b>111,170</b>
Net position:						
Net investment in capital assets	554,501	504,207	180	264	554,681	504,471
Restricted	50,185	23,624	-	-	50,185	23,624
Unrestricted	(204,536)	118,883	(10,343)	851	(214,879)	119,734
<b>Total net position</b>	<b>\$ 400,150</b>	<b>\$ 646,714</b>	<b>\$ (10,163)</b>	<b>\$ 1,115</b>	<b>\$ 389,987</b>	<b>\$ 647,829</b>

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

The District's total assets at June 30, 2015 were \$1,043.4 million, an increase of \$46.9 million, or 4.7%, over last year's assets of \$996.5 million.

	Total Assets (in thousands)					
	June 30, 2015 and 2014					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Cash and cash equivalents	\$ 214,323	\$ 226,546	\$ 2,976	\$ 2,501	\$ 217,299	\$ 229,047
Deposits held by a third party	25,970	28,806	-	-	25,970	28,806
Accounts receivables, net of allowances	139,505	136,317	391	365	139,896	136,682
Inventories	320	364	227	162	547	526
<b>Total current assets</b>	<b>380,118</b>	<b>392,033</b>	<b>3,594</b>	<b>3,028</b>	<b>383,712</b>	<b>395,061</b>
Land and construction	17,526	46,579	-	-	17,526	46,579
Other capital assets, net of accumulated depreciation	642,018	554,588	180	264	642,198	554,852
<b>Total noncurrent assets</b>	<b>659,544</b>	<b>601,167</b>	<b>180</b>	<b>264</b>	<b>659,724</b>	<b>601,431</b>
<b>Total assets</b>	<b>\$ 1,039,662</b>	<b>\$ 993,200</b>	<b>\$ 3,774</b>	<b>\$ 3,292</b>	<b>\$ 1,043,436</b>	<b>\$ 996,492</b>

**Current Assets:** The District's current assets consist primarily of cash and cash equivalents, deposits held by a third party, receivables, and inventories. Current assets at June 30, 2015 were \$383.7 million, a decrease of \$11.4 million, or 2.9%, over last year's current assets of \$395.1. Major transactions/factors were:

- Decrease of Cash and Cash Equivalents and Investments of \$11.7 million over prior year is primarily related to the increased operational costs primarily within the General Fund.
- Increase of Accounts Receivables of \$3.2 million over prior year is primarily related to increases in federal programs receivables claimed with the State Department of Education by year end but not reimbursed until the following year.
- Decrease of deposits held by a third party of \$2.8 million is related to a decrease of bond principal and interest payments due July 1st.

**Noncurrent Assets:** The District's investment in capital assets includes land, construction in-progress, buildings and improvements, computer and related equipment, machinery and equipment, and vehicles. Capital assets, net of accumulated depreciation, at June 30, 2015 were \$659.7 million, an increase of \$58.3 million, or 9.7%, over last year's total net capital assets of \$601.4 million.

Additional information concerning the District's capital assets is contained in Note 4 to the financial statements.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

The following table provides a comparative summary of the District's capital assets as of June 30, 2015 and 2014:

Major transactions/factors were:

- Increase for MAPS Sales Tax transfers of \$42.4 million for Buildings and Improvements and Technology.
- Increase for Assets under Construction activity of \$37.3 million.
- Decrease for Depreciation expense of \$22.6 million.

	Capital Assets, Net of Accumulated Depreciation (in thousands)					
	June 30, 2015 and 2014					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,585	\$ 3,271	\$ -	\$ -	\$ 3,585	\$ 3,271
Construction in-progress	13,941	43,308	-	-	13,941	43,308
Buildings and improvements	621,259	528,470	-	-	621,259	528,470
Computer and related equipment	14,248	18,540	10	15	14,258	18,555
Machinery and equipment	2,204	2,309	154	229	2,358	2,538
Vehicles	4,307	5,269	16	20	4,323	5,289
<b>Total capital assets</b>	<b>\$ 659,544</b>	<b>\$ 601,167</b>	<b>\$ 180</b>	<b>\$ 264</b>	<b>\$ 659,724</b>	<b>\$ 601,431</b>

**Total liabilities:** The District's total liabilities at June 30, 2015 were \$502.8 million, an increase of \$265.3 million, or 111.7%, over last year's total liabilities of \$237.5 million. The following table provides a comparative summary of the District's liabilities as of June 30, 2015 and 2014:

	Total Liabilities (in thousands)					
	June 30, 2015 and 2014					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current liabilities	\$ 36,708	\$ 36,284	\$ 1,688	\$ 1,770	\$ 38,396	\$ 38,054
Current portion of long-term liabilities	25,104	35,029	137	122	25,241	35,151
<b>Total current liabilities</b>	<b>61,812</b>	<b>71,313</b>	<b>1,825</b>	<b>1,892</b>	<b>63,637</b>	<b>73,205</b>
Long-term portion of GO bonds	172,140	157,360	-	-	172,140	157,360
Premium on bonds	2,017	1,551	-	-	2,017	1,551
Capital lease obligation	499	-	-	-	499	-
Accrued compensated absences	5,200	5,092	321	285	5,521	5,377
Net pension liability	248,658	-	10,361	-	259,019	-
<b>Total noncurrent liabilities</b>	<b>428,514</b>	<b>164,003</b>	<b>10,682</b>	<b>285</b>	<b>439,196</b>	<b>164,288</b>
<b>Total liabilities</b>	<b>\$ 490,326</b>	<b>\$ 235,316</b>	<b>\$ 12,507</b>	<b>\$ 2,177</b>	<b>\$ 502,833</b>	<b>\$ 237,493</b>

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

**Current Liabilities:** The District's total current liabilities at June 30, 2015 were \$63.6 million, a decrease of \$9.6 million, or 13.1%, over last year's total current liabilities of \$73.2 million. Current liabilities include Accounts Payables and the current portion of long-term obligations.

**Noncurrent Liabilities:** The District's total noncurrent liabilities at June 30, 2015 were \$439.2, an increase of \$274.9 million or 167.3%, over last year's total noncurrent liabilities of \$164.3 million. Major transactions/factors were:

- Increase of Net Pension Liability as a result of the District's Implementation of GASB 68 of \$259 million
- Increase of the total Long-term portion of General Obligation Bonds of \$14.8 million

Additional information concerning the District's non-current liabilities is contained in Note 6 Long-term Liabilities to the financial statements.

**Outstanding Debt:** General Obligation Bond debt at June 30, 2015 was \$194.9 million, an increase of \$5.0 million or 2.6%, over last year's total bond debt of \$189.9 million. Changes in the outstanding debt balance reflect the net impact of any increases of debt for new bond sales and any reductions of debt for bond principal payments.

The following table provides a comparative summary of the District's outstanding debt as of June 30, 2015 and 2014:

	Outstanding Debt (in thousands)					
	June 30, 2015 and 2014					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 194,860	\$ 189,880	\$ -	\$ -	\$ 194,860	\$ 189,880
Premium on bonds	2,017	1,878	-	-	2,017	1,878
<b>Total out-standing debt</b>	<b>\$ 196,877</b>	<b>\$ 191,758</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 196,877</b>	<b>\$ 191,758</b>

Major transactions/factors were:

- Increase for debt associated with the YES for Kids Bond Sales, Proposition I - Construction of \$37.5 million.
- Decrease for general obligation bond principal payments totaling \$32.5 million.

**Deferred Outflows** of \$32.2 million were recorded to reflect the District's contributions to TRS subsequent to the measurement date of June 30, 2014.

**Deferred Inflows** of \$115.9 million were recorded related to future property tax collections as projected based on the Oklahoma County lien date of January 1, 2015 as these will not be recognized as revenue until the year for which it is levied. Deferred inflows of \$67 million were recorded to reflect the sum of \$62.7 million for the difference between projected and actual earnings on the pension plan investments and \$4.3 million for the differences between expected and actual experience.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

**Financial Analysis of the District's Activities**

The District's Statement of Activities is reported on the accrual basis. Detailed financial information is available on page 18. The following table provides a comparative summary of the District's statements of activities for the years ended June 30, 2015 and 2014:

	Statements of Activities (in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 4,172	\$ 3,106	\$ 2,024	\$ 2,418	\$ 6,196	\$ 5,524
Operating grants and contributions	61,509	59,319	25,516	23,656	87,025	82,975
Capital grants and contributions	42,379	57,649	-	-	42,379	57,649
General revenues:						
Property and other taxes	147,119	145,849	-	-	147,119	145,849
State aid, charter schools	23,231	24,110	-	-	23,231	24,110
State aid	131,417	127,332	-	-	131,417	127,332
Support from other governments	6,535	6,154	-	-	6,535	6,154
Interest and dividends	54	130	-	-	54	130
Other	319	2,439	15	20	334	2,459
<b>Total revenues</b>	<b>416,735</b>	<b>426,088</b>	<b>27,555</b>	<b>26,094</b>	<b>444,290</b>	<b>452,182</b>
Expenses:						
Instruction	186,871	193,170	-	-	186,871	193,170
Support services	130,919	128,969	-	-	130,919	128,969
Operation of noninstructional services	706	595	26,225	26,441	26,931	27,036
Facilities, acquisitions, and construction	15,714	12,256	-	-	15,714	12,256
Charter schools	23,231	24,083	-	-	23,231	24,083
Other outlays	270	(2,165)	-	-	270	(2,165)
Interest	3,912	4,153	-	-	3,912	4,153
<b>Total expenses</b>	<b>361,623</b>	<b>361,061</b>	<b>26,225</b>	<b>26,441</b>	<b>387,848</b>	<b>387,502</b>
<b>Increase (decrease) in net position</b>	<b>55,112</b>	<b>65,027</b>	<b>1,330</b>	<b>(347)</b>	<b>56,442</b>	<b>64,680</b>
Net position, beginning, as restated	345,038	581,687	(11,493)	1,462	333,545	583,149
Net position, ending	\$ 400,150	\$ 646,714	\$ (10,163)	\$ 1,115	\$ 389,987	\$ 647,829

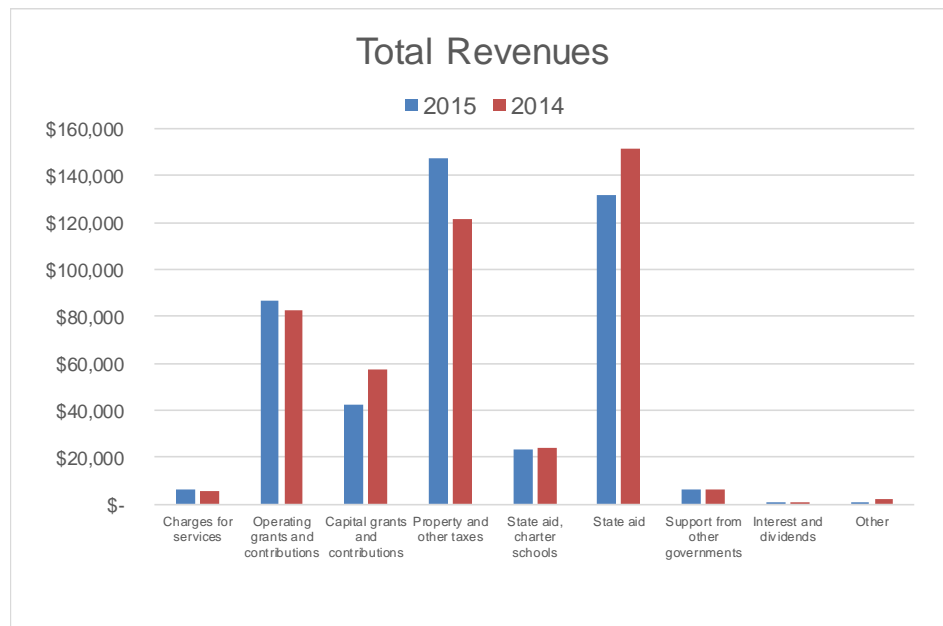
**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management’s Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

**Revenues:** The District’s total accrual basis revenues at June 30, 2015 were \$444.3 million, a decrease of \$7.9 million, or 1.8%, over last year’s total revenues of \$452.2 million. Major transactions/ factors were:

- State funding for Foundation and Salary Incentive Aid, Flexible Benefit Allowance contribution was \$130.9 million, an increase \$4.1 million or 3.2% over prior year collections of \$126.8 million.
- Federal (Grant) revenues were \$87 million, an increase of \$4 million, or 4.8%, over prior year Grant revenues of \$83 million.
- Revenue due to property transfers from MAPS sales projects were \$42.4 million, a decrease of \$15.3 million or 26.5%, over prior year revenues of \$57.7 million.

As graphically portrayed below, the District is heavily reliant on state aid to support operations. Property and other taxes support both general fund and building fund operations and provide proceeds for Bond indebtedness.





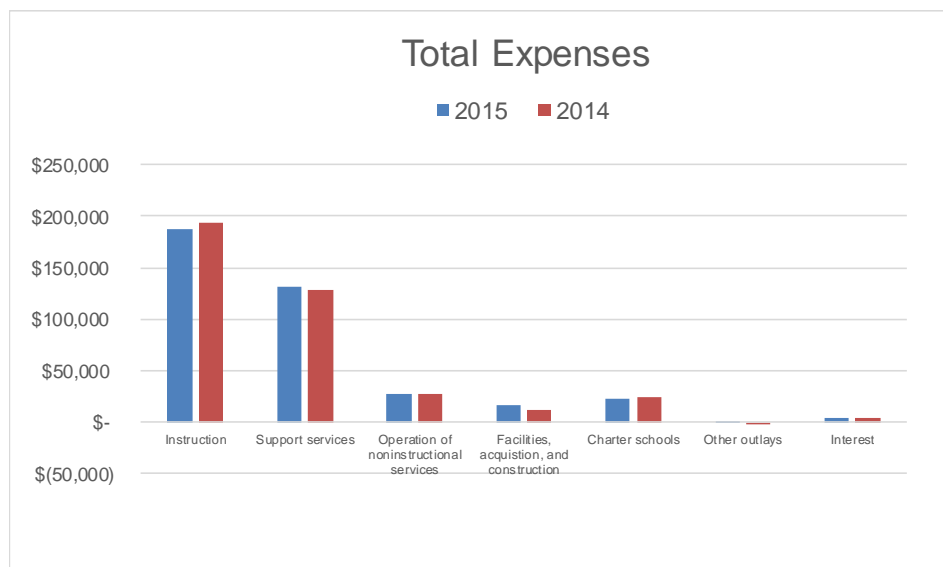
**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management’s Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

**Expenses:** The District’s total accrual basis expenses at June 30, 2015 were \$387.9 million, a decrease of \$.4 million, or 0.1%, over last year’s total expenses of \$387.5 million.

