



OKLAHOMA CITY INDEPENDENT SCHOOL DISTRICT I-89
Oklahoma County, Oklahoma

REPORT ON AUDIT OF FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

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DISTRICT PROFILE

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

DISTRICT PROFILE

<u>Board of Education</u>			
Name	Office	District #	Term of Office
Angela Z. Monson	Board Chairperson		2013
Lyn Watson	Member	1	2013
Gail Vines	Member	2	2013
Phil Horning	Vice-Chairperson	3	2016
Laura Massenat	Member	4	2016
Ruth Veales	Member	5	2014
Jay Means	Member	6	2015
Ron Millican	Member	7	2014

Superintendent

Karl Springer.....Superintendent

FINANCIAL SECTION

Independent Auditors' Report

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

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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2013, on our consideration of the District's internal control over financial reporting and 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* and should be read in conjunction with this report in considering the results of our audit.

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 Government 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining financial statements and other schedules, as listed in the table of contents, 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. The information has been subjected to the auditing procedures applied in the audit of the 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, the combining financial statements and other schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying Other Information section, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. This section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Cole & Reed P.C.

Oklahoma City, Oklahoma
February 18, 2013

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS**

Within the management's discussion and analysis of the Oklahoma County School District No. 1-89 (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, 2012. 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 certain comparative information between the current year and the prior year to be presented.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2012 were:

- The District's Statement of Net Assets (GAAP) reported that assets exceeded liabilities by \$532.2 million (net assets). This compares to the previous year-end when assets exceeded liabilities by \$453.5 million. Total overall net assets increased by \$78.7 million or 17.4% to the previous year.
- General fund expenditures (Budgetary basis) of \$307.3 million were less than total revenues (revenues plus lapsed appropriations) of \$321.8 million by \$14.5 million or 4.5% of total revenues. The fund balance increased to \$32.2 million or 10.0% of total revenues.
- E-Rate funding (Year 15) was approved for \$3 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 was 38,442, an increase of 700 students or 1.86% over last year's membership of 37,742. Membership and attendance are the critical components in the calculation of the District's revenue allocations.
- Student eligibility in the Free and Reduced Price Meal Program increased slightly to 91.2% as compared to 89.8% eligibility in the previous year.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

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) government-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.

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 Assets* presents information on all of the District's assets and liabilities, with the difference between assets and liabilities reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 child nutrition services.

The district-wide financial statements can be found on pages 16 and 17.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

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 finance 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. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are presented on pages 18 and 19. 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 is provided in a combining statement on pages 56 and 57.

Proprietary funds are reported in the fund financial statements and generally report services for which the District charges a fee. The District maintains one proprietary fund which is the enterprise fund for the District's Child 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 and with additional information such as cash flows.

The basic proprietary fund financial statements can be found on pages 21 through 23.

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 24.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

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 25 through 51

Other Information: This report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual appropriated budget for its general, building, bond, sinking and insurance funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with these budgets. The required supplementary information can be found on pages 52 through 55

District-wide Financial Analysis: The financial analysis discussion that follows reports the District 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 assets may be observed and used to discuss the changing financial position of the District as a whole.

The following summary of the District Net Assets are reported on an accrual basis. The District's total assets at June 30, 2012 were \$734.8 million, an increase of \$49.9 million or 7.3% over last year's assets of \$684.9 million.

Detailed financial information is available on page 16.

The following table provides a comparative summary of the District's statements of net assets as of June 30, 2012 and 2011:

Oklahoma County School District No. I-89						
Net Assets (in thousands)						
<u>June 30, 2012 and 2011</u>						
	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current Assets	\$ 288,232	\$ 316,162	\$ 4,801	\$ 4,338	\$ 293,033	\$ 320,500
Capital and other	441,431	363,969	354	408	441,785	364,377
Total assets	<u>729,663</u>	<u>680,131</u>	<u>5,155</u>	<u>4,746</u>	<u>734,818</u>	<u>684,877</u>
Current liabilities	69,384	73,508	2,517	1,570	71,901	75,078
Long-term liabilities	130,485	155,990	276	301	130,761	156,291
Total liabilities	<u>199,869</u>	<u>229,498</u>	<u>2,793</u>	<u>1,871</u>	<u>202,662</u>	<u>231,369</u>
Net assets:						
Invested in capital assets, net of related debt	376,774	296,623	354	408	377,128	297,031
Restricted	45,950	41,972	-	-	45,950	41,972
Unrestricted	107,070	112,038	2,008	2,467	109,078	114,505
Total net assets	<u>\$ 529,794</u>	<u>\$ 450,633</u>	<u>\$ 2,362</u>	<u>\$ 2,875</u>	<u>\$ 532,156</u>	<u>\$ 453,508</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

Current Assets: The District's investment in current assets consists primarily of cash and cash equivalents, receivables, inventories and prepaid expenses. Current assets at June 30, 2012 were \$293.0 million, a decrease of \$27.5 million or 8.6% over last year's current assets of \$320.5 million. Major transactions/factors were:

- Decrease of Cash and Cash Equivalents and Investments of \$16 million over prior year primarily related to utilization of 2001 MAPS Bond proceeds as construction projects complete. The last bond sale related to this authorization occurred in 2007.
- Decrease of Accounts Receivables of \$13.4 million over prior year primarily related to the ARRA federal programs completed during previous year.
- Increase of Prepaid Assets of \$1.8 million related to increase of July 1 bond principal and interest payments due.

Capital 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, 2012 were \$441.5 million, an increase of \$77.5 million or 21.3% over last year's total net capital assets of \$364.0 million.

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

The following table provides a comparative summary of the District's statements of capital assets as of June 30, 2012 and 2011:

Oklahoma County School District No. I-89
 Capital Assets, Net of Accumulated Depreciation (in thousands)
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 2,960	\$ 2,960	\$ -	\$ -	\$ 2,960	\$ 2,960
Construction in-progress	9,094	18,447	-	-	9,094	18,447
Buildings & Improvements	394,890	320,397	-	-	394,890	320,397
Computer and related equipment	25,342	13,571	65	163	25,407	13,734
Machinery and equipment	2,154	1,803	259	210	2,413	2,013
Vehicles	6,662	6,445	30	35	6,692	6,480
Total capital assets	<u>\$ 441,102</u>	<u>\$ 363,623</u>	<u>\$ 354</u>	<u>\$ 408</u>	<u>\$ 441,456</u>	<u>\$ 364,031</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

Major transactions/factors were:

- Increase for MAPS Sales Tax transfers of \$51 million for Buildings and Improvements and Technology.
- Increase for completion and capitalization of e-rate discounted technology infrastructure of \$15.1 million related to 2009 Priority II fund (e-rate year 12).
- Increase for Assets under Construction activity of \$24.3 million.
- Decrease for Depreciation expense of \$16.9 million.

Total liabilities: The District's total liabilities at June 30, 2012 were \$202.7 million, a decrease of \$28.7 million or 12.4% under last year's total liabilities of \$231.4 million.

Additional information concerning the District's long-term liabilities is contained in Note G to the financial statements.

The following table provides a comparative summary of the District's statements of liabilities as of June 30, 2012 and 2011:

Oklahoma County School District No. I-89
Statement of Liabilities (in thousands)
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current Liabilities	\$ 33,860	\$ 41,170	\$ 2,399	\$ 1,441	\$ 36,259	\$ 42,611
Current portion of Long-term Liabilities	35,524	32,338	118	129	35,642	32,467
Total Current Liabilities	<u>69,384</u>	<u>73,508</u>	<u>2,517</u>	<u>1,570</u>	<u>71,901</u>	<u>75,078</u>
Long-term portion of GO Bonds	122,460	148,640	-	-	122,460	148,640
Premium on Bonds	1,141	1,694	-	-	1,141	1,694
Accrued Compensated Absences	6,884	5,656	276	301	7,160	5,957
Total Noncurrent Liabilities	<u>130,485</u>	<u>155,990</u>	<u>276</u>	<u>301</u>	<u>130,761</u>	<u>156,291</u>
Total Liabilities	<u>\$ 199,869</u>	<u>\$ 229,498</u>	<u>\$ 2,793</u>	<u>\$ 1,871</u>	<u>\$ 202,662</u>	<u>\$ 231,369</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

Outstanding Debt: General Obligation Bond debt at June 30, 2012 was \$154.4 million, a decrease of \$23.5 million or 13.2% under last year's total bond debt of \$177.9 million. Changes in the outstanding debt balance reflects the net impact of any increases of debt for new bond sales and any reductions of debt for payments issued for existing bond principal.

The following table provides a comparative summary of the District's statements of outstanding debt as of June 30, 2012 and 2011:

Oklahoma County School District No. I-89
 Outstanding Debt (in thousands)
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 154,440	\$ 177,885	\$ -	\$ -	\$ 154,440	\$ 177,885
Premium on bonds	1,735	2,363	-	-	1,735	2,363
Total outstanding debt	<u>\$ 156,175</u>	<u>\$ 180,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,175</u>	<u>\$ 180,248</u>

Major transactions/factors were:

- Increase for debt associated with the YES for Kids Technology Bond Sales of \$5.8 million
- Decrease for general obligation bond principal payments totaling \$29.2 million

Net Assets: The District's total net assets at June 30, 2012 were \$532.2 million, an increase of \$78.7 or 17.4% over last year's total net assets of \$453.5 million. The District is able to report positive balances in all categories of net assets, both for the District as a whole, as well as for its separate governmental and business-type activities.

The largest portion of the District's net assets, \$377.1 million (70.9% of total net assets), reflect its investment in capital assets, less any related debt. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Financial Analysis of the District's Activities

The following summary of the District's Statement of Activities is reported on the accrual basis. Detailed financial information is available on page 17. The following table provides a comparative summary of the District's statements of activities for the years ended June 30, 2012, and 2011:

Oklahoma County School District No. I-89
Statements of Activities (in thousands)
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	1,620	2,027	1,709	1,658	3,329	3,685
Operating grants and contributions	68,899	79,456	22,216	20,622	91,115	100,078
General revenues:						
Property and other taxes	144,580	144,687	-	-	144,580	144,687
State aid	152,313	141,426	422	422	152,735	141,848
Support from other governments	56,097	86,433	42	-	56,139	86,433
Interest and dividends	361	672	2	5	363	677
Insurance recovery	3,886	2,533	-	-	3,886	2,533
Other	2,808	1,940	-	115	2,808	2,055
Total revenues	<u>\$ 430,564</u>	<u>\$ 459,174</u>	<u>\$ 24,391</u>	<u>\$ 22,822</u>	<u>\$ 454,955</u>	<u>\$ 481,996</u>
Expenses:						
Instruction	180,780	178,158	-	-	180,780	178,158
Support services	129,607	120,302	-	-	129,607	120,302
Operation of Noninstructional Services	1,069	1,305	24,904	22,605	25,973	23,910
Capital and Other Outlays	34,708	33,432	-	-	34,708	33,432
Interest	5,239	5,847	-	-	5,239	5,847
Total expenses	<u>\$ 351,403</u>	<u>\$ 339,044</u>	<u>\$ 24,904</u>	<u>\$ 22,605</u>	<u>\$ 376,307</u>	<u>\$ 361,649</u>
Increase (decrease) in net assets	79,161	120,130	(513)	217	78,648	120,347
Net assets, beginning	<u>450,633</u>	<u>330,503</u>	<u>2,875</u>	<u>2,658</u>	<u>453,508</u>	<u>333,161</u>
Net assets, ending	<u>\$ 529,794</u>	<u>\$ 450,633</u>	<u>\$ 2,362</u>	<u>\$ 2,875</u>	<u>\$ 532,156</u>	<u>\$ 453,508</u>

