

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

June 30, 2011

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

June 30, 2011

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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	2012
Steve Shafer	Member	4	2012
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, 2011, 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, 2011, 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.

As reflected in the balance sheet of the governmental funds and in the notes to the financial statements, the District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, 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 Budgetary Comparison Schedule – General Fund, 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 accompanying Other Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Combining Nonmajor Fund financial statements and the Statement of Changes in Assets and Liabilities – Fiduciary Fund are the responsibility of management and were derived from and relate 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. The Budgetary Comparison Schedules – Yes for Kids Construction Bond Fund, Debt Service Fund, Building Fund, and MAPS Construction Bond Funds have 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 them.

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 27, 2012

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

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, 2011. 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, 2011 were:

- The District's Statement of Net Assets (GAAP) reported that assets exceeded liabilities by \$453.5 million (net assets). This compares to the previous year-end when assets exceeded liabilities by \$333.2 million. Total overall net assets increased by \$120.3 million or 36.1% to the previous year.
- General fund expenditures (Budgetary basis) were less than total revenues (revenues plus lapsed appropriations) by \$5.5 million or 1.8% of total revenues. The fund balance increased to \$19.7 million or 6.4% of total revenues.
- E-Rate funding (Year 12) was approved for \$3.0 million for in-kind goods and services benefiting instructional services.
- The District's Bond Ratings remained favorable ratings with the Moody's bond rating of Aa3 Stable and the Standard & Poor's bond rating of AA Stable.
- Student enrollment was essentially flat at 37,742 as compared to 37,758 in 2010. Enrollment 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 was also essentially flat at 89.8% for 2011 versus 90.7% eligibility in 2010.

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

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 17 and 18.

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

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS (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 19 and 20. 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 59 and 60.

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 22 through 24.

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

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 25.

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 26 through 54.

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 the general fund to demonstrate compliance with these budgets. The required supplementary information can be found on pages 55 through 58.

Districtwide 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.

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

The following summary of the District Net Assets 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 net assets as of June 30, 2011 and 2010:

	Net Assets (in thousands)					
	June 30, 2011 and 2010					
	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current Assets	\$ 316,162	\$ 309,282	\$ 4,338	\$ 3,727	\$ 320,500	\$ 313,009
Capital and other	363,969	272,115	408	561	364,377	272,676
Total assets	<u>680,131</u>	<u>581,397</u>	<u>4,746</u>	<u>4,288</u>	<u>684,877</u>	<u>585,685</u>
Current liabilities	73,508	76,032	1,570	1,322	75,078	77,354
Long-term liabilities	155,990	174,862	301	308	156,291	175,170
Total liabilities	<u>229,498</u>	<u>250,894</u>	<u>1,871</u>	<u>1,630</u>	<u>231,369</u>	<u>252,524</u>
Net assets:						
Invested in capital assets, net of related debt	296,623	227,619	408	561	297,031	228,180
Restricted	41,972	37,291	-	-	41,972	37,291
Unrestricted	112,038	65,593	2,467	2,097	114,505	67,690
Total net assets	<u>\$ 450,633</u>	<u>\$ 330,503</u>	<u>\$ 2,875</u>	<u>\$ 2,658</u>	<u>\$ 453,508</u>	<u>\$ 333,161</u>

The District's total assets at June 30, 2011 were \$684.9 million, an increase of \$99.2 million or 16.9% over last year's assets of \$585.7 million.

Current Assets: The District's investment in current assets consists primarily of cash and investments, receivables, inventories and prepaid expenses. Current assets at June 30, 2011 were \$320.5 million, an increase of \$7.5 million or 2.4% over last year's current assets of \$313 million. Major transactions/factors were:

- Increase of Accounts Receivables of \$4.9 million over prior year primarily related to the ARRA federal programs.
- Increase of Prepaid Assets of \$4 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, 2011 were \$364.0 million, an increase of \$91.3 million or 33.6% over last year's total net capital assets of \$272.7 million.

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

Oklahoma County School District No. I-89
Capital Assets, Net of Accumulated Depreciation (in thousands)
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,960	\$ 2,962	\$ -	\$ -	\$ 2,960	\$ 2,962
Construction in-progress	18,447	3,691	-	-	18,447	3,691
Buildings & Improvements	320,397	238,795	-	-	320,397	238,795
Computer and related equipment	13,571	18,414	163	269	13,734	18,683
Machinery and equipment	1,803	1,722	210	252	2,013	1,974
Vehicles	6,445	6,186	35	40	6,480	6,226
Total capital assets	<u>\$ 363,623</u>	<u>\$ 271,770</u>	<u>\$ 408</u>	<u>\$ 561</u>	<u>\$ 364,031</u>	<u>\$ 272,331</u>

Major transactions/factors were:

- Increase for MAPS Sales Tax transfers of \$84.0 million for Buildings and Improvements and technology.
- Increase for Assets under Construction activity net of transfers of \$14.8 million.
- Decrease for Depreciation expense of \$13.0 million.