Financial transactions benefiting the District that reflect both revenue and expense impact include the Federal Grant Programs (such as Title I), MAPS Sales Tax projects, e-rate program participation and on-behalf teacher retirement contributions by the State of Oklahoma. These financial transactions are generally reflected within Instructional Costs classification. Major transactions/factors were:

- Instructional costs were \$186.9 million, a decrease of \$6.3 million or 3.3% over last year’s expenses of \$193.2 million. After the adjustment for the impact of the implementation of GASB 68 to FY2015 and FY2014, the instructional costs were \$190.3 million, an increase of \$9 million or 5% over last year’s expenses of \$181.3 million. This increase is primarily related to certified staffing related costs: including increased staff, compensation increases and benefit costs.
- Support costs were \$130.9 million, an increase of \$1.9 million or 1.5% over last year’s expenses of \$129.0 million. After the adjustment for the impact of the implementation of GASB 68 to FY2015 and FY2014, the support costs were \$131.8 million, an increase of \$5.8 million or 4.6% over last year’s expenses of \$126 million. This increase is primarily related to staffing related costs including increased support staff, compensation increases and benefit costs.
- Facilities, acquisitions, and construction were \$15.7 million, an increase of \$3.4 million or 27.6% over last year’s expenses of \$12.3 million. This increase is primarily related to depreciation expenses which were \$13.9, an increase of \$2.1 million or 17.8 % over last year’s depreciation expenses of \$11.8 million and the write down of the Columbus and Creston Hills school buildings fixed asset net basis of \$1.2 million related to the asset impairment determination.



**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management’s Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

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**Financial Analysis of the District’s Funds**

**Governmental funds:** The focus of the District’s governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Long-Term financial reporting, such as fixed assets and long-term debt, are adjusted back to revenue and expenditures to reflect only short-term activity. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. See pages 19 and 21 for detailed reporting.

The District’s main sources of revenues by category are:

- *Local* (including Ad Valorem, tuition and fees, investment earnings, rentals, and reimbursements)
- *Intermediate* (Including County Four Mill Ad Valorem)
- *State* (Including State taxes and fees, State Aid, State Grants, State Programs)
- *Federal* (Federal programs, projects, services, and activities)
- *Charter School* (flow-through of charter school state formula funding)
- *Other* (Reimbursements and other miscellaneous revenues)

Other Financing Sources of Governmental Funds include Bond Sales, Revenue Transfers between funds, and Insurance Recoveries

Total Revenues by Source (in thousands)				
	2015		2014	
Local sources	\$	160,414	\$	176,311
Intermediate sources		11,851		11,053
State sources		181,226		175,515
Federal sources		39,026		35,528
Charter schools		23,231		24,110
Other		417		453
<b>Total sources of revenue</b>	<b>\$</b>	<b>416,165</b>	<b>\$</b>	<b>422,970</b>

The District’s main activities by function are instruction, support services, non-instructional services, facilities acquisition and construction, other outlays (charter school pass-through), and debt service. The following table shows each activity’s total cost before any offsets for fees generated by the activities and intergovernmental aid provided for specific programs, as well as the financial burden that was placed on the State of Oklahoma, federal government, and the District’s taxpayers by each of these functions.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

Total Expenditures by Function (in thousands)

	2015	2014
Instructions	\$ 198,037	\$ 187,849
Support services	135,218	127,407
Noninstruction services	702	590
Facilities acquisition and construction	78,875	108,659
Charter schools	23,231	24,083
Other outlays	270	225
Debt service	36,555	31,643
<b>Total cost of service</b>	<b>\$ 472,888</b>	<b>\$ 480,456</b>

**Proprietary funds:** The focus of the District's proprietary fund for School Nutrition Services as detailed on pages 23 through 25 is to provide the same type of information found in the district-wide financial statements as of June 30, 2015.

Students eligible for free or reduced price meals were 90.4%, a decrease over prior year's eligibility percentage of 89.6%.

Breakfast and lunch participation increased to 17,619 and 30,049 respectively, from prior year participation of 15,723 and 26,186.

Unrestricted net position (deficit) was \$10.2 million, a decrease of \$11.3 million or 1255.6%, from prior unrestricted net position, not restated, of \$1.1 million.

Total net position (deficit) was \$10.2 million, an increase of \$1.3 million or 11.3% from last year's total restated net position (deficit) of \$11.5 million.

**Agency funds:** The District has numerous School Activity Funds. Activity Funds operate to generate revenues to specifically benefit a school organization. Total assets at June 30, 2015 were approximately the same as last year at \$2.2 million.

**General Fund Budget Discussion**

Under the required supplementary information section (pages 56 - 58); the General Fund is presented on a Budgetary Basis. Annually, the District files a Budget Overview in Accordance with the School District Budget Act (Section 5-150 et. Seq. of Title 70) adopted June 4, 2001.

The District adopts an annual appropriated budget for all required funds. The budget is prepared in accordance with Oklahoma law and is based on accounting for financial transactions on a basis of cash receipts, disbursements and encumbrances.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

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**Revenue:** State Sources of revenue (the primary source of District revenues) are budgeted conservatively. Total state foundation incentive and flexible benefit allowance funding is driven by changes in District WADM (Weighted Average Daily Membership), and Foundation and Salary Incentive Aid factors in state appropriated funding

Federal Sources of revenue are budgeted each year to allow appropriation authorization to expend the full potential allocation of all federal programs. Any unspent allocations are carried forward into the next fiscal year for use. The budgeted amount is based on estimated FY2015 spending and historical program appropriations trends at the time of the budget preparation.

**Expenditures:** Instructional expenditures mirror the Federal sources of revenue budgeting process to allow appropriation authorization to expend the full potential allocation of all federal programs. Federal sources of revenue impact the classroom and instructional setting. As federal actual revenues are less than budget, a direct correlation occurs with instructional expenditures actuals being less than budgeted. Other expenditures are budgeted based on historical trend information and projections for potential increases or decreases for student services and staffing costs.

**Economic Outlook:**

During FY2015, the Oklahoma City Public Schools saw a modest growth in state formula funding. Locally, the City of Oklahoma City also was experiencing growth. According to the Brookings Institution, greater Oklahoma City ranked No. 7 in the US for economic growth. With these improving trends, it was anticipated that there would be continued Oklahoma economic growth along with increased education funding.

However, subsequent to June 30, 2015, the State of Oklahoma economic outlook has declined significantly due to low oil and natural gas prices. On February 29, 2016, the Office of the State Treasurer Ken Miller reported that the monthly receipts to the Treasury in January took their largest plunge in more than five years. It was the first double-digit percentage reduction in monthly gross receipts since the treasurer's office began tracking them in March 2010. As a result a state revenue failure has now been declared resulting in 7% agency cuts for FY2016 which currently total nearly \$109.1M for public schools.

Oklahoma unemployment rate was 4.1 percent in December, according to the Oklahoma Employment Security Commission. This is well below the national unemployment rate of 5.0%. But energy layoffs are occurring and the ripple effect to the economy is beginning with unemployment increasing by 6,900. The FY2017 State of Oklahoma budget is anticipating a \$1.3B shortfall with limited immediate options available. This financial downturn will result in difficult decisions for all governmental entities including public schools. Oklahoma City Public Schools is taking immediate steps for cost reductions in the current year by implementing a spending freeze for any new initiatives as well as preparing specific and strategic steps for the catastrophic financial funding cliff anticipated in FY2017.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2015**

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**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's financials and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Oklahoma County School District I-89  
Oklahoma City Public Schools  
Financial Services Department  
900 North Klein  
Oklahoma City, Oklahoma 73106-7036

# **BASIC FINANCIAL STATEMENTS**

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Statement of Net Position  
June 30, 2015  
(in thousands)

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 214,323	\$ 2,976	\$ 217,299
Deposits held by third party	25,970	-	25,970
Receivables:			
Delinquent/protested property taxes, net of allowance	9,807	-	9,807
Property taxes - succeeding year	115,845	-	115,845
Due from other governments	11,744	391	12,135
Other, net of allowance	2,109	-	2,109
Inventories	320	227	547
<b>Total current assets</b>	<b>380,118</b>	<b>3,594</b>	<b>383,712</b>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	17,526	-	17,526
Other capital assets, net of accumulated depreciation	642,018	180	642,198
<b>Total capital assets</b>	<b>659,544</b>	<b>180</b>	<b>659,724</b>
<b>Total noncurrent assets</b>	<b>659,544</b>	<b>180</b>	<b>659,724</b>
<b>Total assets</b>	<b>1,039,662</b>	<b>3,774</b>	<b>1,043,436</b>
<b>Deferred outflows of resources</b> , pension related amounts	<b>30,937</b>	<b>1,248</b>	<b>32,185</b>
<b>Liabilities</b>			
Current liabilities:			
Warrants payable	7,387	352	7,739
Accounts payable and accrued liabilities	26,002	1,336	27,338
Accrued interest payable	3,319	-	3,319
Current portion of long-term obligations	25,104	137	25,241
<b>Total current liabilities</b>	<b>61,812</b>	<b>1,825</b>	<b>63,637</b>
Noncurrent liabilities:			
General obligation bonds	172,140	-	172,140
Premium on bonds	2,017	-	2,017
Capital lease obligation	499	-	499
Accrued compensated absences	5,200	321	5,521
Net pension liability	248,658	10,361	259,019
<b>Total noncurrent liabilities</b>	<b>428,514</b>	<b>10,682</b>	<b>439,196</b>
<b>Total liabilities</b>	<b>490,326</b>	<b>12,507</b>	<b>502,833</b>
<b>Deferred Inflows of Resources</b>			
Property taxes - succeeding year	115,845	-	115,845
Pension related amounts	64,278	2,678	66,956
<b>Total deferred inflows of resources</b>	<b>180,123</b>	<b>2,678</b>	<b>182,801</b>
<b>Net Position</b>			
Net investment in capital assets	554,501	180	554,681
Restricted for:			
Debt service	41,749	-	41,749
Building	8,410	-	8,410
Gifts	26	-	26
Unrestricted	(204,536)	(10,343)	(214,879)
<b>Total net position</b>	<b>\$ 400,150</b>	<b>\$ (10,163)</b>	<b>\$ 389,987</b>

See Notes to Financial Statements.

**Oklahoma County School District No. I-89**  
**Oklahoma City Public Schools**

**Statement of Activities**  
**Year Ended June 30, 2015**  
**(in thousands)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs</b>							
Governmental activities:							
Instruction	\$ 186,871	\$ 2,533	\$ 38,768	\$ 424	\$ (145,146)	\$ -	\$ (145,146)
Support services	130,919	624	20,645	848	(108,802)	-	(108,802)
Noninstruction services	706	-	389	-	(317)	-	(317)
Facilities, acquisitions, and construction	15,714	1,015	77	41,108	26,486	-	26,486
Charter schools	23,231	-	-	-	(23,231)	-	(23,231)
Other outlays	270	-	1,630	-	1,360	-	1,360
Interest on long-term debt	3,912	-	-	-	(3,912)	-	(3,912)
<b>Total governmental activities</b>	<b>361,623</b>	<b>4,172</b>	<b>61,509</b>	<b>42,379</b>	<b>(253,563)</b>	<b>-</b>	<b>(253,563)</b>
Business-type activities,							
Noninstruction services	26,225	2,024	25,516	-	-	1,315	1,315
<b>Total district-wide</b>	<b>\$ 387,848</b>	<b>\$ 6,196</b>	<b>\$ 87,025</b>	<b>\$ 42,379</b>	<b>(253,563)</b>	<b>1,315</b>	<b>(252,248)</b>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					79,871	-	79,871
Property taxes, levied for debt service					34,991	-	34,991
Other					32,257	-	32,257
State aid not restricted to specific purposes - charter schools					23,231	-	23,231
State aid not restricted to specific purposes					131,417	-	131,417
Support from other local governments, not restricted to specific purposes					6,535	-	6,535
Interest, dividends and investment earnings					54	-	54
Other					319	15	334
<b>Total general revenues</b>					<b>308,675</b>	<b>15</b>	<b>308,690</b>
Change in net position					55,112	1,330	56,442
Net position (deficit), beginning of year, as restated					345,038	(11,493)	333,545
Net position (deficit), end of year					<b>\$ 400,150</b>	<b>\$ (10,163)</b>	<b>\$ 389,987</b>

See Notes to Financial Statements.



Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Balance Sheet - Governmental Funds**  
**June 30, 2015**  
**(in thousands)**

	General Fund	MAPS Sales Tax Fund	Yes for Kids Bond Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 78,758	\$ -	\$ 100,403	\$ 18,901	\$ 16,261	\$ 214,323
Deposits held by third party	-	-	-	25,970	-	25,970
Receivables:						
Delinquent/protected property taxes, net of allowance	6,216	-	-	2,810	781	9,807
Property taxes - succeeding year	69,965	-	-	35,785	10,095	115,845
Due from other governments	11,299	-	-	391	54	11,744
Other, net of allowance	67	-	-	-	2,042	2,109
Inventories	320	-	-	-	-	320
<b>Total assets</b>	<b>\$ 166,625</b>	<b>\$ -</b>	<b>\$ 100,403</b>	<b>\$ 83,857</b>	<b>\$ 29,233</b>	<b>\$ 380,118</b>
<b>Liabilities</b>						
Warrants payable	7,303	-	-	-	84	7,387
Accounts payable and accrued liabilities	19,760	-	5,559	-	683	26,002
<b>Total liabilities</b>	<b>27,063</b>	<b>-</b>	<b>5,559</b>	<b>-</b>	<b>767</b>	<b>33,389</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue - delinquent/protected property taxes	6,216	-	-	2,810	781	9,807
Unavailable revenue - property taxes - succeeding year	69,965	-	-	35,785	10,095	115,845
Unavailable revenue - due from other governments	320	-	-	194	-	514
Unavailable revenue - insurance recoveries	-	-	-	-	1,041	1,041
<b>Total deferred inflows of resources</b>	<b>76,501</b>	<b>-</b>	<b>-</b>	<b>38,789</b>	<b>11,917</b>	<b>127,207</b>
<b>Fund balances</b>						
Nonspendable	320	-	-	-	25	345
Restricted	-	-	94,844	45,068	10,692	150,604
Committed	-	-	-	-	5,110	5,110
Assigned	13,415	-	-	-	722	14,137
Unassigned	49,326	-	-	-	-	49,326
<b>Total fund balances</b>	<b>63,061</b>	<b>-</b>	<b>94,844</b>	<b>45,068</b>	<b>16,549</b>	<b>219,522</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 166,625</b>	<b>\$ -</b>	<b>\$ 100,403</b>	<b>\$ 83,857</b>	<b>\$ 29,233</b>	<b>\$ 380,118</b>

See Notes to Financial Statements.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Reconciliation of Total Governmental Fund Balances to Net Position  
of Governmental Activities

June 30, 2015

(in thousands)

Total governmental fund balances		\$ 219,522
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Cost of capital assets	874,467	
Accumulated depreciation	<u>(214,923)</u>	659,544
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent/protected property taxes, net of allowance	9,807	
Due from other governments	514	
Insurance recoveries	<u>1,041</u>	11,362
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	30,937	
Deferred inflows of resources	<u>(64,278)</u>	(33,341)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities consist of:		
General obligation bonds payable	(194,860)	
Premium on bonds	(2,017)	
Capital lease obligation	(654)	
Compensated absences	(7,429)	
Net pension liability	(248,658)	
Accrued interest	<u>(3,319)</u>	(456,937)
<b>Net position of governmental activities</b>		<u><u>\$ 400,150</u></u>

See Notes to Financial Statements.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2015  
(in thousands)

	General Fund	MAPS Sales Tax Fund	Yes for Kids Bond Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 72,190	\$ 42,379	\$ 58	\$ 35,259	\$ 10,528	\$ 160,414
Intermediate sources	11,851	-	-	-	-	11,851
State sources	180,357	-	-	-	869	181,226
Federal sources	39,026	-	-	-	-	39,026
Charter schools	23,231	-	-	-	-	23,231
Other	417	-	-	-	-	417
<b>Total revenues</b>	<b>327,072</b>	<b>42,379</b>	<b>58</b>	<b>35,259</b>	<b>11,397</b>	<b>416,165</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Instruction	197,367	422	248	-	-	198,037
Support services	121,131	718	2,765	-	10,604	135,218
Noninstruction services	702	-	-	-	-	702
Facilities, acquisitions, and construction	100	41,239	36,046	-	1,490	78,875
Charter schools	23,231	-	-	-	-	23,231
Other outlays	270	-	-	-	-	270
<b>Debt service:</b>						
Principal payments	179	-	-	32,520	-	32,699
Interest and fiscal charges	-	-	-	3,856	-	3,856
<b>Total expenditures</b>	<b>342,980</b>	<b>42,379</b>	<b>39,059</b>	<b>36,376</b>	<b>12,094</b>	<b>472,888</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(15,908)</b>	<b>-</b>	<b>(39,001)</b>	<b>(1,117)</b>	<b>(697)</b>	<b>(56,723)</b>
<b>Other financing sources (uses):</b>						
Proceeds from the sale of capital assets	-	-	-	-	745	745
Bond issuances	-	-	37,500	-	-	37,500
Premium on bond issuances	-	-	-	466	-	466
Capital leases	833	-	-	-	-	833
Insurance recoveries	4	-	-	-	1,008	1,012
<b>Total other financing sources</b>	<b>837</b>	<b>-</b>	<b>37,500</b>	<b>466</b>	<b>1,753</b>	<b>40,556</b>
Net change in fund balances	(15,071)	-	(1,501)	(651)	1,056	(16,167)
Fund balances, beginning of year	78,132	-	96,345	45,719	15,493	235,689
Fund balances, end of year	\$ 63,061	\$ -	\$ 94,844	\$ 45,068	\$ 16,549	\$ 219,522

See Notes to Financial Statements.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2015  
(in thousands)**

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Net changes in fund balances - total governmental funds \$ (16,167)

Amounts reported for governmental activities and the statement of activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which the capital outlays exceeded depreciation and retirements in the period.

Capital outlays	82,855	
Depreciation expense	(22,494)	
Proceeds from the sale of capital assets	(745)	
Loss on sale of capital assets	(1,239)	
	58,377	58,377

Repayments of principal on long-term debt are expenditures in the governmental funds but reduce long-term liabilities in the statement of net position and do not affect the statement of activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Proceeds from the sale of new bonds are other financing sources in the governmental funds but have no impact on the statements of activities.

Principal payments and amortization of bond premium	33,026	
Proceeds from the sale of bonds and premium on the issuance of bonds	(37,966)	
Capital lease obligation proceeds	(833)	
Accrued interest payable	(383)	
	(6,156)	(6,156)

Because some revenues (property taxes and certain other income) will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are instead deferred inflows of resources. They are, however, recorded as revenues in the statement of activities. (464)

Some expenses (compensated absences and pension expense) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 19,522

**Change in net position of governmental activities**

**\$ 55,112**

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See Notes to Financial Statements.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Statement of Net Position - Proprietary Fund  
June 30, 2015  
(in thousands)

	Enterprise Fund School Nutrition Services
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	2,976
Receivables:	
Due from other governments	391
Inventories	227
<b>Total current assets</b>	<u>3,594</u>
Noncurrent assets:	
Capital assets being depreciated	2,106
Less accumulated depreciation	<u>(1,926)</u>
<b>Total noncurrent assets</b>	<u>180</u>
<b>Total assets</b>	<u>3,774</u>
<b>Deferred outflows of resources</b> , pension related amounts	<u>1,248</u>
<b>Liabilities</b>	
Current liabilities:	
Warrants payable	352
Accounts payable and accrued liabilities	1,336
Current portion of long-term obligations	<u>137</u>
<b>Total current liabilities</b>	<u>1,825</u>
Noncurrent liabilities:	
Accrued compensated absences	321
Net pension liability	<u>10,361</u>
<b>Total noncurrent liabilities</b>	<u>10,682</u>
<b>Total liabilities</b>	<u>12,507</u>
<b>Deferred inflows of resources</b> , pension related amounts	<u>2,678</u>
<b>Net position</b>	
Investment in capital assets	180
Unrestricted (deficit)	<u>(10,343)</u>
<b>Total net position (deficit)</b>	<u><u>(10,163)</u></u>

See Notes to Financial Statements.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
Year Ended June 30, 2015  
(in thousands)

	Enterprise Fund School Nutrition Services
Operating revenue, meals	\$ 2,024
Operating expenses:	
Personnel services - salaries	7,624
Personnel services - benefits	5,007
Contracted services	66
Purchased property services	177
Other purchased services	82
Supplies	13,134
Depreciation	101
Other	31
<b>Total operating expenses</b>	<b>26,222</b>
<b>Operating (loss)</b>	<b>(24,198)</b>
Nonoperating revenues (expenses):	
Loss on disposal of capital assets	(3)
Federal and state grants	24,946
State aid: on-behalf payments	570
Other income	15
<b>Total nonoperating revenues (expenses)</b>	<b>25,528</b>
<b>Change in net position</b>	<b>1,330</b>
Net position (deficit), beginning of year, as restated	(11,493)
Net position (deficit), end of year	<u>\$ (10,163)</u>

See Notes to Financial Statements.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Statement of Cash Flows - Proprietary Fund  
Year Ended June 30, 2015  
(in thousands)

	Enterprise Fund School Nutrition Services
Cash flows from operating activities:	
Receipts from user charges	2,024
Cash payments to suppliers for goods and services	(12,159)
Cash payments to employees for services	(12,791)
Cash payment for other operating expenses	(31)
<b>Net cash (used in) operating activities</b>	<u>(22,957)</u>
Cash flows from noncapital financing activities:	
Nonoperating grants received	23,437
Other income	15
<b>Net cash provided by noncapital financing activities</b>	<u>23,452</u>
Cash flows from capital and related financing activities, acquisition of capital assets	<u>(20)</u>
<b>Net increase in cash and cash equivalents</b>	475
Cash and cash equivalents:	
Beginning	2,501
Ending	<u>\$ 2,976</u>
Operating loss	<u>(24,198)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	101
On-behalf payments expense	570
Commodities expense	1,482
Changes in assets and liabilities:	
Inventories	(65)
Warrants payable	(198)
Accounts payable and accrued liabilities	117
Compensated absences	51
Deferred outflows of resources	(72)
Deferred inflows of resources	2,678
Net pension liability	(3,423)
<b>Total adjustments</b>	<u>1,241</u>
<b>Net cash used in operating activities</b>	<u>\$ (22,957)</u>
Supplemental disclosure of noncash noncapital financing activities:	
State aid: on-behalf payments	\$ 570
Commodities revenue and expenses	\$ 1,482

See Notes to Financial Statements.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Statement of Net Assets and Liabilities - Agency Fund  
June 30, 2015  
(in thousands)

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	Agency Fund School Activity Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 2,165
Capital assets, net	43
<b>Total assets</b>	<u>\$ 2,208</u>
<b>Liabilities</b>	
Due to student groups	\$ 2,165
Capital assets held for the benefit of student groups	43
<b>Total liabilities</b>	<u>\$ 2,208</u>

See Notes to Financial Statements.



**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies**

**Nature of operations:** Oklahoma County School District No. I-89, Oklahoma City Public Schools (“the District”), is a corporate body for public purposes created under Title 70 of *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 Oklahoma State Department of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the *Oklahoma School Code* contained in Title 70, *Oklahoma Statutes*.

**Significant accounting policies:** The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America for state and local governments. Generally accepted accounting principles for school districts are defined as those principles promulgated by the Governmental Accounting Standards Board (“GASB”).

Significant accounting and reporting policies applied in the preparation of the accompanying financial statements are as follows:

**Reporting entity:** As required by accounting principles generally accepted in the United States of America, the basic financial statements present the reporting entity, which consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District’s basic financial statements to be misleading.

The evaluation of potential component units for inclusion in the District’s financial statements was made using the criteria established by Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No.61, *The Financial Reporting Entity - Omnibus*.

The District has determined that there are no component units that meet the criteria for inclusion in the District’s financial statements, as defined by GASB Statements 14, 39, or 61.

**Affiliated organizations:** A foundation associated with the District is the Foundation for Oklahoma City Public Schools (“the Foundation”) established in 1984. Advisory Board Members for the Foundation include the District’s Superintendent and Board Chairperson. The District’s Board of Education does not exercise any oversight authority over the Foundation, and there are no financial interdependencies. The Foundations’ financial statements are not included in the financial statements of the District because the resources held by the Foundation for the benefit of the District are not significant to the financial position or activities of the District as a whole.

**District-wide and fund financial statements:** The district-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. Essentially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The District reports the following major Governmental Funds:

General Fund: The General Fund is established as the District's primary operating fund and is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the foundation and incentive aid program, and federal and state restricted monies that must be expended for specific programs.

MAPS Sales Tax Fund: The MAPS Sales Tax Fund, a special revenue fund, was established to account for capital assets and other tangible property funded from the Oklahoma City limited purpose sales tax levied January 2002 through January 2009. As the District receives transfers from the City of Oklahoma City and/or property is placed into service, the District records an asset or expenditure with the related in-kind revenue entry to comply with generally accepted accounting principles.

YES for Kids Bond Fund: The YES for Kids Bond Funds, capital projects funds, are established to account for the various general obligation bond sale proceeds and expenditures as authorized by the voters on October 9, 2007. These resources are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, enhancing safety and security, and acquiring technology and transportation equipment.

Debt Service Fund: The Debt Service Fund (the Sinking Fund) is established to account for the local property tax proceeds levied specifically for debt service retirement and related investment interest earnings and the general obligation bond debt obligations and payments.

The District reports the following nonmajor governmental funds:

Building Fund: The Building Fund is established to account for the proceeds of the local property taxes levied specifically for the Building Fund. These resources may be used for building operations and maintenance including supplies, services and personnel.

MAPS Construction/Technology Bond Funds: The MAPS Construction/Technology Bond Funds are established to account for the various general obligation bond sale proceeds and expenditures as authorized by the voters on November 13, 2001. These resources are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring equipment.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Notes to Financial Statements

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Gifts and Endowments Fund: The Gifts and Endowments Fund is established to account for any receipt of assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. Income derived from such funds may be expended but the principal must remain intact.

Casualty Flood Insurance Recovery Fund: The Casualty Flood Insurance Recovery Fund was established July 2, 2007 by Board of Education Resolution in order to establish a reserve for repairs or replacement of District property that has been destroyed or damaged or lost by a hazard or cause which is either excluded from coverage in the policy of the insurance procured by the District or which falls within the self-insured retention of the policy.

Proprietary funds: Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering food in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District reports the following major proprietary fund:

School Nutrition Services: The School Nutrition Services program is established to account for revenues collected, including federal and state, for meals served, and for associated costs of the program.