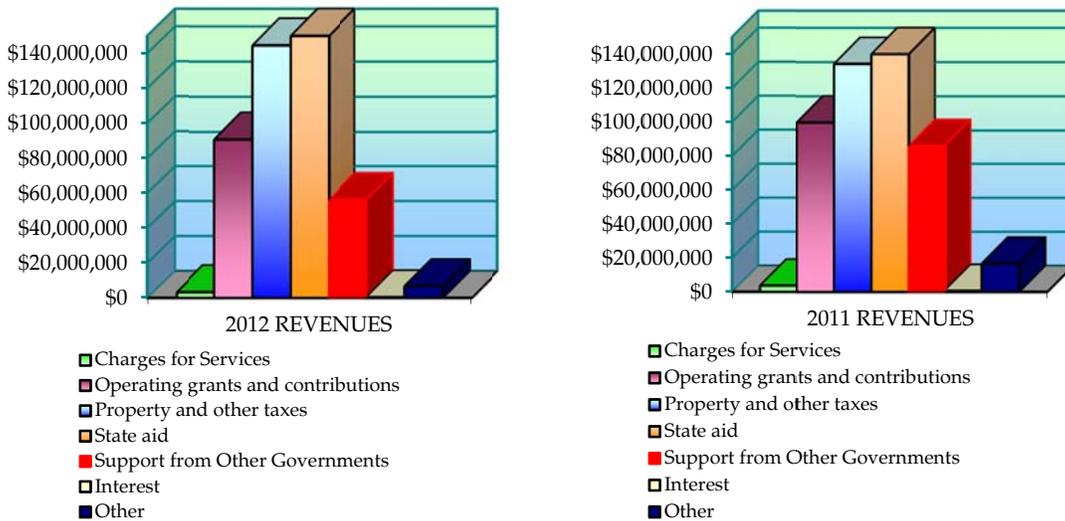
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

Revenues: The District's total accrual basis revenues at June 30, 2012 were \$455.0 million, a decrease of \$27.0 million or 5.6% over last year's total revenues of \$482.0 million. Major transactions/ factors were:

- Grant and Contributions revenues were \$91.1 million, a decrease of \$9 million or 9% over last year's grant and contribution revenues of \$100.1 million. Key components included changes in federal revenue for a decrease of \$7.2 million related to the one-time Education Jobs fund program revenue accrued in prior year, a decrease in ARRA stabilization program revenue of \$18 million over prior year which concluded early fy2012 and an increase in CNS Lunch/Breakfast revenue of \$1.6 million. In-kind contributions related to the capitalization of e-rate technology assets increased by \$14.6 million.
- State Aid sources were \$152.7 million, an increase of \$10.9 million or 7.7% over prior year collections of \$141.8 million. Primary factors included: District WADM (Weighted Average Daily Membership) increased and Foundation and Salary Incentive Aid factors reflected increases in state appropriated funding totaling \$5.6 million. Flexible Benefit Allowance funding increased by \$2.7 million, Motor Vehicle collections and State School Land Earnings increased by \$1.2 million.
- Support from other local governments, which is primarily the completed assets transferred from the Oklahoma City MAPS Sales Tax Projects, totaled \$52.6 million, a decrease of \$33.8 million or 39.1% over last year's transfers of \$86.4 million. Additional information concerning the MAPS Sales Tax Projects is contained in Note L to the financial statements.

As graphically portrayed below, the District is heavily reliant on state aid to support operations. State aid provided 33.6% and 29.1% of the District's total government revenues in fiscal years 2012 and 2011, respectively.



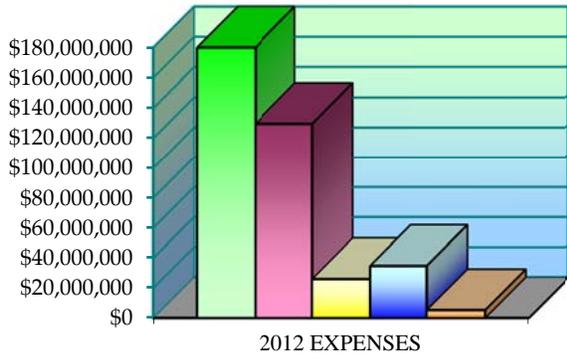
MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

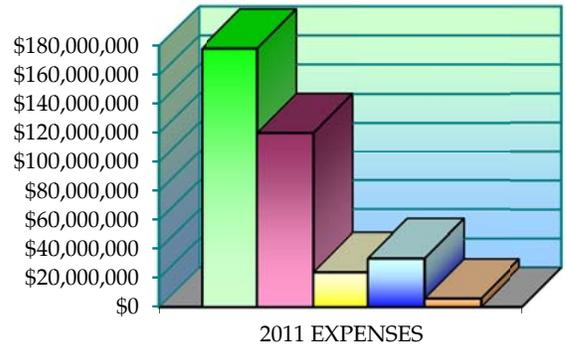
Expenses: District's total accrual basis expenses at June 30, 2012 were \$376.3 million, an increase of \$14.7 million or 4.1% over last year's total expenses of \$361.6 million.

Many revenue sources, as reported on an accrual basis, are generated as a result of increased spending by the District. 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:

- Support costs were \$129.6 million, an increase of \$9.3 million or 7.3% over last year's expenses of \$120.3 million. This increase is primarily related to annual compensation increases (and related benefit costs) provided to District staff. There were no raises for District staff in FY2011 as well as staff furloughs and reductions in force were implemented.



- Instruction
- Support services
- Operation of noninstructional services
- Capital and other outlays
- Interest



- Instruction
- Support services
- Operation of noninstructional services
- Capital and other outlays
- Interest

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

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 18 and 19 for detailed reporting.

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.

TOTAL REVENUES BY SOURCE (in thousands)		
	2012	2011
Local sources	\$ 172,724	\$ 199,469
Intermediate sources	10,679	10,348
State sources	182,032	173,751
Federal sources	46,905	71,580
Non-revenue receipts	585	2,134
Total sources of revenue	\$ 412,925	\$ 457,282

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

- *Local* (including Ad Valorem, tuition and fees, investment earnings, rentals, reimbursements, child nutrition programs and activity funds)
- *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)
- *Non-Revenue* (Return of Assets for investments)

TOTAL EXPENDITURES BY FUNCTION		
	2012	2011
Instruction	\$ 177,390	\$ 174,580
Support services	128,249	119,390
Non-instruction services	1,064	1,300
Facilities acquisition and construction	72,848	99,770
Other outlays	26,383	27,925
Debt service	35,643	32,808
Total cost of service	\$ 441,577	\$ 455,773

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

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

Proprietary funds: The focus of the District's proprietary fund for Child Nutrition Services as detailed on pages 21 through 23 is to provide the same type of information found in the district-wide financial statements as of June 30, 2012.

Students eligible for free or reduced price meals was 91.2%, an increase over prior year's eligibility percentage of 89.8%.

Breakfast and lunch participation remained basically flat versus prior year increasing slightly to 18,354 and 33,148 respectively from prior year participation of 17,959 and 32,997.

Unrestricted net assets were \$2.0 million, a decrease of \$0.5 million or 20.0% from prior unrestricted net assets of \$2.5 million.

Total net assets were \$2.4 million, a decrease of \$0.5 million or 17.2% from last year's total net assets of \$2.9 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, 2012 were \$1.7 million, a decrease of \$0.1 million or 5.6% over last year's total assets of \$1.8 million.

Budgetary Funds: Under the required supplemental information section (pages 52 - 55); 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.

General Fund Budget Discussion

Revenue: State Sources of revenue were budgeted conservatively in anticipation of continued reduced funding due to the national economic downturn. However, District WADM (Weighted Average Daily Membership) increased and Foundation and Salary Incentive Aid factors reflected increases in state appropriated funding totaling \$5.6 million. Motor Vehicle collections and State School Land Earnings increased over prior year by \$1.2 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS--Continued
OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

OVERVIEW OF THE FINANCIAL STATEMENTS--Continued

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 carry forward into the next fiscal year for use. ARRA funding finalized the first quarter of FY2012 and the maximum capacity for spending in FY2012 totaling \$19 million was calculated based on estimated FY2011 spending 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.

Economic Forecast

Encouraging financial trends are continuing within both the City of Oklahoma City and the State of Oklahoma.

The City of Oklahoma City has reported revenue growth in both FY2011 and FY2012. Slightly slower growth is projected for FY2013 with sales tax, the largest revenue source projected to grow by 3%. The continued growth is reflected in our growing employment base and personal income levels and relatively low unemployment rates.

On February 5, 2013, Oklahoma State Treasurer Ken Miller reported that "January Gross Receipts Make History" by exceeding \$1 billion. Growth was attributed to be "a reflection of the strength of Oklahoma's recovery". Oklahoma's December 2012 unemployment rate was 5.1 percent as compared to a national rate of 7.9 percent and as compared to one year ago of 6.3 percent. Oklahoma has one of the best performing economies in the region.

The District has implemented and continued many areas of conservative fiscal management since FY2009 and although the improving economic news is welcomed, these steps will continue as an appropriately optimistic but conservative approach to ensure the educational needs of the students are met.