Fiduciary Funds: Fiduciary funds are comprised entirely of agency-type funds and are not included in the district-wide financial statements. Agency funds are custodial in nature (assets equal liabilities) and do not involve recognition of net position or measurement of operations. The District reports the following Fiduciary Fund:

Student Activity Fund: *The Student Activity Fund* is an agency fund established to account for all financial transactions related to the fund-raising efforts of students and District-sponsored groups.

**Basis of accounting, measurement focus, and financial statement presentation:** The Statement of Net Position and Statement of Activities financial statements and the Enterprise financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and budgeted for. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Balance Sheet - Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds financial statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Specifically, property tax revenues are considered available if they are collected within 60 days of the end of the current fiscal period, and all other revenues are considered to be available if they are collected within 90 days of the end of the current fiscal period. Property tax and other revenues collected within the time frame noted are therefore susceptible to accrual and have been recognized as revenues of the current fiscal period.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions are only recorded when the payment is due.

The Statement of Assets and Liabilities - Agency Fund financial statements do not have an economic measurement focus and therefore have no measurement disclosures.

Cash and cash equivalents and investments: The District considers all cash on hand, demand deposits, interest-bearing checking accounts, high yield savings accounts, and highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. As of June 30, 2015, all of the District's investments were in sweep accounts which meet the definition of cash equivalents. Investments are recorded at fair value.

Receivables: Uncollected taxes assessed on valuations made each year are recorded in the District's financial statements. An allowance for doubtful accounts for property taxes receivable is calculated based on an aged analysis of protested and delinquent tax receivables and historical collection data.

Interfund transactions: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as internal balances. There were no amounts due to/from other funds or internal balances as of June 30, 2015. Transfers move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Transfers within governmental activities or within business-type activities are eliminated upon consolidation. During the year-ended June 30, 2015, there were no interfund transactions.

Inventories: Inventories are carried at cost (FIFO Method, or first-in/first-out) and are recorded as expenditures when consumed rather than when purchased. Inventories include fuel, maintenance stock, and food service supplies.

Capital assets: Capital assets, which include land, buildings, and improvements; machinery and equipment; vehicles; and computers and technology, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial unit cost or an estimated fair market value at the date of donation equal to or greater than \$2,500.

The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The District incurred no interest expense for construction of capital assets for business-type activities during the year ended June 30, 2015.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Capital assets are depreciated using the straight-line method over the following useful lives:

Type of Asset	Years
Buildings	50
Land improvements	15
Machinery and equipment	10
Vehicles	10
Computers and related equipment	5

Deferred outflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s). It will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources for the year ended June 30, 2015 consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred inflows of resources: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s). It will not be recognized as an inflow of resources (revenue) until then. The governmental funds report unavailable revenues from property taxes, intergovernmental revenue, and insurance recoveries. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

In the District's government-wide statements, the property tax revenues remain a deferred inflow and will be recognized as revenue in the year for which they are levied and budgeted for. The District's government-wide statements also include the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Long-term liabilities: In the governmental fund financial statements, principal and interest on long-term debt and other long-term obligations are recognized as liabilities only when payment has matured or become due. Proceeds from the issuance of long-term debt is reported as other financing sources. In the fund financial statements, governmental fund types recognize bond premiums and discounts through current year operations. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Discounts are reported as other financing uses. Principal payments and bond issuance costs are reported as debt service expenditures. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the contracts using a method which approximates the effective interest method. Bond issue costs are recorded as an expense when incurred.

Pensions: For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Oklahoma Teachers' Retirement System (OTRS) and additions to/deductions from these fiduciary net positions has been determined on the same basis as they are reported by OTRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Compensated absences: The liability for compensated absences attributable to the District's governmental funds is recorded in the district-wide financial statements. The amount attributable to the business-type activities is charged to expense with a corresponding liability established in the district-wide statements, as well as the applicable proprietary fund financial statements. Vested compensated absence balances are reported as a long-term liability with an estimated short-term portion recorded as due within one year.

Equalized pay: Oklahoma City Public Schools utilizes equalized pay to provide equal base pay amounts each pay period to employees throughout the year including winter break, intercession and summer break.

To provide equalized base pay throughout the year, including times when employees do not work, a liability account is maintained for each employee who has a specific annual work schedule. The liability account increases when the employee earns more than equalized base pay and decreases when the employee is not working as many days in a pay period, or is not working at all as in the summer break period. This account is zero at the end of the contract year, which is different than the fiscal year.

Net position and fund balance: The district-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in capital assets: This component of net position reports capital assets less both accumulated depreciation and the outstanding balance of debt (excluding unexpended proceeds) that is directly attributable to the acquisition, construction, or improvement of those assets. Any deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Restricted net position: This component of net position reports the restricted net position attributable to Debt Service levy collections, Building fund levy collections, and certain restricted Gift funds.

Unrestricted net position: Net position that does not meet the definition of net investment in capital assets or restricted are classified as unrestricted.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental fund equity is classified as fund balance. Fund balance consists of five categories, defined as follows:

Nonspendable fund balance: The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories, long-term receivables, and prepaid amounts. It may also include long-term loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.

Restricted fund balance: The restricted fund balance classification should be reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Committed fund balance: The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority (the District's Board of Education). Such constraints can only be removed or changed by the same form of formal action.

Funds set aside by the Board of Education as committed fund balance requires the approval of a resolution by a majority vote of the members of the Board of Education. Such approval must take place prior to the District's fiscal year-end in order for it to be applicable to that fiscal year. It is permitted for the specific amount of the commitment to be determined after the fiscal year-end if any additional information is required in order to determine the exact amount. The Board of Education has the authority to remove or change the commitment of funds with a resolution.

Assigned fund balance: The assigned fund balance classification reflects amounts that are constrained by the government's intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in unassigned fund balance. For the purposes of assigned fund balance, the District has given authority to its Chief Financial Officer as the Board approved Encumbrance Clerk to assign funds for specific purposes.

Unassigned fund balance: The unassigned fund balance classification is the residual classification for the General Fund only. It is also where negative residual amounts for all other governmental funds must be reported. Unassigned fund balance essentially consists of excess funds that have not been classified in the other four fund balance categories mentioned above.

It is the District's policy to use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The District's policy for the use of unrestricted fund balance amounts requires that committed amounts would be used first, followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

The following table shows the fund balance classifications as shown on the governmental funds balance sheet (in thousands):

	Major Funds				Non Major	
	General	MAPS Sales	Yes for Kids	Debt	Other	Total
	Fund	Tax Fund	Construction Bond Funds	Service Fund	Governmental Funds	Governmental Funds
Nonspendable:						
Inventories	320	-	-	-	-	\$ 320
Gifts	-	-	-	-	25	25
	<u>320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>345</u>
Restricted for:						
Capital projects	-	-	94,844	-	2,316	97,160
Debt service	-	-	-	45,068	-	45,068
Building	-	-	-	-	8,375	8,375
Gifts	-	-	-	-	1	1
	<u>-</u>	<u>-</u>	<u>94,844</u>	<u>45,068</u>	<u>10,692</u>	<u>150,604</u>
Committed for,						
capital projects	-	-	-	-	5,110	5,110
Assigned for:						
Compensated absences	6,627	-	-	-	-	6,627
Purchase orders	6,788	-	-	-	-	6,788
Capital projects	-	-	-	-	722	722
	<u>13,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722</u>	<u>14,137</u>
Unassigned						
	<u>49,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,326</u>
<b>Total fund balance</b>	<u>\$ 63,061</u>	<u>\$ -</u>	<u>\$ 94,844</u>	<u>\$ 45,068</u>	<u>\$ 16,549</u>	<u>\$ 219,522</u>

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

After review and verification of reports and supporting documentation, the Oklahoma 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 reduction or additions of revenues of the year when adjustment is made.

The District receives revenues from the state to administer certain categorical educational programs. Oklahoma State Department of Education rules require that revenues earmarked for these programs are expended only for the program for which the money is provided and require that money not expended as of the close of the fiscal year be carried forward into the following fiscal year to be expended for the same categorical programs. The Oklahoma State Department of Education requires that categorical educational program revenue be accounted for in the general fund.



**Oklahoma County School District No. I-89**  
**Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

Property tax revenue: The District is authorized by state law to levy property taxes. Property tax is levied each October 1st on the assessed valuation of real and personal property within the District as of the preceding January 1st, the lien date. The county assessor, upon receipt of the certification of tax levies from the Oklahoma County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer. All taxes levied upon an ad valorem basis for each fiscal year shall become due and payable on the first day of November.

The first half of taxes is due prior to January 1, and the second half is due prior to April 1. If the first half of tax payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes are delinquent on April 1 of the year following the year of assessment. Mortgage servicers are prohibited from paying in halves; ad valorem from mortgage servicers is due prior to January 1. The Oklahoma County Treasurer conducts an annual Resale the second Monday in June. Property with taxes delinquent of four years are sold at Resale. A successful bidder at Resale will be issued a deed to the property by the next business day. Any property not sold at Resale will be deeded to Oklahoma County.

Property tax receivables are recorded on the lien date, although the related revenue is reported as a deferred inflow of resources and will not be recognized as revenue until the year for which it is levied.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets, deferred inflows and outflows, liabilities, and net position; the disclosure of contingent assets and liabilities; and the reported revenues and expenditures. Actual results could differ from those estimates.

New accounting pronouncements adopted in fiscal year 2015: The District adopted the following new accounting pronouncements during the year ended June 30, 2015:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* (GASB No. 68) establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans, and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. See Note 14.

GASB Statement No. 71, *Pension transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* (GASB No. 71) amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See Note 14.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Notes to Financial Statements

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

New accounting pronouncements issued not yet adopted: The GASB has also issued several new accounting pronouncements which will be effective for the District in fiscal years ended June 30, 2016, 2017 and 2018. A description of the new accounting pronouncements are described below:

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72) addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB No. 73) was issued June 2015 and will be effective for the District beginning with its fiscal year ending June 30, 2016—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the District beginning with its fiscal year ending June 30, 2017. The Statement establishes requirements for pensions not covered by Statement Nos. 67 and 68 which are essentially the same requirements as Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB No. 74) was issued in June 2015 will be effective for the District beginning with its fiscal year ending June 30, 2017. The Statement replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position but requires more extensive note disclosures and Required Supplementary Information related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. The Statement also sets forth note disclosure requirements for defined contribution OPEB plans.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75) was issued in June 2015 and will be effective for the District beginning with its fiscal year ending June 30, 2018. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plans administered through a trust and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances, called special funding situations, the Statement requires these governments to recognize in their financial statements a share of the other government's net OPEB liability.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 1. Nature of Operations and Significant Accounting Policies (Continued)**

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB No. 76): The objective of GASB No. 76 is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures* (GASB No. 77) requires governments that enter into tax abatement agreements to disclose the following information about the agreements: brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; the gross dollar amount of taxes abated during the period; and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose: The names of the governments that entered into the agreements; the specific taxes being abated; and the gross dollar amount of taxes abated during the period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

The District is currently evaluating the impact that these new standards will have on its financial statements.

**Note 2. Deposits and Investments**

**Custodial credit risk - deposits:** Custodial credit risk is the risk that in the event of failure of the counterparty, the District may not be able to recover the value of its deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. The District’s policy requires all deposits in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits. As of June 30, 2015, all of the District’s deposits were either covered by federal deposit insurance or were collateralized with securities held by the pledging financial institution’s trust department in the District’s name.

As of June 30, 2015, the District had deposits with financial institutions as part of its governmental activities, business-type activities, and activity funds with a carrying amount of approximately \$44.1 million. The bank balance of these deposits at June 30, 2015 was approximately \$45.0 million. The primary difference between the bank balance and the carrying amount is outstanding checks.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 2. Deposits and Investments (Continued)**

Custodial credit risk - investments: For an investment, custodial credit risk is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District, and are held by a counterparty or the counterparty's trust department but not in the name of the District. As of June 30, 2015, sweep account balances totaling approximately \$175.4 million were invested in money market mutual funds. Because the mutual funds are not deposits or obligations of any bank, are not guaranteed by any bank and are not insured or guaranteed by the FDIC, the Federal Reserve Board, or any other government agency, the District's investments are exposed to custodial credit risk. The District mitigates this risk by investing only in sweep accounts that invest primarily in short-term U.S. Treasury and government securities, in accordance with State Statutes.

Concentration of credit risk: The District's investment policy requires that, except for direct obligations of the U.S. government, its agencies, or instrumentalities or certificates of deposit secured by diversified pledges of collateral, the District's investment portfolio will be diversified to avoid incurring undue concentration in securities of one type. As of June 30, 2015, no investments are subject to concentration of credit risk because all investments are in sweep accounts.

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 does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy does limit investment maturities for purposes of liquidity management. District sources of funding limit investments to be very short-term in nature. Funds are strategically placed for meeting cash flow needs for all areas of cash management. As of June 30, 2015, all of the District's investments are in sweep accounts that mature daily.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

**Note 3. Receivables**

Receivables and allowances at June 30, 2015, for the District's governmental and proprietary funds are as follows (in thousands):

	Governmental Activities				Business-Type Activities	
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Activities	School Nutrition Services	Total Business-Type Activities
Delinquent/protsted property taxes	\$ 7,040	\$ 3,197	\$ 886	\$ 11,123	\$ -	\$ -
Property taxes receivable - succeeding year	69,965	35,785	10,095	115,845	-	-
Due from other governments	11,299	391	54	11,744	391	391
Other	356	-	2,068	2,424	-	-
<b>Total</b>	<b>\$ 88,660</b>	<b>\$ 39,373</b>	<b>\$ 13,103</b>	<b>\$ 141,136</b>	<b>\$ 391</b>	<b>\$ 391</b>

Allowances for uncollectible accounts are as follows:

	Governmental Activities				Business-Type Activities	
	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Activities	School Nutrition Services	Total Business-Type Activities
Allowances for uncollectible accounts attributable to:						
Delinquent/protsted property taxes	\$ 824	\$ 387	\$ 105	\$ 1,316	\$ -	\$ -
Other	289	-	26	315	-	-
<b>Total</b>	<b>\$ 1,113</b>	<b>\$ 387</b>	<b>\$ 131</b>	<b>\$ 1,631</b>	<b>\$ -</b>	<b>\$ -</b>

**Oklahoma County School District No. I-89  
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**Notes to Financial Statements**

**Note 4. Capital Assets**

Capital asset activity for governmental and business-type activities for the year ended June 30, 2015, was as follows (in thousands):

	Beginning				Ending
	Balance	Additions	Reclassifications	Disposals	Balance
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 3,271	\$ 364	\$ -	\$ (50)	\$ 3,585
Construction in-progress	43,308	37,285	(66,652)	-	13,941
<b>Total capital assets not being depreciated</b>	<b>46,579</b>	<b>37,649</b>	<b>(66,652)</b>	<b>(50)</b>	<b>17,526</b>
Capital assets being depreciated:					
Buildings and improvements	658,126	42,474	66,008	(3,604)	763,004
Computer and related equipment	68,051	2,248	644	(297)	70,646
Machinery and equipment	4,490	391	-	(254)	4,627
Vehicles	18,773	93	-	(202)	18,664
<b>Total assets being depreciated</b>	<b>749,440</b>	<b>45,206</b>	<b>66,652</b>	<b>(4,357)</b>	<b>856,941</b>
Accumulated depreciation for:					
Buildings and improvements	(129,656)	(13,881)	-	1,792	(141,745)
Computer and related equipment	(49,511)	(7,136)	-	249	(56,398)
Machinery and equipment	(2,181)	(422)	-	180	(2,423)
Vehicles	(13,504)	(1,055)	-	202	(14,357)
<b>Total accumulated depreciation</b>	<b>(194,852)</b>	<b>(22,494)</b>	<b>-</b>	<b>2,423</b>	<b>(214,923)</b>
<b>Total capital assets being depreciated, net</b>	<b>554,588</b>	<b>22,712</b>	<b>66,652</b>	<b>(1,934)</b>	<b>642,018</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 601,167</b>	<b>\$ 60,361</b>	<b>\$ -</b>	<b>\$ (1,984)</b>	<b>\$ 659,544</b>
<b>Business-Type Activities</b>					
Capital assets being depreciated:					
Computer and related equipment	\$ 558	\$ -	\$ -	\$ -	\$ 558
Machinery and equipment	1,386	20	-	(18)	1,388
Vehicles	161	-	-	-	161
<b>Total assets being depreciated</b>	<b>2,105</b>	<b>20</b>	<b>-</b>	<b>(18)</b>	<b>2,107</b>
Accumulated depreciation for:					
Computer and related equipment	(543)	(5)	-	-	(548)
Machinery and equipment	(1,157)	(92)	-	15	(1,234)
Vehicles	(141)	(4)	-	-	(145)
<b>Total accumulated depreciation</b>	<b>(1,841)</b>	<b>(101)</b>	<b>-</b>	<b>15</b>	<b>(1,927)</b>
<b>Business-types activities capital assets, net</b>	<b>\$ 264</b>	<b>\$ (81)</b>	<b>\$ -</b>	<b>\$ (3)</b>	<b>\$ 180</b>

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 4. Capital Assets (Continued)**

Depreciation expense for the year ended June 30, 2015, was charged to functions/programs of the District as follows (in thousands):

Governmental activities:	
Instruction	\$ 5,283
Support services	3,327
Noninstruction services	3
Facilities management	13,881
<b>Total governmental activities</b>	<u><u>\$ 22,494</u></u>
 Business-type activities, food services program	 <u><u>\$ 101</u></u>

**Note 5. Compensated Absences**

Upon retirement or resignation in good standing, the District pays eligible employees for unused sick leave at a set daily rate as determined by classification and/or length of service. The length of service required to receive the sick leave payout is determined by the employee's applicable collective bargaining agreement for the District's school administrators, support, and certified staff and District policy for all other pro-tech/administrative staff.

Unused vacation leave is calculated at hourly rates. The maximum carryover of vacation leave is two times the allowable annual accrued amount.

Personal days not used by employees by June 30 become sick days subject to the accrual calculation and limitations above. As of June 30, 2015, the District had an outstanding liability for unused sick, vacation, and personal leave totaling \$6.0 million and a related liability for payroll taxes associated with the unused sick, vacation, and personal leave totaling \$1.9 million.

In past years, General, Building, School Nutrition, and Yes for Kids Funds have been used to liquidate this liability.

**Note 6. Long-Term Liabilities**

*Oklahoma Statutes* prohibits the District from becoming indebted in an amount exceeding revenues 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.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 6. Long-Term Liabilities (Continued)**

As of June 30, 2015, the District had the following long-term liabilities (in thousands):

Governmental Activities:

\$31.2 million general obligation bonds of 2004, dated June 1, 2004, due in annual installments of \$2.4 million beginning July 1, 2006 through July 1, 2018, plus interest ranging from 3.25% to 5.25%.	\$ 9,600
\$21.0 million general obligation bonds of 2005, dated June 1, 2005, due in annual installments of \$1.6 million beginning July 1, 2007 through July 1, 2019, plus interest ranging from 3.25% to 5.00%.	8,080
\$17.1 million general obligation bonds of 2007, dated June 1, 2007, due in annual installments of \$2.4 million beginning July 1, 2009 through July 1, 2015, plus interest ranging from 4.25% decreasing to 3.70% for the final installment.	2,430
\$54.0 million general obligation bonds of 2009, dated June 1, 2009, due in annual installments of \$3.9 million beginning July 1, 2011 through July 1, 2024, plus interest ranging from 2.00% to 4.00%.	38,580
\$11.0 million general obligation bonds of 2011, dated June 21, 2011, due in annual installments of \$3.7 million beginning July 1, 2013 through July 1, 2015, plus interest ranging from 1.00% to 2.00%.	3,670
\$35.0 million general obligation bonds of 2013, dated January 1, 2013, due in annual installments of \$8.8 million beginning July 1, 2015 through July 1, 2018, plus interest ranging from 1.00% to 2.00%.	35,000
\$60.0 million general obligation bonds of 2014, dated January 1, 2014, due in annual installments of \$12 million beginning July 1, 2016 through July 1, 2020, plus interest of 2.00%.	60,000
\$37.5 million general obligation bonds of 2015, dated June 1, 2015, due in annual installments of \$9.375 million beginning July 1, 2017 through July 1, 2020 plus interest ranging from 0.05% to 3.00%	<u>37,500</u>
<b>Total general obligation bonds outstanding – at face value</b>	194,860
Premium on bonds outstanding	<u>2,017</u>
<b>Total general obligation bonds outstanding</b>	196,877
Capital lease obligation	654
Compensated absences and related taxes	7,429
Net pension liability	<u>248,658</u>
<b>Total long-term liabilities for governmental activities</b>	<u>\$ 453,618</u>
Business-Type Activities:	
Compensated absences	\$ 458
Net pension liability	<u>10,361</u>
<b>Total long-term liabilities for business-type activities</b>	<u>\$ 10,819</u>



Oklahoma County School District No. I-89  
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Notes to Financial Statements

Note 6. Long-Term Liabilities (Continued)

During the year ended June 30, 2015, long-term liability transactions were as follows (in thousands):

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance	One Year
Governmental Activities:					
General obligation bonds:					
2004 general	\$ 12,000	\$ -	\$ 2,400	\$ 9,600	\$ 2,400
2005 general	9,695	-	1,615	8,080	1,615
2006 general	4,000	-	4,000	-	-
2007 general	4,875	-	2,445	2,430	2,430
2009 general	42,435	-	3,855	38,580	3,855
2010 general	2,740	-	2,740	-	-
2011 general	7,335	-	3,665	3,670	3,670
2012 general	5,800	-	5,800	-	-
2012 general - refunding	6,000	-	6,000	-	-
2013 general	35,000	-	-	35,000	8,750
2014 general	60,000	-	-	60,000	-
2015 general	-	37,500	-	37,500	-
<b>Total general obligation bonds</b>	<b>189,880</b>	<b>37,500</b>	<b>32,520</b>	<b>194,860</b>	<b>22,720</b>
Premium on bonds	1,878	466	327	2,017	-
Capital lease obligation	-	833	179	654	155
Compensated absences	7,274	3,538	3,383	7,429	2,229
Net pension liability	330,815	-	82,157	248,658	-
<b>Total long-term liabilities</b>	<b>\$ 529,847</b>	<b>\$ 42,337</b>	<b>\$ 118,566</b>	<b>\$ 453,618</b>	<b>\$ 25,104</b>
Business-Type Activities:					
Compensated absences	407	201	150	458	137
Net pension liability	13,784	-	3,423	10,361	-
<b>Total long-term liabilities</b>	<b>\$ 14,191</b>	<b>\$ 201</b>	<b>\$ 3,573</b>	<b>\$ 10,819</b>	<b>\$ 137</b>

Debt service requirements to maturity over the next five years and in five-year increments thereafter are as follows (in thousands):

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2016	\$ 22,720	\$ 5,024
2017	28,620	4,130
2018	37,995	3,148
2019	37,995	2,434
2020	26,850	1,669
2021-2025	40,680	2,193
<b>Total long-term liabilities</b>	<b>\$ 194,860</b>	<b>\$ 18,598</b>

Interest expense on general obligation bonds during the year ended June 30, 2015 totaling \$3.9 million is recorded in the debt service fund.

**Oklahoma County School District No. I-89**  
**Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 6. Long-Term Liabilities (Continued)**

Bonds sold at discounts decrease the carrying value of the bond, and bonds sold at a premium increase the carrying value. The discount or premium is then amortized, using the effective interest method, as an increase or decrease, respectively, to the coupon interest payment in reporting interest expense. Amortization expense on bond premiums for the year ended June 30, 2015 is \$0.3 million. The net amount of unamortized premium at June 30, 2015 was \$2.0 million.

On June 24, 2015, the District transferred the July 2015 principal and interest payments on the 2004 through 2012 General Obligation bonds totaling \$26.0 million to a third party. These funds remained on deposit with the third party until July 1, 2015 when the payment was passed on to the bondholders.

**Capital leases:** The District records lease agreements that qualify as capital leases for accounting purposes at the present value of their future minimum lease payments at their inception date. The present value is calculated based on the lessor's implicit interest rate.

In November 2014, the District entered into a sixty month equipment lease purchase agreement with Dell. At the end of the lease, the District can exercise the option to purchase the products for one dollar. Principal is due in annual installments of approximately \$179.

The future lease payments as of June 30, 2015, are as follows (in thousands):

Year Ending June 30,	
2016	\$ 179
2017	179
2018	179
2019	179
Total minimum lease payments	<u>716</u>
Less amount representing interest	<u>(62)</u>
Present value of minimum lease payments	<u><u>\$ 654</u></u>

The gross amount of assets acquired under capital leases, accumulated depreciation, and net book value by major asset class are as follows (in thousands):

Computers and related equipment	\$ 833
Accumulated depreciation	<u>(42)</u>
Net book value	<u><u>\$ 791</u></u>

**Oklahoma County School District No. I-89  
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**Notes to Financial Statements**

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**Note 7. Risk Management**

The District purchases commercial insurance for all types of risk including, but not limited to, property, casualty, worker's compensation, vehicle, and employee life. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

**Note 8. Employee Retirement Plans**

The District participates in the state-administered Teachers' Retirement System of Oklahoma (OTRS). Additionally, the District provides a defined contribution plan for eligible employees.

**Teachers Retirement System of Oklahoma**

**Plan description:** The District participates in the OTRS, a cost-sharing multiple-employer public employee retirement system that is self-administered. OTRS provides retirement, disability, and death benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by the legislature of the State of Oklahoma. Title 70 of the Oklahoma State Statutes assigns the authority for management and operation of OTRS to the Board of Trustees of the System. OTRS issues a publicly available annual financial report that can be obtained at [www.ok.gov/TRS/](http://www.ok.gov/TRS/).

**Benefits provided:** OTRS provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O. S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature.

Benefit provisions include:

- Members become 100% vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service.

**Oklahoma County School District No. I-89  
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**Notes to Financial Statements**

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**Note 8. Employee Retirement Plans (Continued)**

- Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000, depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the Joint Survivor Benefit Option.
- Upon the death of a retired member, OTRS will pay \$5,000 to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the IRC.
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

**Contributions:** The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 7 percent of their annual compensation. The District paid 90 percent of the 7 percent required contribution as a benefit to those defined by the District as classified employees and 100 percent of the 7 percent for all other employees. For Central Office/Professional and Technical staff, the District pays 100 percent of the 7 percent up to \$60,000 of compensation earned, then the District begins to pay 90 percent of the 7 percent and the employee begins to pay 10 percent of the 7 percent for the compensation earned for the rest of the fiscal year. The amount paid by the District for employees totaled approximately \$11.7 million for the year ended June 30, 2015. The District's contribution rate is 9.5 percent for the year ended June 30, 2015. In addition, the District is required to match the State's contribution rate on salaries that are paid with federal funds. The District's contributions to OTRS in 2015 were \$18.9 million, equal to the annual required contributions each year. The District's matching contributions to OTRS in 2015 were \$1.9 million.

The State makes a contribution on behalf of each teacher meeting minimum salary requirements (known as the OTRS years of service credit). The credit amount is determined based on years of service and ranges from \$60.15 per year for 0 years of service to \$1,410.53 per year for 25 years or more of service. For the fiscal year ended June 30, 2015, the State paid approximately \$1.7 million on behalf of teachers employed at the District. In accordance with generally accepted accounting practices, the District recognized the on-behalf-of payments as revenue and expense/expenditure in the government wide and fund financial statements.