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

STATEMENT OF NET ASSETS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 232,014	\$ 4,310	\$ 236,324
Receivables:			
Delinquent/Protested property taxes, net of allowance	8,872	-	8,872
Due from other governments	15,825	407	16,232
Other, net of allowance	2,667	-	2,667
Inventories	358	84	442
Prepays	28,496	-	28,496
TOTAL CURRENT ASSETS	<u>288,232</u>	<u>4,801</u>	<u>293,033</u>
Noncurrent assets:			
Bond issuance costs, net of accumulated amortization	329	-	329
Capital assets:			
Land and construction in progress	12,054	-	12,054
Other capital assets, net of accumulated depreciation	429,048	354	429,402
TOTAL CAPITAL ASSETS	<u>441,102</u>	<u>354</u>	<u>441,456</u>
TOTAL NONCURRENT ASSETS	<u>441,431</u>	<u>354</u>	<u>441,785</u>
TOTAL ASSETS	<u>\$ 729,663</u>	<u>\$ 5,155</u>	<u>\$ 734,818</u>
LIABILITIES			
Current liabilities:			
Warrants payable	\$ 6,848	\$ 1,097	\$ 7,945
Accounts payable and accrued liabilities	24,121	1,302	25,423
Accrued interest payable	2,891	-	2,891
Current portion of long-term obligations	35,524	118	35,642
TOTAL CURRENT LIABILITIES	<u>69,384</u>	<u>2,517</u>	<u>71,901</u>
Noncurrent liabilities:			
General obligations bonds	122,460	-	122,460
Premium on bonds	1,141	-	1,141
Accrued compensated absences	6,884	276	7,160
TOTAL NONCURRENT LIABILITIES	<u>130,485</u>	<u>276</u>	<u>130,761</u>
TOTAL LIABILITIES	<u>\$ 199,869</u>	<u>\$ 2,793</u>	<u>\$ 202,662</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 376,774	\$ 354	\$ 377,128
Restricted for:			
Debt service	42,144	-	42,144
Building	3,778	-	3,778
Gifts	28	-	28
Unrestricted	107,070	2,008	109,078
TOTAL NET ASSETS	<u>\$ 529,794</u>	<u>\$ 2,362</u>	<u>\$ 532,156</u>

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities						
Instruction	\$ 180,780	\$ 924	\$ 37,490	\$ -	\$ (142,366)	\$ (142,366)
Support services	129,607	696	27,679	-	(101,232)	(101,232)
Noninstruction services	1,069	-	650	-	(419)	(419)
Capital outlays	8,297	-	586	-	(7,711)	(7,711)
Other outlays	26,411	-	2,494	-	(23,917)	(23,917)
Interest on long-term debt	5,239	-	-	-	(5,239)	(5,239)
TOTAL GOVERNMENTAL ACTIVITIES	<u>351,403</u>	<u>1,620</u>	<u>68,899</u>	<u>-</u>	<u>(280,884)</u>	<u>(280,884)</u>
Business-type activities:						
Food services	24,904	1,709	22,216	-	(979)	(979)
TOTAL BUSINESS-TYPE ACTIVITIES	<u>24,904</u>	<u>1,709</u>	<u>22,216</u>	<u>-</u>	<u>(979)</u>	<u>(979)</u>
TOTAL DISTRICT-WIDE	<u>\$ 376,307</u>	<u>\$ 3,329</u>	<u>\$ 91,115</u>	<u>\$ -</u>	<u>(280,884)</u>	<u>(281,863)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				76,758	-	76,758
Property taxes, levied for debt service				38,844	-	38,844
Other				28,978	-	28,978
State aid not restricted to specific purposes				137,906	-	137,906
State aid: on-behalf payments				14,407	422	14,829
Support from other local governments				56,097	-	56,097
Interest, dividends and investment earnings				361	2	363
Insurance recoveries				3,886	-	3,886
Other general revenues				2,808	42	2,850
TOTAL GENERAL REVENUES				<u>360,045</u>	<u>466</u>	<u>360,511</u>
CHANGE IN NET ASSETS				79,161	(513)	78,648
NET ASSETS, BEGINNING OF YEAR				<u>450,633</u>	<u>2,875</u>	<u>453,508</u>
NET ASSETS, END OF YEAR				<u>\$ 529,794</u>	<u>\$ 2,362</u>	<u>\$ 532,156</u>

See accompanying notes to financial statements.



BALANCE SHEET-GOVERNMENTAL FUNDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. 1-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012
(in thousands)

	General Fund	MAPS Sales Tax Fund	Yes for Kids Construction Bond Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 105,274	\$ -	86,273	\$ 13,648	\$ 26,819	\$ 232,014
Receivables:						
Delinquent/Protested property taxes, net of allowance	5,539	-	-	2,595	738	8,872
Due from other governments	15,648	-	-	136	41	15,825
Accrued investment income	-	-	-	-	-	-
Other, net of allowance	13	-	-	-	2,654	2,667
Inventories	213	-	-	-	145	358
Prepays	-	-	-	28,496	-	28,496
TOTAL ASSETS	<u>\$ 126,687</u>	<u>\$ -</u>	<u>\$ 86,273</u>	<u>\$ 44,875</u>	<u>\$ 30,397</u>	<u>\$ 288,232</u>
LIABILITIES AND FUND BALANCES						
Warrants payable	\$ 6,119	\$ -	\$ 90	\$ -	\$ 639	\$ 6,848
Deferred revenues	5,558	-	-	2,731	3,392	11,681
Accounts payable and accrued liabilities	20,523	-	1,667	-	1,931	24,121
TOTAL LIABILITIES	<u>32,200</u>	<u>-</u>	<u>1,757</u>	<u>2,731</u>	<u>5,962</u>	<u>42,650</u>
Fund balances:						
Nonspendable	213	-	-	28,496	170	28,879
Restricted	-	-	84,516	13,648	15,505	113,669
Committed	-	-	-	-	7,000	7,000
Assigned	9,032	-	-	-	1,760	10,792
Unassigned	85,242	-	-	-	-	85,242
TOTAL FUND BALANCES	<u>94,487</u>	<u>-</u>	<u>84,516</u>	<u>42,144</u>	<u>24,435</u>	<u>245,582</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 126,687</u>	<u>\$ -</u>	<u>\$ 86,273</u>	<u>\$ 44,875</u>	<u>\$ 30,397</u>	<u>\$ 288,232</u>

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

FUND BALANCES OF GOVERNMENTAL FUNDS		\$ 245,582
Amounts reported for governmental activities in the statements of net assets 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		598,765
Accumulated depreciation		(157,663)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds		
Bond issuance costs		329
Property taxes receivable, net of allowance		8,872
Other receivables		2,809
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		(154,440)
Premium on bonds		(1,735)
Compensated absences		(9,834)
Accrued interest		(2,891)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 529,794</u>

See accompanying notes to financial statements.



STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. 1-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	General Fund	MAPS Sales Tax Fund	Yes for Kids Construction Bond Funds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local sources	\$ 70,820	\$ 52,461	147	\$ 39,129	\$ 10,109	\$ 172,666
Intermediate sources	10,679	-	-	-	-	10,679
State sources	181,316	-	-	-	716	182,032
Federal sources	46,905	-	-	-	-	46,905
Non-revenue receipts	570	-	-	-	15	585
TOTAL REVENUES	310,290	52,461	147	39,129	10,840	412,867
EXPENDITURES						
Current:						
Instruction	173,430	1,662	2,300	-	-	177,392
Support services	110,250	-	5,393	-	12,604	128,247
Noninstruction services	1,064	-	-	-	-	1,064
Facilities acquisition and constructions	108	50,799	3,906	-	18,035	72,848
Other outlays	26,354	-	-	-	29	26,383
Debt service:						
Judgments	-	-	-	26	-	26
Bond principal payments	-	-	-	29,245	-	29,245
Interest and fiscal charges	-	-	-	6,372	-	6,372
TOTAL EXPENDITURES	311,206	52,461	11,599	35,643	30,668	441,577
Excess (deficiency) of revenues over (under) expenditures	(916)	-	(11,452)	3,486	(19,828)	(28,710)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	2,000	2,000
Transfers out	(2,000)	-	-	-	-	(2,000)
Bond issuances	-	-	5,800	-	-	5,800
Premium on bond issuances	-	-	-	41	-	41
Insurance recoveries	58	-	-	-	1,174	1,232
TOTAL OTHER FINANCING SOURCES (USES)	(1,942)	-	5,800	41	3,174	7,073
NET CHANGE IN FUND BALANCES	(2,858)	-	(5,652)	3,527	(16,654)	(21,637)
FUND BALANCES, beginning	97,345	-	90,168	38,617	41,089	267,219
FUND BALANCES, ending	\$ 94,487	\$ -	\$ 84,516	\$ 42,144	\$ 24,435	\$ 245,582

See accompanying notes to financial statements



RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

OKLAHOMA CITY INDEPENDENT SCHOOL DISTRICT NO. I-89
OKLAHOMA COUNTY, OKLAHOMA

Year end June 30, 2012
(in thousands)

Net changes in fund balances - total governmental funds \$ (21,637)

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 assets 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	94,526
Depreciation expense	(16,947)
Retirements	(100)
	<u>77,479</u>

Repayments of principal on bonds are expenditures in the governmental
funds, but reduce long-term liabilities in the statement of net assets and do
not affect the statement of activities. Also, governmental funds report the
effect of issuance costs, 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 revenue in
the governmental funds, but have no impact on the statements of activities.

Principal payments and amortization of bond premium	29,914
Proceeds from the sale of bonds and premium on issuance of bonds	(5,841)
Bond issuance costs	(17)
	<u>24,056</u>

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 revenues. They are, however, recorded as revenues
in the statement of activities.

552

Some expenses (compensated absences and accrued interest payable)
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.

(1,289)

Change in net assets of governmental activities	\$ <u>79,161</u>
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See accompanying notes to financial statements.

STATEMENT OF NET ASSETS - PROPRIETARY FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	Enterprise Fund
	<u>Child Nutrition Program</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,310
Receivables	407
Inventories	<u>84</u>
TOTAL CURRENT ASSETS	<u>4,801</u>
Noncurrent assets:	
Capital assets:	
Capital assets being depreciated	1,979
Less accumulated depreciation	<u>(1,625)</u>
TOTAL NONCURRENT ASSETS	<u>354</u>
TOTAL ASSETS	<u>5,155</u>
LIABILITIES	
Current liabilities:	
Warrants payable	1,097
Accounts payable and accrued liabilities	1,302
Current portion of long-term obligations	<u>118</u>
TOTAL CURRENT LIABILITIES	<u>2,517</u>
Noncurrent liabilities:	
Accrued compensated absences	<u>276</u>
TOTAL NONCURRENT LIABILITIES	<u>276</u>
TOTAL LIABILITIES	<u>2,793</u>
NET ASSETS	
Invested in capital assets, net of related debt	354
Unrestricted	<u>2,008</u>
TOTAL NET ASSETS	<u>\$ 2,362</u>

See accompanying notes to financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
 OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
 (in thousands)

	Enterprise Fund
	<u>Child Nutrition Program</u>
OPERATING REVENUES	
Meals	\$ 1,709
TOTAL OPERATING REVENUES	<u>1,709</u>
OPERATING EXPENSES	
Salaries and wages	6,741
Employee benefits	5,088
Professional and technical services	603
Property services	150
Purchased services	86
Food supplies	11,961
Depreciation	248
Other outlays	27
TOTAL OPERATING EXPENSES	<u>24,904</u>
OPERATING LOSS	(23,195)
NONOPERATING REVENUES (EXPENSES)	
Federal and state grants	22,216
State aid: on-behalf payments	422
Other income	44
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>22,682</u>
CHANGE IN NET ASSETS	(513)
NET ASSETS, beginning	<u>2,875</u>
NET ASSETS, ending	<u>\$ 2,362</u>

See accompanying notes to financial statements

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	Enterprise Fund
	<u>Child Nutrition Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from user charges	\$ 1,709
Cash payments to suppliers for goods and services	(10,991)
Cash payments to employees for services	(11,341)
Cash payment for other operating expenses	<u>(27)</u>
NET CASH USED IN OPERATING ACTIVITIES	(20,650)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	20,969
Other income	<u>44</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	21,013
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(196)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(196)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>2</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	169
CASH AND CASH EQUIVALENTS, beginning	<u>4,141</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 4,310</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (23,195)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	248
On-behalf payments	422
Commodities	980
Changes in assets and liabilities:	
Inventories	(27)
Warrants payable	521
Accounts payable and accrued liabilities	<u>401</u>
TOTAL ADJUSTMENTS	<u>2,545</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (20,650)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES	
On-behalf payments	\$ 422
Commodities received from Department of Human Services	\$ 980

See accompanying notes to financial statements.

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	<u>Agency Fund</u> <u>School Activity</u> <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,657
Capital assets, net	<u>58</u>
TOTAL ASSETS	<u>\$ 1,715</u>
LIABILITIES	
Due to student groups	\$ 1,657
Capital assets held for the benefit of student groups	<u>58</u>
TOTAL LIABILITIES	<u>\$ 1,715</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89 OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE A--ORGANIZATION

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*.

NOTE B--SUMMARY OF 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"). Business-type activities and enterprise funds apply Financial Accounting Standards Board ("FASB") and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict statements and GASB pronouncements, in which case GASB prevails.

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, an Amendment of GASB Statement No. 14*.

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Affiliated Organizations: A foundation associated with the District is the Foundation for Oklahoma City Public Schools (the "Foundation") established in 1984. Ex-Officio Trustees 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 Assets 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.

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 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).

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Governmental Funds--Continued:

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* was established to account for fixed 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 Construction Bond Fund: *The YES for Kids Construction Bond 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 taxes proceeds levied specifically for debt service retirement and the general obligation bond debt obligations. The proceeds and related investment interest earnings are used to make required payments for general obligation bond principal and interest.

Non-Major Governmental Funds include the following:

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.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Non-Major Governmental Funds--Continued:

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.

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. Expenditures are allowable for the general welfare of the District within general guidelines for any gifts not supported by a trust document.

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 expense from non-operating revenues and expenses from non-operating items. Operating revenues and expense generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative expense 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:

Child Nutrition Program: *The Child Nutrition Fund* is established to account for revenues collected, including federal and state, for meals served and for associated costs of the program.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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 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 Assets 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. 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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, 2012, all of the District's investments were in sweep accounts which meet the definition of cash equivalents. Investments are recorded at fair value.

Receivables: 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", i.e., the current portion of interfund loans. In addition, all other outstanding balances between funds are reported 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."

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. Uncollectible personal and real property taxes are deemed to be immaterial because the real property can generally be sold for the amount of taxes due.

Internal Balances: Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the district-wide governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Interfund Transactions: Interfund transactions are either loans or transfers. Loans are reported as receivables and payables, as appropriate, and are subject to elimination upon consolidation, while interfund transactions are presented as transfers. Transfers within governmental activities or within business-type activities are eliminated upon consolidation.

For the year ended June 30, 2012, approximately \$2 million was transferred from the General Fund to the Casualty Flood Insurance Recovery Fund to enable the District to maintain sufficient funds available to effect 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 insurance procured by the District or which falls within the self-insured retention of said policy and to procure and maintain necessary safety and fire prevention upgrades. These amounts were eliminated upon consolidation in the district-wide statement of activities.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Inventories: Inventories in the governmental funds 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.

Inventories as of June 30, 2012 consisted of the following (in thousands):

Governmental Activities:	
Stock/Fuel Inventory	\$ 240
Maintenance Supply Inventory	118
Total Governmental Activity Inventory	358
Business-type Activities:	
Food Inventory	84
Total Business-type Activity Inventory	84
TOTAL INVENTORY	\$ 442

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. 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, 2012.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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

Type of Asset	Years
Land	N/A
Buildings	50
Land improvements	15
Machinery and equipment	10
Vehicles	10
Capital lease	10
Computers and related equipment	5

Long-Term Liabilities: In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized as expenditures and revenues, as applicable. The face amount of debt issued is reported as other financing sources. Repayments of long-term debt are reported as expenditures. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 business-type funds. Vested compensated absence balances are reported as a long-term liability with an estimated short-term portion recorded as due within one year.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets and Fund Balance:

The district-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets, net of Related Debt: This component of net assets 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.

Restricted Assets: This component of net assets reports the restricted net assets attributable to the sale of General Obligation Bonds, Debt Service levy collections, Building fund levy collections and certain restricted Gift funds.

Unrestricted Assets: All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted" are classified as unrestricted.

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

Governmental fund equity is classified as fund balance. Effective July 1, 2010, the District implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). Fund balance consists of five categories, defined in Governmental Accounting Standards No. 54, 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 the long-term amount of 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.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets and Fund Balance--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. Also, such constraints can only be removed or changed by the same form of formal action.

For purposes of committed fund balance, the District's Board of Education is considered to be its highest level of decision making. Funds set aside by the Board of Education as committed fund balance requires the approval 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 the District's fiscal year-end, although it is permitted for the specific amount of the commitment to be determined after the fiscal year-end if additional information is required in order to determine the exact amount to be committed. The Board of Education has the authority to remove or change the commitment of funds with a majority vote.

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 to assign funds for specific purposes. Any funds that the Chief Financial Officer assigns for specific purposes must be reported to the Board of Education at its next regular meeting. The assignment of funds shall be recorded in the Board of Education's official meeting minutes.

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 would be reported. Unassigned fund balance essentially consists of excess funds that have not been classified in the other four fund balance categories mentioned above.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets and Fund Balance--Continued:

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 require 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.

The following table shows the fund balance classifications as shown on the governmental funds balance sheet in accordance with GASB 54 as of June 30, 2012 (in thousands):

	Major Funds				Non Major	Total Governmental Funds
	General Fund	MAPS Sales Tax Fund	Yes for Kids Construction Bond Funds	Debt Service Fund	Other Governmental Funds	
Fund Balances:						
Nonspendable	\$ 213	\$ -	\$ -	\$ 28,496	\$ 170	\$ 28,879
Restricted For:						
Capital projects	-	-	84,516	-	11,869	96,385
Debt service	-	-	-	13,648	-	13,648
Building	-	-	-	-	3,633	3,633
Gifts	-	-	-	-	3	3
	-	-	84,516	13,648	15,505	113,669
Committed For:						
Capital projects	-	-	-	-	7,000	7,000
Assigned For:						
Compensated absences	9,032	-	-	-	-	9,032
Gifts	-	-	-	-	-	-
Capital projects	-	-	-	-	1,760	1,760
	9,032	-	-	-	1,760	10,792
Unassigned:	85,242	-	-	-	-	85,242
Total Fund Balance	\$ 94,487	\$ -	\$ 84,516	\$ 42,144	\$ 24,435	\$ 245,582

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

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.

Property Tax Revenue: The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The county assessor, upon receipt of the certification of tax levies from the Oklahoma County Excise Board, extends the tax levies on the tax roll for submission to the County Treasurer prior to October 1 of each year. The County Treasurer must commence tax collection within 15 days of receipt of the tax rolls.

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. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying taxes and penalty owed. If, at the end of two years, the owner has not paid the taxes, the purchaser is issued a deed to the property.

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, liabilities, and fund equity, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE C--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, 2012, all of the District's deposits were either covered by federal deposit insurance or were collateralized.

As of June 30, 2012, the District had deposits with financial institutions as part of its governmental and business-type activities with a carrying amount of approximately \$162.4 million. The bank balance of these deposits at June 30, 2012 was approximately \$170.3 million. The primary difference between the bank balance and the carrying amount is the outstanding payroll and accounts payable checks. The outstanding checks are presented in the District's financial reports as Warrants Payables.

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. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk. The District's policy requires that all investments, other than U.S. government obligations, in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the investments. As of June 30, 2012, sweep account balances, totaling approximately \$66.0 million, were invested in government obligations tax-managed funds. Accordingly, no investments are subject to custodial credit risk.

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, 2012, all investments were in direct obligations of the U.S. government.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE C--DEPOSITS AND INVESTMENTS--Continued

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, 2012, all of the District's investments were scheduled to mature in less than three months.

NOTE D--RECEIVABLES

Receivables and allowances at June 30, 2012, for the District's governmental and proprietary funds are as follows (in thousands):

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Child Nutrition Program</u>	<u>Total</u>
Delinquent/Protested property taxes	\$ 6,379	\$ 2,957	\$ 851	\$ -	\$ 10,187
Due from other governments	15,648	136	41	-	15,825
Other	167	-	2,662	436	3,265
TOTAL	<u>\$ 22,194</u>	<u>\$ 3,093</u>	<u>\$ 3,554</u>	<u>\$ 436</u>	<u>\$ 29,277</u>

Allowances for uncollectible accounts are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Child Nutrition Program</u>	<u>Total</u>
Allowances for uncollectible accounts attributable to:					
Delinquent/Protested property taxes	\$ 840	\$ 362	\$ 113	\$ -	\$ 1,315
Other	154	-	8	29	191
TOTAL	<u>\$ 994</u>	<u>\$ 362</u>	<u>\$ 121</u>	<u>\$ 29</u>	<u>\$ 1,506</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE E--CAPITAL ASSETS

Capital asset activity for governmental and business-type activities for the year ended June 30, 2012, was as follows (in thousands):

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated					
Land	\$ 2,960	\$ -	\$ -	\$ -	\$ 2,960
Construction in-progress	18,447	24,340	(33,693)	-	9,094
Total capital assets not being depreciated	<u>21,407</u>	<u>24,340</u>	<u>(33,693)</u>	<u>-</u>	<u>12,054</u>
Capital assets being depreciated:					
Buildings and Improvements	424,239	51,766	31,273	(405)	506,873
Computer and related equipment	39,779	16,125	2,420	-	58,324
Machinery and equipment	2,866	675	-	(4)	3,537
Vehicles	16,382	1,620	-	(25)	17,977
Total assets being depreciated	<u>483,266</u>	<u>70,186</u>	<u>33,693</u>	<u>(434)</u>	<u>586,711</u>
Accumulated depreciation for:					
Buildings and improvements	(103,842)	(8,446)	-	305	(111,983)
Computer and related equipment	(26,208)	(6,774)	-	-	(32,982)
Machinery and equipment	(1,063)	(324)	-	4	(1,383)
Vehicles	(9,937)	(1,403)	-	25	(11,315)
Total accumulated depreciation	<u>(141,050)</u>	<u>(16,947)</u>	<u>-</u>	<u>334</u>	<u>(157,663)</u>
Total capital assets being depreciated, net	<u>342,216</u>	<u>53,239</u>	<u>33,693</u>	<u>(100)</u>	<u>429,048</u>
Governmental activities capital assets, net	<u>\$ 363,623</u>	<u>\$ 77,579</u>	<u>\$ -</u>	<u>\$ (100)</u>	<u>\$ 441,102</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE E--CAPITAL ASSETS--Continued

<u>Business Type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:					
Computer and related equipment	\$ 533	\$ 7	\$ -	\$ -	\$ 540
Machinery and equipment	1,051	189	-	(8)	1,232
Vehicles	207	-	-	-	207
Total assets being depreciated	<u>1,791</u>	<u>196</u>	<u>-</u>	<u>(8)</u>	<u>1,979</u>
Accumulated depreciation for:					
Computer and related equipment	(370)	(105)	-	-	(475)
Machinery and equipment	(841)	(138)	-	6	(973)
Vehicles	(172)	(5)	-	-	(177)
Total accumulated depreciation	<u>(1,383)</u>	<u>(248)</u>	<u>-</u>	<u>6</u>	<u>(1,625)</u>
Business type activities capital assets, net	<u>\$ 408</u>	<u>\$ (52)</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ 354</u>

Depreciation expense for the year ended June 30, 2012, was charged to functions/programs of the District as follows (in thousands):

Governmental activities:	
Instruction	\$ 5,234
Support services	3,267
Capital outlay	<u>8,446</u>
Total governmental activities	16,947
Business-type activities:	
Food services program	<u>248</u>
Total business-type activities	<u>248</u>
Total Depreciation	<u>\$ 17,195</u>

NOTE F--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.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE F--COMPENSATED ABSENCES--Continued

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, 2012, the District had an outstanding liability for unused sick, vacation and personal leave totaling \$7.8 million and a related liability for payroll taxes associated with the unused sick, vacation and personal leave totaling \$2.4 million.