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**Notes to Financial Statements**

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**Note 8. Employee Retirement Plans (Continued)**

The State of Oklahoma is also required to contribute to the System on behalf of the participating employers. For 2015, the State of Oklahoma contributed 5 percent of state revenues from sales and use taxes and individual income taxes, to the System on behalf of participating employers. The District has estimated the amounts contributed to the System by the State of Oklahoma on its behalf based on a contribution rate provided to the District. For the year ended June 30, 2015, the total amount contributed to the System by the State of Oklahoma on behalf of the District was approximately \$16.7 million. In accordance with generally accepted accounting principles, District recognized the on-behalf-of payments as revenue and expense/expenditure in the government wide and fund financial statements. These on-behalf payments do not meet the definition of a special funding situation.

**Pension liabilities, pension expense, and deferred inflows/outflows of resources related to pensions:** At June 30, 2015, the District reported a liability of \$259 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The District's proportion of the net pension liability was based on the District's contributions to OTRS relative to total contributions of OTRS for all participating employers for the year ended June 30, 2014. Based upon this information, the District's proportion was 4.81459900 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$25.9 million. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 4,269
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	62,687
District contributions subsequent to the measurement date	32,185	-
<b>Total</b>	<b>\$ 32,185</b>	<b>\$ 66,956</b>

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 8. Employee Retirement Plans (Continued)**

Deferred pension outflows totaling \$32.2 million resulting from the District's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflows totaling \$62.7 million resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years. The deferred inflows totaling \$4.3 million resulting from differences between expected and actual experience will be recognized in pension expense using the average expected remaining service lives of all system members. The average is determined by taking the calculated total future service years of the Plan divided by the number of people in the Plan including retirees. The total future service years of the plan are estimated at 6.32 years at June 30, 2014 and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan. Deferred outflows of resources and deferred inflows of resources, other than contributions made subsequent to the measurement date, will be recognized in pension expense as follows (in thousands):

Year ended June 30:	
2016	\$ 16,474
2017	16,474
2018	16,474
2019	16,474
2020	803
Thereafter	257
	<u>\$ 66,956</u>

**Actuarial assumptions:** The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2014 using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Amortization Method—Level Percentage of Payroll
- Amortization Period—Amortization over an open 30-year period
- Asset Valuation Method—5-year smooth market
- Inflation—3.00 percent
- Salary Increases—Composed of 3.00 percent inflation, plus 1.00 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.
- Investment Rate of Return—8.00 percent
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in September 2010 in conjunction with the five year experience study for the period ending June 30, 2009.
- Mortality—RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90 percent for males and 80 percent for females.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 8. Employee Retirement Plans (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic All Cap Equity*	7.00%	8.90%
Domestic Large Cap Equity	10.00	8.50
Domestic Mid Cap Equity	13.00	9.20
Domestic Small Cap Equity	10.00	9.20
International Large Cap Equity	11.50	9.20
International Small Cap Equity	6.00	9.20
Core Plus Fixed Income	17.50	4.30
High-yield Fixed Income	6.00	6.70
Private Equity	5.00	10.10
Real Estate**	7.00	7.80
Master Limited Partnerships	7.00	10.10
<b>Total</b>	<b>100.00%</b>	

\* The Domestic All Cap Equity total expected return is a combination of 3 rates - US Large Cap, US Mid Cap, and US Small Cap.

\*\* The Real Estate total expected return is a combination of US Direct Real Estate (unlevered) and US Value Added Real Estate (unlevered).

**Discount rate:** The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 5 percent of sales, use and individual income taxes, as established by statute. Based on these assumptions, OTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 8. Employee Retirement Plans (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:** The following table presents the net pension liability of the District calculated using the discount rate of 8.0 percent, as well as what the District's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (7.0%) or 1-percentage point higher (9.0%) than the current rate (in thousands):

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's Net Pension Liability	\$ 363,888	\$ 259,019	\$ 170,506

**Defined Contribution Plan**

Plan description: The District provides a defined contribution plan under section 401(a) of the Internal Revenue Code to eligible employees. Eligible employees include administrators, professional/technical staff, and building administrators (e.g., principals). Administrators and professional/technical staff must complete three years of continuous service, and building administrators must complete two years of continuous service in order for the employee to receive an employer contribution at the end of the fiscal year.

Funding policy: Eligible administrators, professional/technical staff members, and building administrators receive a contribution of seven hundred dollars per year. Upon termination or retirement, each of these employees can receive the money paid for them in either a lump sum or in any other benefit option available. This plan is administered by Variable Annuity Life Insurance Company (VALIC). The District contributed \$240 to the plan during the year ended June 30, 2015.

**Note 9. Commitment and Contingencies**

Encumbrance accounting is utilized to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances represent commitments related to unperformed contracts for goods and services. At year end, the amount of encumbrances (less encumbrances that lapsed after year end) expected to be honored upon performance by the vendor in the next year were as follows (in thousands).

General Fund	\$ 6,788
Yes for Kids Bond Funds	18,701
School Nutrition Services	529
Other Governmental Funds	1,721
<b>Total</b>	<u><u>\$ 27,739</u></u>

The District receives grant funds from various federal and state grantor agencies. Under the terms of the grants, periodic audits are required, and certain costs may be questioned as not being allowable expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. The District management believes disallowances, if any, would be immaterial to the accompanying financial statements.



**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 9. Commitment and Contingencies (Continued)**

The District is a defendant in various lawsuits. The District intends to vigorously defend itself on the various lawsuits. Although the outcome of these lawsuits is not presently determinable, and the amounts are not readily estimable, the District believes the resolution of these matters will not have a material adverse effect on the financial statements and may be settled by the District's insurance carrier.

**Note 10. Charter Schools**

The District is the pass-through agency of state funds for eleven charter schools, which are considered to be operationally independent of the District. All general fund sources are received by the District and distributed to the charter schools monthly. In addition, certain payments are made and costs incurred by the District to benefit various charter schools through such programs as the School Nutrition Services program, alternative education, at risk sites for adequate yearly progress, and certain contractually obligated costs for custodial care and supplies. The District charges each charter school an administrative fee of 3.00 percent (of general fund sources) for the services it provides.

**Note 11. Enterprise Schools**

The District has six enterprise schools. An enterprise school is a school within the District with which the Oklahoma City School Board contracts with the governing board, providing them authority to make certain independent decisions for that site. All employees and operating costs are budgeted and processed within the District's regular financial operations. However, the enterprise school can direct their dollars with regard to curriculum and admission standards within the legal laws governing public schools as well as within the specifics of their contract.

**Note 12. MAPS For Kids**

On November 13, 2001, voters in the City of Oklahoma City and the District approved two separate initiatives to fund capital improvement projects within the District.

First, the Oklahoma City Metropolitan Area Public Schools ("OCMAPS") limited purpose sales tax of one half percent was levied from January 1, 2002 until April 1, 2003; the sales tax levy increased to one percent on April 1, 2003, continuing until January 1, 2009, when it expired. The sales tax revenues are apportioned 70 percent to the District and the remaining 30 percent apportioned to 23 suburban school districts.

Second, authorization from the voters was given the District approved the District to issue general bonds totaling \$180.0 million for facility improvements and technology.

The OCMAPS Trust, administered by the City of Oklahoma City, was established to manage the sales tax collections and the capital improvement projects (both facilities and transportation) for the District that are financed with the sales tax revenues and/or the District's general obligation bonds pursuant to the Memorandum of Understanding dated August 28, 2001. In addition, the District reimburses OCMAPS Trust for expenses related to the management of the various projects.

Payments are paid from bond funds to reimburse the sales tax funds quarterly for contract administration costs incurred by the City of Oklahoma City and ADG, Inc. ADG, Inc. operates as the program consultant for the school improvement and expansion projects of the District.

Semi-annual reports on revenue collections and the status of capital projects are provided to the City of Oklahoma City and the District. The OCMAPS Trust will deed all completed projects to the District upon completion.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 12. MAPS For Kids (Continued)**

The sales tax capital projects include:

- \$9.0 million for the purchase of 160 new school buses;
- \$35.3 million estimated cost for technology improvements in the classroom such as new computers, computer labs, presentation stations, and network infrastructure; and
- \$390 million estimated cost for the construction and/or renovation of 56 school buildings.

The general obligation bond capital projects include:

- \$16.7 million for computer and other technology, equipment, software renovation, and improvements; and
- \$163.3 million for the construction of new and/or renovation of 16 school buildings.

The OCMAPS Trust is included in the City of Oklahoma City's *Comprehensive Annual Financial Report* ("CAFR") as a blended component unit.

**Note 13. Yes For Kids**

On October 9, 2007, voters in the City of Oklahoma City authorized a general bond issue totaling \$248.3 million to continue school funding made possible by the MAPS for Kids program. Individual propositions require a 60 percent total of the vote to pass. Each of the four measures passed with a margin averaging 78 percent.

The general obligation bond capital projects include:

- \$212 million for capital improvements for elementary school gymnasiums, 50 new classrooms, and routine maintenance;
- \$21 million to provide network system upgrades to better track and evaluate students and update and add library materials;
- \$7.3 million to replace school buses more than 10 years old and update the support vehicle fleet; and
- \$8 million to improve safety and security equipment throughout the District.

Construction management is a shared responsibility with the OCMAPS Trust Authority and District staff (see Note 12 for further Trust information).

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Financial Statements**

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**Note 14. Restatement**

As a result of the adoption of GASB Statement No. 68 and No. 71, the beginning net positions of the governmental activities, business-type activities, and the major enterprise fund were restated. The effect on fiscal year 2014 is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Enterprise Fund <u>School Nutrition Services</u>
Net position, June 30, 2014, as previously reported	\$ 646,714	\$ 1,115	\$ 1,115
Pension related deferred outflows	29,138	1,176	1,176
Net pension liability	(330,814)	(13,784)	(13,784)
<b>Net position, June 30, 2014, as restated</b>	<b>\$ 345,038</b>	<b>\$ (11,493)</b>	<b>\$ (11,493)</b>

**REQUIRED SUPPLEMENTARY  
INFORMATION**

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Required Supplementary Information  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Oklahoma Teachers' Retirement System  
(in thousands)

	June 30, 2014
District's proportion of the net pension liability	4.81459900%
District's proportionate share of the net pension liability	\$ 259,019
District's covered-employee payroll	\$ 184,945
District's proportionate share of the net pension liability as a percentage of its covered payroll	140.05%
Plan fiduciary net position as a percentage of the total pension liability	72.43%

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Required Supplementary Information  
Schedule of District Contributions  
Oklahoma Teachers' Retirement System  
(in thousands)**

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
<b>2015</b>	<b>\$ 20,780</b>	<b>\$ 20,780</b>	<b>\$ -</b>	<b>\$ 195,499</b>	<b>10.63%</b>
2014	19,677	19,677	-	184,945	10.64
2013	18,914	18,914	-	177,916	10.63
2012	18,506	18,506	-	173,534	10.66
2011	17,079	17,079	-	164,455	10.39
2010	17,095	17,095	-	170,051	10.05
2009	15,504	15,504	-	165,178	9.39
2008	13,395	13,395	-	158,051	8.48
2007	11,617	11,617	-	148,783	7.81
2006	10,556	10,556	-	139,069	7.59

The District's statutorily required contribution rate has changed over the prior 10 years as follows:

1. July 1, 2005 to December 31, 2006 7.05%
2. January 1, 2007 to June 30, 2007 7.60%
3. July 1, 2007 to December 31, 2007 7.85%
4. January 1, 2008 to June 30, 2008 8.35%
5. July 1, 2008 to December 31, 2008 8.50%
6. January 1, 2009 to December 31, 2009 9.00%
7. January 1, 2010 to present 9.50%

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Budgetary Comparison Schedule (Budgetary Basis) - General Fund**  
**Year Ended June 30, 2015**  
**(in thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 72,100	\$ 72,100	\$ 72,297	\$ 197
Intermediate sources	11,275	11,275	11,573	298
State sources	188,950	188,950	164,569	(24,381)
Federal sources	50,349	50,349	40,757	(9,592)
Nonrevenue receipts	500	500	23,647	23,147
<b>Total revenues</b>	<b>323,174</b>	<b>323,174</b>	<b>312,843</b>	<b>(10,331)</b>
Expenditures:				
Instruction	184,974	184,974	183,379	(1,595)
Support services	121,700	121,700	120,705	(995)
Operation of noninstruction services	550	550	702	152
Facilities acquisition and construction services	50	50	381	331
Other	27,400	27,400	25,556	(1,844)
<b>Total expenditures</b>	<b>334,674</b>	<b>334,674</b>	<b>330,723</b>	<b>(3,951)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(11,500)</b>	<b>(11,500)</b>	<b>(17,880)</b>	<b>(6,380)</b>
Other financing sources:				
Lapsed appropriations	11,500	11,500	11,660	160
Transfers out	-	-	-	-
Insurance recoveries	-	-	-	-
<b>Total other financing sources</b>	<b>11,500</b>	<b>11,500</b>	<b>11,660</b>	<b>160</b>
Net change in fund balances	-	-	(6,220)	(6,220)
Fund balances, beginning of year	28,000	28,000	33,503	5,503
Fund balances, end of year	<b>\$ 28,000</b>	<b>\$ 28,000</b>	<b>\$ 27,283</b>	<b>\$ (717)</b>

See Notes to Required Supplementary Information.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Note to Required Supplementary Information – Budgetary Reporting**

Budgetary Comparison Schedule - General Fund: The Budgetary Comparison Schedule is prepared using the cash plus encumbrances basis of accounting. A reconciliation from this basis to the modified accrual basis of accounting, which is Generally Accepted Accounting Principles (GAAP), is included below.