NOTE G--LONG-TERM LIABILITIES

Oklahoma Statutes prohibit 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.

As of June 30, 2012, the District had the following long-term liabilities (in thousands):

General obligation bonds:

\$66.0 million general obligation bonds of 2002, dated February 1, 2002, due in annual installments of \$6.0 million beginning February 2005 through February 2015, plus interest at 5.00%.	\$ 18,000
\$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%.	16,800
\$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%.	12,925
\$28.0 million general obligation bonds of 2006, dated June 1, 2006, due in annual installments of \$4.0 million beginning July 1, 2008 through July 1, 2014 plus interest at 5.00%.	12,000
\$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.	9,765

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE G--LONG-TERM LIABILITIES--Continued

\$24.2 million general obligation bonds of 2008, dated June 1, 2008, due in annual installments of \$8.1 million beginning July 1, 2010 through July 1, 2012, plus interest ranging from 3.50% decreasing to 3.25% for the last two	8,070
\$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%.	50,145
\$2.6 million general obligation bonds of 2009, dated June 1, 2009, due in annual installments of \$0.9 million beginning July 1, 2011 through July 1, 2013, plus interest at 3.00%.	1,735
\$8.2 million general obligation bonds of 2010, dated June 1, 2010, due in annual installments of \$2.7 million beginning July 1, 2012 through July 1, 2014, plus interest ranging from 2.00% to 2.50%.	8,200
\$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%.	11,000
\$5.8 million general obligation bonds of 2012, dated June 1, 2012, due in one installment of \$5.8 million on July 1, 2014, plus interest of 1.00%.	<u>5,800</u>
Total general obligation bonds outstanding – at face value	<u>154,440</u>
Premium on bonds outstanding	<u>1,735</u>
Total general obligation bonds outstanding	<u>\$ 156,175</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE G--LONG-TERM LIABILITIES--Continued

During the year ended June 30, 2012, long-term liability transactions were as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds:					
2002 general	\$ 24,000	\$ -	\$ 6,000	\$ 18,000	\$ 6,000
2004 general	19,200	-	2,400	16,800	2,400
2005 general	14,540	-	1,615	12,925	1,615
2006 general	16,000	-	4,000	12,000	4,000
2007 general	12,210	-	2,445	9,765	2,445
2008 general	16,135	-	8,065	8,070	8,070
2009 general	54,000	-	3,855	50,145	3,855
2009 general	2,600	-	865	1,735	865
2010 general	8,200	-	-	8,200	2,730
2011 general	11,000	-	-	11,000	-
2012 general	-	5,800	-	5,800	-
Total general obligation bonds	177,885	5,800	29,245	154,440	31,980
Premium on bonds	2,363	41	669	1,735	594
Compensated absences	8,510	4,999	3,281	10,228	3,068
Total long-term liabilities	<u>\$ 188,758</u>	<u>\$ 10,840</u>	<u>\$ 33,195</u>	<u>\$ 166,403</u>	<u>\$ 35,642</u>

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
2013	\$ 31,980	\$ 5,364
2014	27,580	4,241
2015	32,520	3,161
2016	13,970	2,230
2017	7,870	1,838
2018-2022	28,925	4,825
2023-2025	11,595	697
Total long-term liabilities	<u>\$ 154,440</u>	<u>\$ 22,356</u>

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE G--LONG-TERM LIABILITIES--Continued

Interest expense on general obligation bonds during the year ended June 30, 2012 totaling \$6.4 million is recorded in the debt service fund.

The District uses the effective interest rate method for accruing interest expenses. 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 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, 2012 is \$0.7 million. The net amount of unamortized premium at June 30, 2012 was \$1.7 million.

On June 27, 2012, the District made the July 2012 principal and interest payments on the 2004 through 2011 General Obligation bonds. In order to keep the maturity schedule consistent with the bond agreements, the District recorded the payments as prepaid principal and interest. Prepaid principal and interest for the year ended June 30, 2012 is \$28.5 million.

NOTE H--EMPLOYEE PENSION PLANS

The District participates in the state-administered Teachers' Retirement System of Oklahoma (the "System"). Additionally, the District provides an employer-funded pension plan for eligible employees.

Teachers' Retirement System of Oklahoma

The District participates in the System, which is a cost-sharing, multiple-employer public employee retirement system ("PERS"). Under the System, contributions are made by the District, the state of Oklahoma, and the participating employees.

Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week. A participant's date of membership is the date the first contribution is made to the System. The System is administered by a board of trustees which acts as a fiduciary for investing the funds and governing the administration of the System. The District has no responsibility or authority for the operation and administration of the System nor has it any liability, except for the current contribution requirements.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE H--EMPLOYEE PENSION PLANS--Continued

Teachers' Retirement System of Oklahoma--Continued

The System 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 legislature of the state of Oklahoma.

The System members and the District are required to contribute at a rate set by statute. The contribution requirements of the System members and the District are established and may be amended by the legislature of the State of Oklahoma.

For the year ended June 30, 2012, the contribution rate for System members was 7% and was applied to employee's earnings plus employer-paid fringe benefits. The District paid 90% of the 7% required contribution as a benefit to classified employees and 100% of the 7% for all other employees. The amount paid by the District for employees totaled approximately \$10.3 million. Additionally, statutes require employers of Teachers' Retirement System members whose compensation is paid from grant funds to match the contributions of these members on all compensation or that portion of compensation paid from grant funds. The matching rate for FY 2012 is 7%. For the year ended June 30, 2012, the district submitted approximately \$1.5 million for grant funds.

The local employer contribution rate was 9.5% for the year ended June 30, 2012. The compensation, including designated benefits, for employees covered by the System for the year ended June 30, 2012 was approximately \$173.5 million. The District's total contributions to the System for the years ended June 30, 2012, 2011, and 2010 were approximately \$16.9 million, \$16.0 million and \$15.8 million, respectively, and were equal to or exceeded the required contributions for each year.

Each teacher, meeting minimum salary requirements, has a specific amount of the employee's contribution to the System paid by the state. 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.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE H--EMPLOYEE PENSION PLANS--Continued

Teachers' Retirement System of Oklahoma--Continued

For the fiscal year ended June 30, 2012, the State paid \$2.1 million on behalf of teachers employed at the District. In accordance with GASB Statement No. 24, *Accounting and Financial reporting for Certain Grants and Other Financial Assistance*, the District recognized the on-behalf-of payments as revenue and expenditure/expense the government-wide and fund financial statements. These payments do not represent a direct or indirect payment of the District.

The State of Oklahoma is also required to contribute to the System on behalf of the participating employers. For 2012, the State of Oklahoma contributed 5% 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 by multiplying the ratio of its covered salaries to total covered salaries for the System for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2012, the total amount contributed to the System by the State of Oklahoma on behalf of the District was approximately \$12.7 million. These on behalf payments have been recorded as both revenues and expenses/expenditures in the government-wide and fund financial statements.

Separately issued financial statements of the System can be obtained by contacting the Teachers' Retirement System of Oklahoma at P.O. Box 53524, Oklahoma City, Oklahoma 73152, by calling (405) 521-2387, or at the System' website at www.tr.s.state.ok.us. These stand-alone financial statements can be useful in assessing the System's accumulation of sufficient assets to pay pension benefits as they become due and in reviewing historical trend information.

Employer-Funded Pension Plan

Plan Description: The District provides a tax-deferred compensation defined contribution plan under section 403(b) 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 a contribution at the end of the fiscal year.

Funding Policy: Eligible administrators, professional/technical staff members, and building administrators earn a contribution of \$700 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).

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE I--COMMITMENT AND CONTINGENCIES

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.

The District is a defendant in 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. The District intends to vigorously defend itself on the various lawsuits.

NOTE J--CHARTER SCHOOLS

The District is the pass-through agency of state funds for twelve 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 Child Nutrition programs, 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% (of general fund sources) for the services it provides.

NOTE K--ENTERPRISE SCHOOLS

The District has two 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.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE L--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% to the District and the remaining 30% apportioned to 23 suburban school districts.

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

The OCMAPS Trust 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 The Facility Group. The Facility Group 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.

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
- \$305.7 million estimated cost for the construction and/or renovation of 56 school buildings.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE L--MAPS FOR KIDS--Continued

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 M--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 around the District.
- \$21 million to provide network system upgrades to better track and evaluate students and update and add library materials.
- \$7.3 million to replace old school buses more than 10 years old and update the support vehicle fleet.
- \$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 L for further Trust information).

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE N--NEW PRONOUNCEMENTS

The GASB has issued several new accounting pronouncements, which will be effective to the District in subsequent years. A description of the new accounting pronouncements, the fiscal year in which they are effective, and the District's consideration of the impact of these pronouncements are described below:

Fiscal Year Ended June 30, 2013

- *Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.*
GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The District will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.
- *Statement No. 61, The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34.*
GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The District does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation.
- *Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*
GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The District does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.
- *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*
GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the District to make changes in its financial statement presentation.

NOTES TO FINANCIAL STATEMENTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE N--NEW PRONOUNCEMENTS--Continued

Fiscal Year Ended June 30, 2014

- *Statement No. 65, Items Previously Reported as Assets and Liabilities.*

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The District has not quantified the effects of adoption of GASB No. 65 on its net position.

Fiscal Year Ended June 30, 2015

- *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. GASB No. 68 was issued in June 2012, and the District is in the process of determining what impact the implementation of GASB No. 68 will have on its net position.

REQUIRED SUPPLEMENTARY
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 68,277	\$ 68,277	\$ 70,525	\$ 2,248
Intermediate sources	9,550	9,550	10,655	1,105
State sources	160,202	160,202	168,371	8,169
Federal sources	84,158	84,158	62,758	(21,400)
Nonrevenue receipts	441	441	571	130
TOTAL REVENUES	322,628	322,628	312,880	(9,748)
EXPENDITURES				
Instruction	190,000	190,000	166,172	(23,828)
Support services	110,000	110,000	111,960	1,960
Operation of noninstruction services	2,000	2,000	1,122	(878)
Facilities acquisition and construction services	300	300	108	(192)
Other	25,728	25,728	27,967	2,239
TOTAL EXPENDITURES	328,028	328,028	307,329	(20,699)
Excess (deficiency) of revenues over (under) expenditures	(5,400)	(5,400)	5,551	10,951
OTHER FINANCING SOURCES (USES)				
Lapsed appropriations	5,400	5,400	8,958	3,558
Transfers out	-	-	(2,000)	(2,000)
Insurance recoveries	-	-	58	58
TOTAL OTHER FINANCING SOURCES (USES)	5,400	5,400	7,016	1,616
Net change in fund balances	-	-	12,567	12,567
FUND BALANCES, beginning	15,666	15,666	19,706	4,040
FUND BALANCES, ending	\$ 15,666	\$ 15,666	\$ 32,273	\$ 16,607

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE A--BUDGETS AND BUDGETARY ACCOUNTING

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, 2012, are as follows (in thousands):

Fund balance - budgetary basis	\$ 32,273
Current year revenue accrual net of portion deferred in fund statements	15,629
Current year employee expense reimbursement accrual	13
Revenue received but not expended	320
Inventory	213
Encumbrances outstanding	37,007
Compensated absences	9,032
Fund balance - fund financial statements	<u>\$ 94,487</u>
Revenues - budgetary basis	\$ 312,880
Current year revenue accrual	21,187
Prior year revenue accrual	(37,094)
Current year revenue deferred in fund statements	(5,558)
Prior year deferred revenue recognized in fund statements in current year	7,192
Current year revenue received but not expended	320
Prior year deferred revenue recognized in current year	(2,835)
Teachers' Retirement System on-behalf payments	14,198
Revenues - fund financial statements	<u>\$ 310,290</u>
Expenditures - budgetary basis	\$ 307,329
Encumbrances included in expenditures	(9,810)
Current year employee expense reimbursement accrual	(13)
Compensated absences	(1,161)
Inventory	30
Prepaid	633
Teachers' Retirement System on-behalf payments	14,198
Expenditures - fund financial statements	<u>\$ 311,206</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE A--BUDGETS AND BUDGETARY ACCOUNTING--Continued

Budget Law and Practice: The following is the budget development process for all funds appropriated on an annual basis (General Fund, Building Fund, Child Nutrition 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 with 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.

The Board of Education must approve revisions to the final budget and 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. At the end of the fiscal year, unencumbered appropriations (balances) lapse and become part of the fund balance.

The following is the budget development process for all funds operated on an overall budget basis (Bond Funds, Sinking Fund 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, allocated by object. The District's budget is administered by a designee authorized by the Superintendent to monitor and control the budget as per Board of Education policy.

Budget expenditures are monitored through the financial management system which will not allow expenditures to increase above the appropriated budget or projected levels within the budget unless authorized within total available appropriations. Purchase orders, employee Collective Bargaining Agreements and salary schedules are submitted to the Board of Education as an encumbrance against legal appropriations.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE A--BUDGETS AND BUDGETARY ACCOUNTING--Continued

Encumbrances: Encumbrances represent commitments related to unperformed contracts for goods and 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 deferrals and for any collections received July 1 through March 31. Any federal cash collections received April 1 through June 30th are deferred into the subsequent year.

OTHER SUPPLEMENTARY
INFORMATION

COMBINING BALANCE SHEET-NONMAJOR GOVERNMENTAL FUNDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012
(in thousands)

	Special Revenue Funds		Capital Project Funds		Total
	Building Fund	Gifts and Endowments Fund	MAPS Construction Bond Funds	Casualty Flood Insurance Recovery Fund	
ASSETS					
Cash and cash equivalents	\$ 4,365	\$ 28	\$ 12,360	\$ 10,066	\$ 26,819
Receivables:					
Delinquent/Protested property taxes, net of allowance	738	-	-	-	738
Due from other governments	41	-	-	-	41
Other	-	-	-	2,654	2,654
Inventories	145	-	-	-	145
TOTAL ASSETS	<u>\$ 5,289</u>	<u>\$ 28</u>	<u>\$ 12,360</u>	<u>\$ 12,720</u>	<u>\$ 30,397</u>
LIABILITIES AND FUND BALANCES					
Warrants payable	471	-	3	165	639
Deferred revenues	738	-	-	2,654	3,392
Accounts payable and accrued liabilities	302	-	488	1,141	1,931
TOTAL LIABILITIES	<u>1,511</u>	<u>-</u>	<u>491</u>	<u>3,960</u>	<u>5,962</u>
Fund balances:					
Nonspendable	145	25	-	-	170
Restricted	3,633	3	11,869	-	15,505
Committed	-	-	-	7,000	7,000
Assigned	-	-	-	1,760	1,760
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>3,778</u>	<u>28</u>	<u>11,869</u>	<u>8,760</u>	<u>24,435</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,289</u>	<u>\$ 28</u>	<u>\$ 12,360</u>	<u>\$ 12,720</u>	<u>\$ 30,397</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES-NONMAJOR GOVERNMENTAL FUNDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(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	\$ 10,069	\$ -	\$ 23	\$ 17	\$ 10,109
State sources	716	-	-	-	716
Nonrevenue receipts	15	-	-	-	15
TOTAL REVENUES	<u>10,800</u>	<u>-</u>	<u>23</u>	<u>17</u>	<u>10,840</u>
EXPENDITURES					
Current:					
Instruction	-	-	-	-	-
Support services	10,267	-	1,961	376	12,604
Facilities acquisition and constructions	82	-	12,870	5,083	18,035
Other outlays	-	29	-	-	29
TOTAL EXPENDITURES	<u>10,349</u>	<u>29</u>	<u>14,831</u>	<u>5,459</u>	<u>30,668</u>
Excess (deficiency) of revenues over (under) expenditures	451	(29)	(14,808)	(5,442)	(19,828)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	2,000	2,000
Insurance recoveries	-	-	-	1,174	1,174
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,174</u>	<u>3,174</u>
NET CHANGE IN FUND BALANCES	451	(29)	(14,808)	(2,268)	(16,654)
FUND BALANCES, beginning	<u>3,327</u>	<u>57</u>	<u>26,677</u>	<u>11,028</u>	<u>41,089</u>
FUND BALANCES, ending	<u>\$ 3,778</u>	<u>\$ 28</u>	<u>\$ 11,869</u>	<u>\$ 8,760</u>	<u>\$ 24,435</u>

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2012
(in thousands)

	Balance June 30, 2011	Additions	Deductions	Balance June 30, 2012
Elementary Schools	\$ 737	\$ 1,533	\$ (1,610)	\$ 660
Middle Schools	198	423	(417)	204
Alternative Schools	8	16	(14)	10
High Schools	770	1,936	(1,979)	727
Special Sites	<u>46</u>	<u>90</u>	<u>(80)</u>	<u>56</u>
TOTAL FUNDS HELD FOR STUDENT ACTIVITIES	<u>\$ 1,759</u>	<u>\$ 3,998</u>	<u>\$ (4,100)</u>	<u>\$ 1,657</u>
 SUMMARY-ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,759	\$ 3,998	\$ (4,100)	\$ 1,657
Capital assets, net	<u>59</u>	<u>-</u>	<u>(1)</u>	<u>58</u>
TOTAL ASSETS	<u>\$ 1,818</u>	<u>\$ 3,998</u>	<u>\$ (4,101)</u>	<u>\$ 1,715</u>
 LIABILITIES				
Due to Student groups	\$ 1,759	\$ 3,998	\$ (4,100)	\$ 1,657
Capital assets held for the benefit of student groups	<u>59</u>	<u>-</u>	<u>(1)</u>	<u>58</u>
TOTAL LIABILITIES	<u>\$ 1,818</u>	<u>\$ 3,998</u>	<u>\$ (4,101)</u>	<u>\$ 1,715</u>

BUDGETARY COMPARISON SCHEDULE - YES FOR KIDS CONSTRUCTION BOND FUNDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 275	\$ 275	\$ 147	\$ (128)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	-	-
TOTAL REVENUES	<u>275</u>	<u>275</u>	<u>147</u>	<u>(128)</u>
EXPENDITURES				
Instruction	3,527	3,527	2,583	(944)
Support services	15,379	15,379	5,956	(9,423)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	111,690	111,690	14,055	(97,635)
Other	89	89	-	(89)
TOTAL EXPENDITURES	<u>130,685</u>	<u>130,685</u>	<u>22,594</u>	<u>(108,091)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(130,410)</u>	<u>(130,410)</u>	<u>(22,447)</u>	<u>107,963</u>
OTHER FINANCING SOURCES (USES)				
Bond issuances	<u>55,000</u>	<u>55,000</u>	<u>5,800</u>	<u>(49,200)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,000</u>	<u>55,000</u>	<u>5,800</u>	<u>(49,200)</u>
Net change in fund balances	<u>(75,410)</u>	<u>(75,410)</u>	<u>(16,647)</u>	<u>58,763</u>
FUND BALANCES, beginning	<u>75,410</u>	<u>75,410</u>	<u>85,542</u>	<u>10,132</u>
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,895</u>	<u>\$ 68,895</u>

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUNDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 31,744	\$ 31,744	\$ 39,129	\$ 7,385
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	-	-
TOTAL REVENUES	<u>31,744</u>	<u>31,744</u>	<u>39,129</u>	<u>7,385</u>
EXPENDITURES				
Instruction	-	-	-	-
Support services	-	-	-	-
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	-	-	-	-
Other	37,814	37,814	35,643	(2,171)
TOTAL EXPENDITURES	<u>37,814</u>	<u>37,814</u>	<u>35,643</u>	<u>(2,171)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,070)</u>	<u>(6,070)</u>	<u>3,486</u>	<u>9,556</u>
OTHER FINANCING SOURCES (USES)				
Bond Premium	-	-	41	41
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>41</u>	<u>41</u>
Net change in fund balances	(6,070)	(6,070)	3,527	9,597
FUND BALANCES, beginning	<u>37,291</u>	<u>37,291</u>	<u>38,617</u>	<u>1,326</u>
FUND BALANCES, ending	<u>\$ 31,221</u>	<u>\$ 31,221</u>	<u>\$ 42,144</u>	<u>\$ 10,923</u>

BUDGETARY COMPARISON SCHEDULE - BUILDING FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 10,207	\$ 10,207	\$ 10,028	\$ (179)
Intermediate sources	-	-	-	-
State sources	357	357	510	153
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	177	177
TOTAL REVENUES	<u>10,564</u>	<u>10,564</u>	<u>10,715</u>	<u>151</u>
EXPENDITURES				
Instruction	-	-	-	-
Support services	10,714	10,714	10,958	244
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	-	-	83	83
Other	-	-	-	-
TOTAL EXPENDITURES	<u>10,714</u>	<u>10,714</u>	<u>11,041</u>	<u>327</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(150)</u>	<u>(150)</u>	<u>(326)</u>	<u>(176)</u>
OTHER FINANCING SOURCES (USES)				
Lapsed appropriations	<u>150</u>	<u>150</u>	<u>-</u>	<u>(150)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>150</u>	<u>150</u>	<u>-</u>	<u>(150)</u>
Net change in fund balances	-	-	(326)	(326)
FUND BALANCES, beginning	<u>2,386</u>	<u>2,386</u>	<u>2,725</u>	<u>339</u>
FUND BALANCES, ending	<u>\$ 2,386</u>	<u>\$ 2,386</u>	<u>\$ 2,399</u>	<u>\$ 13</u>