Budgetary Reconciliation - General Fund: Items required to adjust actual revenues, expenditures, and fund balance reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2015, are as follows (in thousands):

Fund balance - budgetary basis	\$ 27,283
Current year revenue accrual less portion deferred in fund statements	11,046
Grant revenue received, but not expended (deferred for budgetary purposes)	3,048
Inventory	320
Encumbrances outstanding	14,737
Compensated absences	6,627
Fund balance - fund financial statements	<u>\$ 63,061</u>
Revenues - budgetary basis	\$ 312,843
Current year revenue accrual	87,547
Prior year revenue accrual	(20,197)
Current year revenue deferred in fund statements	(76,501)
Prior year deferred revenue recognized in fund statements in current year	7,092
Current year grant revenue received, but not expended (deferred for budgetary purposes)	3,048
Other	226
Prior year grant revenue recognized in the current year	(2,642)
On-behalf payments	15,656
Revenues - fund financial statements	<u>\$ 327,072</u>
Expenditures - budgetary basis	\$ 330,723
Change in encumbrance payable	(4,229)
Change in compensated absences	(136)
Change in inventory	(78)
Capital lease expenditures	833
Other	211
On-behalf payments	15,656
Expenditures - fund financial statements	<u>\$ 342,980</u>

Budget Law and Practice: The following is the budget development process for all funds appropriated on an annual basis (General Fund, Building Fund, School Nutrition Services Fund, and Sinking Fund). For each fiscal year of the District, which begins on July 1, a tentative, or preliminary, budget is presented to the Board of Education at the first meeting in July, if not earlier. As required by the School District Budget Act (adopted June 4, 2001), a public hearing on the proposed budget summary shall be held within five days' notice published in a newspaper of general circulation in the school district. Within the thirty day period preceding the beginning of each fiscal year, a budget for the school district shall be approved by the Board of Education. The District may amend the budget after June 30 and present it for Board of Education approval, as required by law, and approval (the legal appropriation establishing revenue, tax levies, and ad valorem valuations) by the county excise board and the state of Oklahoma Auditor & Inspector.



**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Note to Required Supplementary Information – Budgetary Reporting**

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The Board of Education must approve revisions to the final budget and ensure it will not exceed the level of appropriation for each fund as established by temporary budget or supplemental appropriation, according to law. The budget is updated and reported to the Superintendent and Board of Education in the fiscal year, as needed.

The following is the budget development process for all funds operated on an overall budget basis (Bond Funds, and Casualty Flood Insurance Recovery Fund). Based on available bonding capacity, the Superintendent and staff prepare a list of projects determined by the needs within the District and with available monies. This list, once approved by the Board of Education, becomes the resolution that is then presented to the voters in the District. Oklahoma laws allow schools to be indebted to a maximum of 10% of the net assessed valuation of the district.

The following is the budget administration and management process. Each fund has a budget that is assigned by cost center, and allocated by object. This budget is administered by a designee authorized by the Superintendent to monitor and control the budget in compliance with Board of Education policies and State law.

Budget expenditures are monitored through the financial management system, which will not allow expenditures to exceed the appropriated budget. The District Superintendent or designee may transfer an unexpended and unencumbered appropriation from one account to another within the same fund. Purchase orders are submitted to the Board of Education.

Encumbrances: Encumbrances represent commitments related to unperformed contracts for goods and/or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are included in the “actual” amounts shown as expended during the year for the budgetary presentation but are excluded from the fund balances in the governmental fund financial statements, as they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Revenues: Revenues, except for federal revenues, are recorded on a cash basis and include deposits to District accounts from the first day through the last day of the fiscal year regardless of when they were actually earned. Federal revenues are recognized for any prior year April through June 30<sup>th</sup> collections deferred and for any collections received July 1 through March 31 of the current year. Any federal cash collections received April 1 through June 30 are deferred into the subsequent year.

# **OTHER SUPPLEMENTARY INFORMATION**

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Combining Balance Sheet - Nonmajor Governmental Funds  
June 30, 2015  
(in thousands)

	Special Revenue Funds		Capital Project Funds		Total
	Building Fund	Gifts and Endowments Fund	MAPS Construction Bond Funds	Casualty Flood Insurance Recovery Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ 8,878	\$ 26	\$ 2,441	\$ 4,916	\$ 16,261
Receivables:					
Delinquent/protested property taxes, net of allowance	781	-	-	-	781
Property taxes receivable - succeeding year	10,095	-	-	-	10,095
Due from other governments	54	-	-	-	54
Other	1	-	-	2,041	2,042
<b>Total assets</b>	<b>19,809</b>	<b>26</b>	<b>2,441</b>	<b>6,957</b>	<b>29,233</b>
<b>Liabilities</b>					
Warrants payable	84	-	-	-	84
Accounts payable and accrued liabilities	474	-	125	84	683
<b>Total liabilities</b>	<b>558</b>	<b>-</b>	<b>125</b>	<b>84</b>	<b>767</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue - delinquent/protested property taxes	781	-	-	-	781
Unavailable revenue - property taxes - succeeding year	10,095	-	-	-	10,095
Unavailable revenue - insurance recoveries	-	-	-	1,041	1,041
<b>Total deferred inflows of resources</b>	<b>10,876</b>	<b>-</b>	<b>-</b>	<b>1,041</b>	<b>11,917</b>
<b>Fund balances</b>					
Nonspendable	-	25	-	-	25
Restricted	8,375	1	2,316	-	10,692
Committed	-	-	-	5,110	5,110
Assigned	-	-	-	722	722
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>8,375</b>	<b>26</b>	<b>2,316</b>	<b>5,832</b>	<b>16,549</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 19,809</b>	<b>\$ 26</b>	<b>\$ 2,441</b>	<b>\$ 6,957</b>	<b>\$ 29,233</b>

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Year Ended June 30, 2015  
(in thousands)

	Special Revenue Funds		Capital Project Funds		Total
	Building Fund	Gifts and Endowments Fund	MAPS Construction Bond Funds	Casualty Flood Insurance Recovery Fund	
Revenues:					
Local sources	\$ 10,511	\$ -	\$ 16	\$ 1	\$ 10,528
State sources	869	-	-	-	869
<b>Total revenues</b>	<b>11,380</b>	<b>-</b>	<b>16</b>	<b>1</b>	<b>11,397</b>
Expenditures:					
Current:					
Support services	10,131	-	472	1	10,604
Facilities acquisition and constructions	451	-	951	88	1,490
<b>Total expenditures</b>	<b>10,582</b>	<b>-</b>	<b>1,423</b>	<b>89</b>	<b>12,094</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>798</b>	<b>-</b>	<b>(1,407)</b>	<b>(88)</b>	<b>(697)</b>
Other financing sources:					
Proceeds from the sale of capital assets	745	-	-	-	745
Insurance recoveries	-	-	-	1,008	1,008
<b>Total other financing sources</b>	<b>745</b>	<b>-</b>	<b>-</b>	<b>1,008</b>	<b>1,753</b>
Net change in fund balances	1,543	-	(1,407)	920	1,056
Fund balances, beginning of year	6,832	26	3,723	4,912	15,493
Fund balances, end of year	\$ 8,375	\$ 26	\$ 2,316	\$ 5,832	\$ 16,549

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Statement of Changes in Assets and Liabilities - Fiduciary Fund  
Year Ended June 30, 2015  
(in thousands)

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Cash and cash equivalents, by location				
Elementary Schools	\$ 863	\$ 1,824	\$ (1,737)	\$ 950
Middle Schools	225	285	(320)	190
Alternative Schools	5	-	(5)	-
High Schools	952	2,176	(2,179)	949
Special Sites	122	160	(206)	76
<b>Total funds held for student activities</b>	<b>\$ 2,167</b>	<b>\$ 4,445</b>	<b>\$ (4,447)</b>	<b>\$ 2,165</b>
Summary Activity Funds				
Assets:				
Cash and cash equivalents	\$ 2,167	\$ 4,445	\$ (4,447)	\$ 2,165
Capital assets, net	39	10	(6)	43
<b>Total assets</b>	<b>\$ 2,206</b>	<b>\$ 4,455</b>	<b>\$ (4,453)</b>	<b>\$ 2,208</b>
Liabilities:				
Due to Student groups	\$ 2,167	\$ 4,445	\$ (4,447)	\$ 2,165
Capital assets held for the benefit of student groups	39	10	(6)	43
<b>Total liabilities</b>	<b>\$ 2,206</b>	<b>\$ 4,455</b>	<b>\$ (4,453)</b>	<b>\$ 2,208</b>

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Budgetary Comparison Schedule (Budgetary Basis) - Yes For Kids Bond Funds**  
**Year Ended June 30, 2015**  
**(in thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 25	\$ 25	\$ 12	\$ (13)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	47,500	47,500	37,500	(10,000)
<b>Total revenues</b>	<b>47,525</b>	<b>47,525</b>	<b>37,512</b>	<b>(10,013)</b>
Expenditures:				
Instruction	2,525	2,525	116	(2,409)
Support services	7,800	7,800	6,145	(1,655)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	112,200	112,200	28,316	(83,884)
Other	-	-	-	-
<b>Total expenditures</b>	<b>122,525</b>	<b>122,525</b>	<b>34,577</b>	<b>(87,948)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>2,935</b>	<b>77,935</b>
Other financing sources, prior year lapsed appropriations	-	-	905	905
Net change in fund balances	(75,000)	(75,000)	3,840	78,840
Fund balances, beginning of year	75,000	75,000	71,480	(3,520)
Fund balances, end of year	\$ -	\$ -	\$ 75,320	\$ 75,320

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Budgetary Comparison Schedule (Budgetary Basis) - Debt Service Funds**  
**Year Ended June 30, 2015**  
**(in thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 36,538	\$ 36,538	\$ 35,565	\$ (973)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	1,050	1,050	-	(1,050)
<b>Total revenues</b>	<b>37,588</b>	<b>37,588</b>	<b>35,565</b>	<b>(2,023)</b>
Expenditures:				
Instruction	-	-	-	-
Support services	-	-	-	-
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	-	-	-	-
Other	37,588	37,588	36,376	(1,212)
	<b>37,588</b>	<b>37,588</b>	<b>36,376</b>	<b>(1,212)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	(811)	(811)
Other financing sources, bond premium	-	-	466	466
Net change in fund balances	-	-	(345)	(345)
Fund balances, beginning of year	40,000	40,000	45,216	5,216
Fund balances, end of year	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ 44,871</b>	<b>\$ 4,871</b>

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Budgetary Comparison Schedule (Budgetary Basis) - Building Fund**  
**Year Ended June 30, 2015**  
**(in thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 11,054	\$ 11,054	\$ 11,244	\$ 190
Intermediate sources	-	-	-	-
State sources	500	500	572	72
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	-	-
<b>Total revenues</b>	<b>11,554</b>	<b>11,554</b>	<b>11,816</b>	<b>262</b>
Expenditures:				
Instruction	-	-	-	-
Support services	11,876	11,876	10,247	(1,629)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	28	28	688	660
Other	-	-	-	-
	<b>11,904</b>	<b>11,904</b>	<b>10,935</b>	<b>(969)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(350)</b>	<b>(350)</b>	<b>881</b>	<b>1,231</b>
Other financing sources, prior year lapsed appropriations	350	350	161	(189)
Net change in fund balances	-	-	1,042	1,042
Fund balances, beginning of year	4,764	4,764	5,569	805
Fund balances, end of year	<b>\$ 4,764</b>	<b>\$ 4,764</b>	<b>\$ 6,611</b>	<b>\$ 1,847</b>



Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Budgetary Comparison Schedule (Budgetary Basis) - MAPS Construction Bond Funds**  
**Year Ended June 30, 2015**  
**(in thousands)**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues:</b>				
Local sources	\$ 10	\$ 10	\$ 16	\$ 6
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	-	-
<b>Total revenues</b>	<b>10</b>	<b>10</b>	<b>16</b>	<b>6</b>
<b>Expenditures:</b>				
Instruction	2,510	2,510	836	(1,674)
Support services	300	300	441	141
Operation of noninstruction services	-	-	-	-
Facilities, acquisition, and construction services	200	200	280	80
Other	-	-	-	-
	<b>3,010</b>	<b>3,010</b>	<b>1,557</b>	<b>(1,453)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(3,000)</b>	<b>(3,000)</b>	<b>(1,541)</b>	<b>1,459</b>
Other financing sources, prior year lapsed appropriations	-	-	1,007	1,007
Net change in fund balances	(3,000)	(3,000)	(534)	2,466
Fund balances, beginning of year	3,000	3,000	2,503	(497)
Fund balances, end of year	\$ -	\$ -	\$ 1,969	\$ 1,969

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Budgetary Comparison Schedule (Budgetary Basis) - Casualty Flood Insurance Recovery Fund  
Year Ended June 30, 2015  
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 8,001	\$ 8,001	\$ 22	\$ (7,979)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	-	-
<b>Total revenues</b>	<b>8,001</b>	<b>8,001</b>	<b>22</b>	<b>(7,979)</b>
Expenditures:				
Instruction	-	-	-	-
Support services	1,000	1,000	1	(999)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	14,332	14,332	105	(14,227)
Other	-	-	-	-
	<b>15,332</b>	<b>15,332</b>	<b>106</b>	<b>(15,226)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(7,331)</b>	<b>(7,331)</b>	<b>(84)</b>	<b>7,247</b>
Other financing sources, prior year lapsed appropriations	-	-	197	197
Net change in fund balances	(7,331)	(7,331)	113	7,444
Fund balances, beginning of year	7,331	7,331	4,478	(2,853)
Fund balances, end of year	\$ -	\$ -	\$ 4,591	\$ 4,591

**REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND OMB CIRCULAR A-133**

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Federal Grantor/Program	Federal CFDA Number	Pass through Grantor	Project	Federal Expenditures
<b>U.S. Department of Education Direct Program</b>				
Indian Education - Grants to Local Educational Agencies	84.060	NA	561	\$ 404,260
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
School Breakfast Program, (SBP)	▲	10.553	Department of Education	764 4,840,419
National School Lunch Program - Commodity	▲ □	10.555	Department of Human Services	773 1,481,967
National School Lunch Program (NSLP)	▲	10.555	Department of Education	763 14,502,253
Summer Food Program	▲	10.559	Department of Education	766 110,801
<b>Total Child Nutrition Cluster</b>				<u>20,935,440</u>
Child and Adult Care Food Program	10.558	Department of Human Services	769	17,272
Farm Equipment Grant	10.579	Department of Education	791	21,382
Fresh Fruit/Vegetable Program	10.582	Department of Education	768	1,194,196
<b>Total U.S. Department of Agriculture</b>				<u>22,168,290</u>
<b>U.S. Department of Defense</b>				
JROTC - National Guard Challenge Program	12.404	Oklahoma Military Department	190	440,836
JROTC - National Guard Challenge Program	□	12.404	Oklahoma Military Department	190 86,423
<b>Total U.S. Department of Defense</b>				<u>527,259</u>
<b>U.S. Department of the Interior</b>				
Title VII, Johnson O'Malley	15.130	Department of Education	563	98,233
<b>U.S. Department of Education</b>				
Special Education Cluster:				
Discretionary PL 108-446, IDEA, Part B	84.027	Department of Education	621	9,678,845
Flow Through, PL 108-446, IDEA Part B Private Schools	84.027	Department of Education	625	57,215
<b>Total Special Education Cluster</b>				<u>9,736,060</u>
GEAR-UP-Gaining Early Awareness and Readiness				
for Undergraduate Programs	84.334	University of Oklahoma	772	844,541
Adult Education and Literacy	84.002	Department of Education	731	366,112
English Literacy/Civics	84.002	Department of Education	732	100,809
Adult Education Services to Corrections and Institutionalized Individuals				
Title I, Part A, Basic	▲	84.010	Department of Education	511 17,381,342
Title I, School Support	▲	84.010	Department of Education	515 425,441
Title I, Part A, Neglected	▲	84.010	Department of Education	518 143,537
Consolidated Administrative Fund	▲	84.010	Department of Education	786 1,000,648
Title I, Part D, Local Delinquent Program	84.013	Department of Education	532	131,644
Carl Perkins Secondary	84.048	Career & Technology Education	421	911,740
Carl Perkins Supplemental Grant	84.048	Career & Technology Education	424	23,274
Carl Perkins High Schools That Work	84.048	Career & Technology Education	426	6,229
Job Training - OJT	84.126	Department of Rehabilitation Services	456	39,244
Preschool, Ages 3-5 PL 108-446, IDEA Part B	84.173	Department of Education	641	146,815
Title X, Part C, Education for Homeless Children and Youth	84.196	Department of Education	596	140,146
Title III, Part A, English Language Acquisition, Language Enhancement and Academic Achievement				
Title II, Part A, Teacher and Principal Training	84.365	Department of Education	572	1,140,101
Title II, Part A, Teacher and Principal Training	84.367	Department of Education	541	1,740,190
Title I, Supplemental School Improvement Grants	84.377	Department of Education	519	1,767,943
<b>Total U.S. Department of Education</b>				<u>36,069,423</u>

(Continued)

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2015**

Federal Grantor/Program	Federal CFDA Number	Pass through Grantor	Project	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>				
Community Transformation Grant	93.531	Department of Human Services	187	66,528
Maternal, Infant & Early Childhood Home Visiting (MIECHV)	93.505	Department of Human Services	771	333,370
Temporary Assistance for Needy Families	93.558	Department of Education	735	204,000
Oklahoma Strong (MIECHV) - PAT	93.505	Department of Human Services	774	153,505
DayCare @ sites	93.575	Department of Human Services	na	66,240
Head Start Funds to Schools	93.600	Department of Commerce	691	<u>196,710</u>
<b>Total U.S. Department of Health and Human Services</b>				<u><u>1,020,353</u></u>
<b>U.S. Department of Homeland Security</b>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Oklahoma Emergency Management	594	<u>78,750</u>
<b>Total expenditures of federal awards</b>				<u><u>\$ 60,366,568</u></u>

▣ Non-cash assistance

▲ Audited as a major program by independent auditor

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies**

The Schedule of Expenditures of Federal Awards presents the expenditure activity of all federal programs of Oklahoma County School District No. I-89 (the "District"). The District's reporting entity is defined in Note 1 to the financial statements. Federal awards received directly from respective agencies and federal awards passed through other government agencies are included in the schedule.

**Note 2. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards is presented on the same basis of accounting as the related fund which reports the grant activity in the financial statements. This includes modified accrual for governmental funds and accrual for proprietary funds. These basis' are more fully described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 3. Noncash Assistance**

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$1,481,967 related to USDA Commodities grants provided by the U.S. Department of Agriculture and passed through the Oklahoma Department of Human Services. The schedule also includes federal awards in the form of noncash assistance (supplies) received during the year in the amount of \$86,423 related to JROTC grants provided by the U.S. Department of Defense passed through the Oklahoma Military Department.

**Note 4. Awards Provided to Subrecipients**

During the year ended June 30, 2015, the District did not provide any Federal awards to subrecipients.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015**

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Finding	Status	Corrective Action Plan or Other Explanation
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None reported.



RSM US LLP

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of the Financial  
Statements Performed in Accordance With *Government Auditing Standards***

**Independent Auditor's Report**

To the Board of Education  
Oklahoma County School District No. I-89  
Oklahoma City, Oklahoma

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oklahoma County School District No. I-89 (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, and have issued our report thereon dated March 17, 2016. Our report includes emphasis of matter paragraph describing the adoption of new accounting standards in fiscal year ended June 30, 2015. Our opinion was not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2015-001 that we consider to be a material weakness.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

### **District's Response to the Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Oklahoma City, Oklahoma  
March 17, 2016



**Report on Compliance for Each Major Federal Program and  
Report on Internal Control Over Compliance**

RSM US LLP

**Independent Auditor's Report**

To the Board of Education  
Oklahoma County School District No. I-89  
Oklahoma County, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of Oklahoma County School District No. I-89 (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*RSM US LLP*

Oklahoma City, Oklahoma  
March 17, 2016

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

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**I. Summary of the Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

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

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

**Identification of major program:**

CFDA Number	Name of Federal Program
84.010	Title I
10.553, 10.555, 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,810,997

- Auditee qualified as low-risk auditee?  Yes  No

(Continued)

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2015

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II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted *Government Auditing Standards*

A. Internal Control

See Finding 2015-001.

B. Instance of Noncompliance

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Control

None reported.

B. Instances of Noncompliance

None reported.

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2015

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**Finding 2015-001**  
**Year-end Closing Procedures**

**Criteria**

Effective internal controls are established and maintained to prevent, or detect and correct material misstatements in the annual financial statements on a timely basis.

**Condition**

Several adjustments, primarily related to year-end accounts payable accruals, were identified through audit procedures.

**Cause**

The District reviewed invoices received after year-end and before September 1, 2015 for liabilities as of June 30, 2015. However, there were invoices received after September 1, 2015 for goods and services received during the fiscal year ended June 30, 2015.

**Effect or Potential Effect**

The preliminary financial statements were misstated. The District corrected the June 30, 2015 government-wide and fund level financial statements for these errors. Accounts payable in the government-wide financial statements was understated by approximately \$2,750,000.

**Recommendation**

We recommend that the District extend the review period for accruals to coincide with its average payment cycle.

**Oklahoma County School District No. I-89  
Oklahoma City Public Schools**

**Corrective Action Plan  
Year Ended June 30, 2015**

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Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
<b>2015-001</b>	Since 9/01/15 to end of audit fieldwork, Account Payable reviewed the vendor payment database for any additional payments that could qualify for accrual of expense treatment. Amount located agreed with audit findings.	Going forward, the District is continuing to accelerate the closing of purchase orders by June 30 YYYY, to create a smaller data base to manage the search for unrecorded expenses after 6/30/yy of each year. Starting 7/01/16, Accounts Payable will build a weekly file of invoices paid that were prior fiscal year invoices that had not been treated as expenses by 6/30/yy (this is noted by pre 6/30/yy invoices that did not have the receipt of items, the goods receipt (GR), dated prior to 7/01/yy). From this data the proper journal entry to record accrued liabilities & expenses can be posted.	This will commence after 6/30/yy each year and continue up to the final audit field work date.	Director of Accounts Payable - Kevin D. Hamilton

## **OTHER INFORMATION**



**Oklahoma County School District No. I-89**  
**Oklahoma City Public Schools**

**Schedule of Surety Bonds**  
**Year Ended June 30, 2015**

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The District provides the following surety bonds, compliant with HB1592 requirements for any Superintendent or financial officer or other relevant employee of the school district who has supervision of or authority to expend school district funds. The District had the following Surety Bonds for fiscal year 2015:

Effective 07/01/2014 through 06/30/2015  
Insurance Carrier: Ohio Casualty

Position/Description	Bond #	Amount
Treasurer	1597454	\$ 2,000,000
Assistant Treasurer	1597454	2,000,000
Assistant Treasurer/Assistant Encumbrance Clerk	1597454	2,000,000
Superintendent	1597454	750,000
Chief Operating Officer	1597454	750,000
Chief Financial Officer/Encumbrance Clerk/ Director of Financial Management	1597454	750,000
Minute Clerk/Board Clerk	1597454	750,000
Board Clerk/Deputy Minute Clerk	1597454	750,000
Director of Purchasing	1597454	750,000
Financial Secretary	1597443	2,500
Activity Fund Custodian - Elementary Schools	1597443	2,500
Activity Fund Custodian - Middle Schools	1597443	10,000
Activity Fund Custodian - High Schools	1597443	15,000
Activity Fund Custodian - Administration	1597443	15,000

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Charter School Membership  
Year Ended June 30, 2015

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Charter School membership for the year ended June 30, 2015 was as follows:

	<u>Membership</u>
Independence Charter Middle School	299
Justice Alma Wilson SeeWorth Academy	437
Stanley Hupfeld Academy at Western Village	327
Dove Science Academy	490
Dove Elementary School	303
Santa Fe South High School	638
Santa Fe South Middle School	384
Harding Charter Preparatory High School	473
Harding Fine Arts Center	350
Harper Academy	93
KIPP Reach College Preparatory	294
<b>Total</b>	<u><u>4,088</u></u>

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Enterprise School Membership  
Year Ended June 30, 2015

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Enterprise School membership for the year ended June 30, 2015 was as follows:

Enterprise School	Membership
Jackson Enterprise Elementary School	568
Belle Isle Enterprise Middle School	450
John Marshall Middle School and High School	664
Northeast Enterprise Middle School and High School	369
<b>Total</b>	<u><u>2,051</u></u>

**Oklahoma County School District No. I-89**  
**Oklahoma City Public Schools**

**MAPS Management Fees**  
**Year Ended June 30, 2015**

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MAPS management fees by fiscal year are as follows (in thousands):

Fiscal Year	Project Management Services	City of OKC Administration	Total
2002/2003	\$ 1,093	\$ 42	\$ 1,135
2003/2004	1,261	145	1,406
2004/2005	407	166	573
2005/2006	571	220	791
2006/2007	264	220	484
2007/2008	365	111	476
2008/2009	277	78	355
2009/2010	321	68	389
2010/2011	244	73	317
2011/2012	114	93	207
2012/2013	27	64	91
2013/2014	18	59	77
2014/2015	8	40	48
<b>Total</b>	<b>\$ 4,970</b>	<b>\$ 1,379</b>	<b>\$ 6,349</b>

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

Schedule of MAPS Sales Tax Funded Transfers and Classification  
Year Ended June 30, 2015

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A schedule of MAPS sales tax funded transfers and classification is reported as follows (in thousands):

Sales Tax Project ID	Description	Value
ES-059	Parmelee	\$ 16
ES-066	CHES	1
ES-068	Rogers	3,776
ES-078	NW Classen	35
ES-080	NEHS	20
ES-035	John Rex Land	209
ES-035	John Rex	12,249
ES-035	John Rex Furniture	208
ES-034	Lee	1
ES-035	John Rex	118
ES-059	Parmelee	1
ES-069	Webster	8,578
ES-069	Webster Furniture	63
ES-072	Roosevelt	21
ES-080	NEHS	19
ES-T039	CHES	52
ES-T039	Jackson ES	47
ES-T039	Spencer	44
ES-T039	Jefferson	51
ES-T039	Rogers	50
ES-T039	Roosevelt	52
ES-T039	Taft	51
ES-T039	Webster	61
ES-T039	Emerson	53
ES-T041	John Rex	97
ES-T042	John Rex	148
ES-070	Taft Renovation	8,159
ES-034	Lee	1
ES-035	John Rex	652
ES-059	Parmelee	6
ES-067	Jackson ES	6,988
ES-069	Webster	68
ES-069	Webster Furniture	3
<b>Subtotal</b>		<b>\$ 41,898</b>

Oklahoma County School District No. I-89  
Oklahoma City Public Schools

**Schedule of MAPS Sales Tax Funded Transfers and Classification (Continued)**  
**Year Ended June 30, 2015**

A schedule of MAPS sales tax funded transfers and classification is reported as follows (in thousands):

Sales Tax Project ID	Description	Value
<b>Subtotal forwarded</b>		\$ 41,898
ES-070	Taft Renovation	61
ES-072	Roosevelt	7
ES-080	NEHS	255
ES-T046	Districtwide staff training	77
ES-T039	CHES	9
ES-T039	Jackson ES	9
ES-T039	Spencer	9
ES-T039	Jefferson	9
ES-T039	Rogers	9
ES-T039	Roosevelt	9
ES-T039	Taft	9
ES-T039	Webster	9
ES-T039	Emerson	9
<b>Total Transferred in FY 2015</b>		\$ 42,379
<b>Total Transferred FY 2005 - FY 2014</b>		321,930
<b>Total Transferred through June 30, 2015</b>		\$ 364,309
<b>TOTAL Technology</b>		\$ 24,254
<b>TOTAL Other Construction/FFE etc.</b>		331,231
<b>TOTAL Transportation</b>		8,824
		<u>\$ 364,309</u>