BUDGETARY COMPARISON SCHEDULE - MAPS CONSTRUCTION BOND FUNDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
 OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
 (in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 100	\$ 100	\$ 23	\$ (77)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	-	-
TOTAL REVENUES	<u>100</u>	<u>100</u>	<u>23</u>	<u>(77)</u>
EXPENDITURES				
Instruction	200	200	-	(200)
Support services	3,000	3,000	-	(3,000)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	6,737	6,737	2,820	(3,917)
Other	-	-	-	-
TOTAL EXPENDITURES	<u>9,937</u>	<u>9,937</u>	<u>2,820</u>	<u>(7,117)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,837)</u>	<u>(9,837)</u>	<u>(2,797)</u>	<u>7,040</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(9,837)	(9,837)	(2,797)	7,040
FUND BALANCES, beginning	<u>9,837</u>	<u>9,837</u>	<u>8,703</u>	<u>(1,134)</u>
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,906</u>	<u>\$ 5,906</u>

BUDGETARY COMPARISON SCHEDULE - CASUALTY FLOOD INSURANCE RECOVERY FUND

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
 OKLAHOMA CITY PUBLIC SCHOOLS

Year end June 30, 2012
 (in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 3,515	\$ 3,515	\$ 17	\$ (3,498)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue receipts	-	-	-	-
TOTAL REVENUES	<u>3,515</u>	<u>3,515</u>	<u>17</u>	<u>(3,498)</u>
EXPENDITURES				
Instruction	-	-	-	-
Support services	11,440	11,440	376	(11,064)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	-	-	6,127	6,127
Other	-	-	-	-
TOTAL EXPENDITURES	<u>11,440</u>	<u>11,440</u>	<u>6,503</u>	<u>(4,937)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,925)</u>	<u>(7,925)</u>	<u>(6,486)</u>	<u>1,439</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,000	2,000
Insurance recoveries	-	-	1,174	1,174
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>3,174</u>	<u>3,174</u>
Net change in fund balances	(7,925)	(7,925)	(3,312)	4,613
FUND BALANCES, beginning	<u>12,425</u>	<u>12,425</u>	<u>8,643</u>	<u>(3,782)</u>
FUND BALANCES, ending	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ 5,331</u>	<u>\$ 831</u>

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Independent Auditors' 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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Oklahoma County School District No. I-89 (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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



Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be considered deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control, as described in the accompanying schedule of findings and questioned costs as Finding 2012-01 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*. However, our testing identified an immaterial instance of non compliance which has been communicated to the Board of Education and management in a separate letter dated February 18, 2013.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
February 18, 2013

REPORTS REQUIRED BY
OMB CIRCULAR A-133

Independent Auditors' Report on Compliance with
Requirements That Could Have a Direct and Material Effect on Each
Major Program and on Internal Control Over Compliance in Accordance
With OMB Circular A-133 and on the Schedule of Expenditures of Federal Awards

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

Compliance

We have audited the compliance of the Oklahoma County School District No. I-89 (the "District"), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

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

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 the entity's internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated February 18, 2013. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education and Audit Committee, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Cole & Reed P.C.

Oklahoma City, Oklahoma
February 18, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

YEAR ENDED JUNE 30, 2012

Federal Grantor/Program	CFDA Number	Pass through Grantor	Project	Charter	OKCPS	TOTAL
				Expenditures	Expenditures	Expenditures
U.S. Department of Education Direct Program						
Indian Education - Grants to Local Educational Agencies	84.06		561	\$ -	\$ 342,574	\$ 342,574
Subtotal				-	342,574	342,574
U.S. Department of Agriculture						
School Breakfast Program, Child Nutrition	▲ 10.553	Department of Education	764	280,351	4,834,173	5,114,524
Child Nutrition Program - Commodity	◻ 10.555	Department of Human Services	060	-	980,499	980,499
National School Lunch Program, Child Nutrition	▲ 10.555	Department of Education	763	891,029	11,992,625	12,883,654
Child and Adult Care Food Program	10.558	Department of Human Services	769	-	15,804	15,804
Fresh Fruit/Vegetable Program	10.582	Department of Education	768	61,648	1,082,115	1,143,763
Subtotal				1,233,028	18,905,216	20,138,244
U.S. Department of Defense						
JROTC - National Guard Civilian Youth Opportunities	12.404	Oklahoma Military Department	190	-	432,467	432,467
Subtotal				-	432,467	432,467
U.S. Department of the Interior						
Title VII, Johnson O'Malley	15.130	Department of Education	563	-	66,363	66,363
Subtotal				-	66,363	66,363
U.S. Department of Education						
College Access Challenge Grant Program	84.378	Oklahoma State Regents for Higher Education	196	-	1,136	1,136
GEAR-UP-Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	University of Oklahoma	772	-	268,373	268,373
				-	269,509	269,509
U.S. Department of Education						
Adult Education and Literacy	84.002	Department of Education	731	-	557,001	557,001
English Literacy/Civics	84.002	Department of Education	732	-	64,057	64,057
Adult Education Services to Corrections and Institutionalized Individuals	84.002	Department of Education	733	-	19,438	19,438
Title I, Part A, Basic	▲ 84.010	Department of Education	511	-	15,921,168	15,921,168
Title I, Part A, Excess Carryover	▲ 84.010	Department of Education	512	-	2,238,043	2,238,043
Title I, School Support	▲ 84.010	Department of Education	515	-	1,532,151	1,532,151
Title I, Federal Academic Achievement Awards	▲ 84.010	Department of Education	517	-	111,178	111,178
Title I, Part A, Neglected	▲ 84.010	Department of Education	518	-	275,465	275,465
Consolidated Administrative Fund	▲ 84.010	Department of Education	786	-	1,100,696	1,100,696
Title I, Part D, Local Delinquent Program	84.013	Department of Education	532	-	168,120	168,120
Discretionary PL 108-446, IDEA, Part B	▲ 84.027	Department of Education	621	-	7,710,283	7,710,283
Flow Through, PL 108-446, IDEA Part B Private Schools	▲ 84.027	Department of Education	625	-	44,832	44,832
Carl Perkins Secondary	84.048	Career & Technology Education	421	-	982,498	982,498
Carl Perkins High Schools That Work	84.048	Career & Technology Education	426	-	5,920	5,920
Tech Prep	84.243	Career & Technology Education	428	-	5,000	5,000
Job Training - OJT	84.126	Department of Rehabilitation Services	456	-	6,783	6,783
Preschool, Ages 3-5 PL 108-446, IDEA Part B	▲ 84.173	Department of Education	641	-	134,658	134,658
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	Department of Education	551	-	29,709	29,709

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

YEAR ENDED JUNE 30, 2012

Federal Grantor/Program	CFDA Number	Pass through Grantor	Project	Charter Expenditures	OKCPS Expenditures	TOTAL Expenditures
Title X, Part C, Education for Homeless Children and Youth	84.196	Department of Education	596	-	140,962	140,962
Title I, Part B, Evenstart	84.213	Department of Education	514	-	44,494	44,494
Eagle Ridge, Parental Information and Resource Center	84.310	Department of Education	771	-	26,910	26,910
Title II, Part D, Enhancing Education through Technology	84.318	Department of Education	546	-	25,992	25,992
Title II, Part D, Enhancing Education through Technology for Professional Development	84.318	Department of Education	548	-	2,849	2,849
Title III, Part A, Immigrant Education Act	84.365	Department of Education	571	-	166,330	166,330
Title III, Part A, English Language Acquisition, Language Enhancement and Academic Achievement	84.365	Department of Education	572	-	807,499	807,499
Title II, Part A, Teacher and Principal Training	▲ 84.367	Department of Education	541	-	2,112,361	2,112,361
Title I, Supplemental School Improvement Grants	▲ 84.377	Department of Education	519	-	2,334,180	2,334,180
ARRA, Title I, 1003 G Supplemental	▲ 84.388	Department of Education	537	-	2,610,763	2,610,763
ARRA, Title I, Part A	▲ 84.389	Department of Education	516	-	5,182,731	5,182,731
ARRA, Title I, Local Delinquent Program	▲ 84.389	Department of Education	533	-	16,799	16,799
ARRA, Title I, Part A, Neglect	▲ 84.389	Department of Education	534	-	23,073	23,073
ARRA, IDEA Part B, Flow Through	▲ 84.391	Department of Education	622	-	628,350	628,350
ARRA, IDEA Early Intervention	▲ 84.391	Department of Education	624	-	219,174	219,174
ARRA, IDEA Preschool Part B	▲ 84.392	Department of Education	643	-	8,022	8,022
Subtotal				-	45,257,489	45,257,489
U.S. Department of Health and Human Services						
Temporary Assistance for Needy Families	93.558	Department of Education	735	-	349,875	349,875
DayCare @ sites	93.558, 93.575, 93.596	Department of Human Services				
			na	-	58,802	58,802
Head Start Funds to Schools	93.600	Department of Commerce	691	-	195,304	195,304
Medicaid Resources	93.778	Health Care Authority	698	-	15,398	15,398
Subtotal				-	619,379	619,379
Total Federal Assistance				1,233,028	65,892,997	67,126,025

□ Non-cash assistance

▲ Audited as a major program by independent auditor

* The District was a sub recipient of (DHS) Department of Human Services federal program monies for the following CFDA codes: 93.558, 93.575, 93.596 totaling \$58,802. The DHS was unable to provide the actual allocation of monies by the CFDA. Therefore the SEFA reports the total amount of expenditures for these three CFDA codes as combined.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards presents the activity of all Federal programs of Oklahoma County School District No. I-89 (the "District"). The District's reporting entity is defined in Note B 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 ACCOUNTING

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 bases are more fully described in Note B to the financial statements.

NOTE 3--AWARDS PROVIDED TO SUBRECIPIENTS

During the year ended June 30, 2012, the District provided the following Federal awards to Charter School subrecipients.

<u>Program</u>	<u>CFDA Number</u>	<u>Charter Expenditures</u>
School Breakfast Program	10.553	\$ 280,351
National School Lunch Program	10.555	891,029
Fresh Fruit/Vegetable Program	10.582	61,648
		<u>\$ 1,233,028</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2012

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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 that are not considered to be material weakness(es)? yes none reported

Type of auditors' report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<u>Program</u>	<u>CFDA Number</u>
Child Nutrition Program	10.553 and 10.555
Title I Cluster	84.010 and 84.389
Special Education Cluster	84.027, 84.173, 84.391 and 84.392
Title I, Supplemental School Improvement Grant	84.377 and 84.388
Title II, Part A, Teacher and Principal Training	84.367

Dollar threshold used to distinguish between type A and type B programs: \$2,013,781

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2012

Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:

See Finding 2012-01.

Section III--Finding Required to be Reported in Accordance with OMB Circular A-133:

None to report for the June 30, 2012 period.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2012

FINDING 2012-01

While performing testing over the payroll transaction cycle for the year ended June 30, 2012, we noted similar matters discussed in Finding 2011-01. See current status section of Finding 2011-01 for additional discussion.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2012

FINDING 2011-01

Criteria

Employees are only paid for time worked. Any exception time (overtime, extra duty, vacation, etc.) is supported by time reports and is reviewed and approved by the employee's supervisor. Employees wishing to terminate employment, complete a resignation form that is promptly delivered to the Human Capital ("HC") department. Once an employee terminates, he or she is removed from the payroll system immediately to ensure that no future payroll payments are made to the employee. The terminated employee receives payment for unused sick and vacation leave.

Condition

When performing testing over the payroll transaction cycle, we noted several instances in which the District's policies and procedures outlined above were not followed.

We noted four instances in which employees were paid for more overtime hours than their approved time report reflected.

We also noted an instance where a time report supporting extra duty pay was not approved by the employee's supervisor. Instead, the time report was approved by the employee.

We noted one instance where an employee continued to receive pay after termination. This employee also received incorrect payment for unused sick and vacation leave.

We believe that the combination of the deficiencies described above is indicative of a significant deficiency in internal control over financial reporting.

Cause

Supervisors are not held accountable for reviewing and approving employee exception time. If supervisors do not approve time, the HC department will enter the system and issue a blanket approval so that all employees will still get paid.

Resignation forms are not promptly delivered to the HC department to ensure that employees are removed from the payroll system.

Effect or Potential Effect

Employees are paid more than they have earned.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2012

FINDING 2011-01--Continued

Recommendation

We recommend that exception time only be approved by the employee's supervisor. Supervisors should be held accountable for time approval. This will help ensure that employees are only paid for time worked.

We further recommend that employees submit resignation forms directly to the HC department instead of giving the form to their supervisors to deliver to the HC department. This will ensure that HC is promptly notified of the termination.

District's Response and Corrective Action Plan--Finding 2011-01

The District recognizes the seriousness of the finding as detailed above.

Currently the Human Capital staff is being evaluated for restructuring and possible expansion to allow for appropriate workloads which will ensure improvements in compliance and accuracy of the work produced. The Senior Human Resource Executive Director vacancy will be filled as quickly as possible with the highest qualified applicant. This leadership will be challenged as its highest priority to address the specific items listed.

During the year, we have conducted periodic training for Principals and Central office staff this past year for time approval procedures. Trainings will continue and non-compliance will be documented for follow-up with increasingly severe repercussions for non-compliance. Human Capital will compile and report by site the compliance for time approval to eliminate time approval by Human Capital except for dire emergency (to be defined).

Resignation cards will continue to be required to be sent immediately to Human Capital. However, programming changes within SAP to report all time for approval (instead of just exception time) will allow the approver to see all of the actual staff charged to their site and allow for the immediate ability to identify any employee who is physically no longer employed but not separated in the system.

Owner: Cindy Schmidt, Chief Academic Officer

Deadline for Completion: June 30, 2012

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2012

Current Status

We noted that the underlying condition and cause of this finding still exists as similar findings were noted in the current year. We also noted that the corrective action plan stated it would be in place by June 30, 2012. As findings noted were prior to this date and date is through end of period audited, we will audit the corrective action plan in fiscal year 2013.

District's Response and Corrective Action Plan--Current Status

- The Human Capital department has been restructured including related staff additions and assignment changes. Mr. Chuck Tompkins has been employed as the Executive Director of Human Capital.
- Global time approval is no longer performed by the Human Capital department for overtime approvals effective January 15, 2013.
- Approval exceptions will occur only during extenuating circumstances (such as power failure, network failure or illness) and with written approval by the Executive Director of Human Capital or the Chief Academic Officer.
- Regular SAP notifications have been initiated to communicate time approval deadlines.
- SAP programming changes were completed to report all employee time for approval (instead of just exception time such as overtime).
- A time approval exception report is being developed to be provided to appropriate management to address any recurring issues with specific sites.
- The employee resignation process is changing to an electronic process through the applicant tracking software, SearchSoft to communicate resignation actions to all required parties including human capital, benefits, compliance, and information technology.

OTHER INFORMATION

SCHEDULE OF SURETY BONDS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
 OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

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 2012:

Effective 07/01/2011 through 06/30/2012
 Insurance Carrier: Ohio Casualty

Position/Description	Bond #	Amount
Treasurer	1597454	\$ 2,000,000
Assistant Treasurer	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
Assistant Encumbrance Clerk/Controller	1597454	\$ 750,000
Executive Director of Related Services	1597454	\$ 750,000
Sr Human Resources Officer/ 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
Safekeeping of Government Property-ROTC	3798404	\$ 150,000

CHARTER SCHOOL MEMBERSHIP

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

Charter School membership for the year ended June 30, 2012 was as follows:

	<u>Membership</u>
Independence Charter Middle School	307
Justice A.W. Seeworth Academy	462
Western Village Academy	329
ASTEC Charter MS & HS	683
Dove Science Academy	471
Dove Elementary	296
Santa Fe South High School	546
Santa Fe South Junior High School	381
Harding Charter Preparatory High School	467
Harding Fine Arts Center	315
Marcus Garvey Leadership Charter School	182
KIPP	<u>266</u>
Total	<u><u>4,705</u></u>

ENTERPRISE SCHOOL MEMBERSHIP

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

Enterprise School membership for the year ended June 30, 2012 was as follows:

	Enterprise School	<u>Membership</u>
Columbus		618
Belle Isle		<u>451</u>
	Total	<u><u>1,069</u></u>

MAPS MANAGEMENT FEES

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

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

<u>Fiscal Year</u>	<u>Project Management Services</u>	<u>City of OKC Administration</u>	<u>Total</u>
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	320	69	389
2010/2011	244	73	317
2011/2012	115	92	207
Total	<u>\$ 4,917</u>	<u>\$ 1,216</u>	<u>\$ 6,133</u>

SCHEDULE OF MAPS SALES TAX FUNDED TRANSFERS AND CLASSIFICATION

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

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

Schedule of Completed MAPS Sales Tax Projects		
Sales Tax Project ID	Description	Value
ES-0046	Linwood Addition	\$ 3,701
ES-0046	Linwood Furniture Closeout	59
ES-049	Buchanan Furniture Closeout	47
ES-033	Filmore Addition	6,406
ES-034	Lee Addition	3,582
ES-047	Parks Addition	1,909
ES-T040	Cesar Chavez Desktops, Laptops	198
ES-T040	Cesar Chavez Printers	16
ES-021	Britton Furniture	131
ES-033	Fillmore Furniture	58
ES-040	Green Pasture Furniture	86
ES-043	Hillcrest Furniture	80
ES-049	Buchanan addition	3,785
ES-050	Eugene Field Addition	4,270
ES-051	Southern Hills Addition	3,723
ES-051	Southern Hills Furniture	64
ES-055	Sequoyah Addition	4,844
ES-055	Sequoyah Furniture	86
ES-032	Coolidge Furniture	115
ES-038	Shidler Furniture	68
ES-018	Cesar Chavez Add'l Costs	141
ES-021	Britton Add'l Costs	570
ES-022	N. Highland Add'l Costs	25
ES-028	Putnam Add'l Costs	3
ES-030	Kaiser Add'l Costs	40
ES-031	Hoover Add'l Costs	373
ES-032	Coolidge Add'l Costs	286
ES-033	Filmore Add'l Costs	346
ES-034	Lee Add'l Costs	4
ES-037	Stand Watie Add'l Costs	101
ES-038	Shidler Add'l Costs	61
ES-040	Green Pastures Add'l Costs	178
ES-042	Edwards Add'l Costs	70
ES-043	Hillcrest Add'l Costs	106
ES-046	Linwood Add'l Costs	211
ES-047	Parks Add'l Costs	111
ES-049	Buchanan Add'l Costs	213
ES-050	Eugene Add'l Costs	429
ES-051	Southern Hills Add'l Costs	98
ES-055	Sequoyah Add'l Costs	384
ES-077	Southeast Add'l Costs	628

SCHEDULE OF MAPS SALES TAX FUNDED TRANSFERS AND CLASSIFICATION--
Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS

June 30, 2012

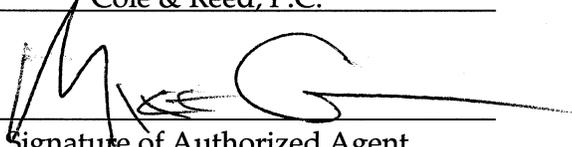
Schedule of Completed MAPS Sales Tax Projects--Continued		
Sales Tax Project ID	Description	Value
ES-048	Belle Isle Furniture	56
ES-053	Oakridge Furniture	66
ES-054	Prairie Queen Furniture	86
ES-055	Sequoyah Furniture	1
ES-039	Nichols Hills Furniture	53
ES-021	Britton Renovation	2
ES-049	Buchanan Renovation	219
ES-032	Coolidge Renovation	7
ES-042	Edwards Renovation	27
ES-050	Eugene Field Renovation	73
ES-033	Filmore Renovation	60
ES-040	Green Pastures Renovation	28
ES-031	Hoover Add'l Costs	208
ES-039	Nichols Hills Renovation	23
ES-078	NW Classen Renovation	12,870
ES-055	Sequoyah Renovation	77
ES-077	SEHS Renovation	8
ES-038	Shidler Renovation	115
ES-051	Southern Hills Renovation	204
ES-074	Arthur Fire Alarm	28
ES-074	Cap Hill Elementary Renovation	28
ES-074	Eugene Field Renovation	28
ES-074	Hays Renovation	28
ES-074	Monroe Renovation	28
ES-074	Moon Renovation	28
ES-074	Belle Isle Renovation	28
ES-074	Jackson Renovation	28
ES-074	Jefferson Renovation	28
ES-074	Emerson Renovation	28
ES-075	Prairie Queen Renovation	45
ES-075	Rockwood Renovation	45
ES-075	Southern Hills Renovation	45
ES-075	Spencer Renovation	45
ES-075	W. Nichols Hills Renovation	45
ES-075	Rogers Renovation	45
ES-075	Roosevelt Renovation	45
ES-075	Taft Renovation	45
ES-075	Webster Renovation	45
	Total Transferred in FY 2012	52,461
	Total Transferred in FY 2004 - FY 2011	163,082
	Total transferred through June 30, 2012	<u>\$ 215,543</u>
	Total Technology	\$ 20,246
	Total Other Construction/FFE etc.	186,474
	Total Transportation	8,823
		<u>\$ 215,543</u>

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS
SCHEDULE OF ACCOUNTANTS' PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
Year Ended June 30, 2012

STATE OF OKLAHOMA
COUNTY OF OKLAHOMA

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that that said firm did have, in full force and effect, Accountant's Professional Liability Insurance, in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with Oklahoma County School District No. I-89 for the audit year ended June 30, 2012.

Cole & Reed, P.C.

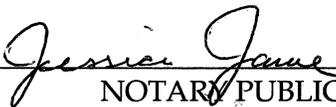


Signature of Authorized Agent

Michael J. Gibson
Printed Name of Authorized Agent

Subscribed and sworn to before me on this

13th Day of February, 2013



NOTARY PUBLIC



My commission expires on:

14th Day of March, 2015

Commission No. #11002274