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

Total liabilities: The District's total liabilities at June 30, 2011 were \$231.4 million, a decrease of \$21.1 million or 8.4% under last year's total liabilities of \$252.5 million. Major transactions/factors were:

- Decrease for total general obligation bond indebtedness of \$13.5 million over prior year
- Decrease for general accounts payables and accruals of \$6.8 million over prior year

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

Outstanding Debt: General Obligation Bond debt at June 30, 2011 was \$177.9 million, a decrease of \$13.5 million or 7.1% under last year's total bond debt of \$191.4 million. Additional information concerning the District's long-term liabilities is contained in Note G to the financial statements. Major transactions/factors were:

- Increase for debt associated with the YES for Kids Technology Bond Sales of \$11.0 million
- Decrease for general obligation bond principal payments totaling \$24.5 million

Oklahoma County School District No. I-89
Outstanding Debt (in thousands)
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 177,885	\$ 191,410	\$ -	\$ -	\$ 177,885	\$ 191,410
Premium on bonds	2,363	3,302	-	-	2,363	3,302
Accrued compensated absences	8,080	8,175	430	440	8,510	8,615
Total outstanding debt	<u>\$ 188,328</u>	<u>\$ 202,887</u>	<u>\$ 430</u>	<u>\$ 440</u>	<u>\$ 188,758</u>	<u>\$ 203,327</u>

Net Assets: The District's total net assets at June 30, 2011 were \$453.5 million, an increase of \$120.3 or 36.1% over last year's total net assets of \$333.2 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, \$297.0 million (65.5% of total net assets), reflects its investment in capital assets, less any related debt net and cash balances that is still outstanding used to acquire those assets. The District uses these capital assets to provide instruction, support, and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt and net of cash balances, 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.

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

Financial Analysis of the District's Activities

The following summary of the District's Activities is reported on the accrual basis. Detailed financial information is available on page 18. The following table provides a comparative summary of the District's statements of activities for the years ended June 30, 2011, and 2010:

Oklahoma County School District No. I-89
 Statements of Activities (in thousands)
June 30, 2011 and 2010

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Program revenues:						
Charges for services	2,027	2,121	1,658	1,851	3,685	3,972
Operating grants and contributions	79,456	63,285	20,622	19,617	100,078	82,902
General revenues:						
Property and other taxes	134,339	129,547	-	-	134,339	129,547
State aid	129,317	132,057	-	-	129,317	132,057
Support from other governments	86,433	18,813	-	-	86,433	18,813
Interest and dividends	672	899	5	10	677	909
Insurance recovery	2,533	5,407	-	-	2,533	5,407
Other	14,111	12,706	115	209	14,226	12,915
Total revenues	<u>\$ 448,888</u>	<u>\$ 364,835</u>	<u>\$ 22,400</u>	<u>\$ 21,687</u>	<u>\$ 471,288</u>	<u>\$ 386,522</u>
Expenses:						
Instruction	170,413	180,733	-	-	170,413	180,733
Support services	117,761	121,303	-	-	117,761	121,303
Operation of Noninstructional Services	1,305	1,360	22,183	21,448	23,488	22,808
Capital and Other Outlays	33,432	38,333	-	-	33,432	38,333
Interest	5,847	6,653	-	-	5,847	6,653
Total expenses	<u>\$ 328,758</u>	<u>\$ 348,382</u>	<u>\$ 22,183</u>	<u>\$ 21,448</u>	<u>\$ 350,941</u>	<u>\$ 369,830</u>
Increase (decrease) in net assets	120,130	16,453	217	239	120,347	16,692
Net assets, beginning	<u>330,503</u>	<u>314,050</u>	<u>2,658</u>	<u>2,419</u>	<u>333,161</u>	<u>316,469</u>
Net assets, ending	<u>\$ 450,633</u>	<u>\$ 330,503</u>	<u>\$ 2,875</u>	<u>\$ 2,658</u>	<u>\$ 453,508</u>	<u>\$ 333,161</u>

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

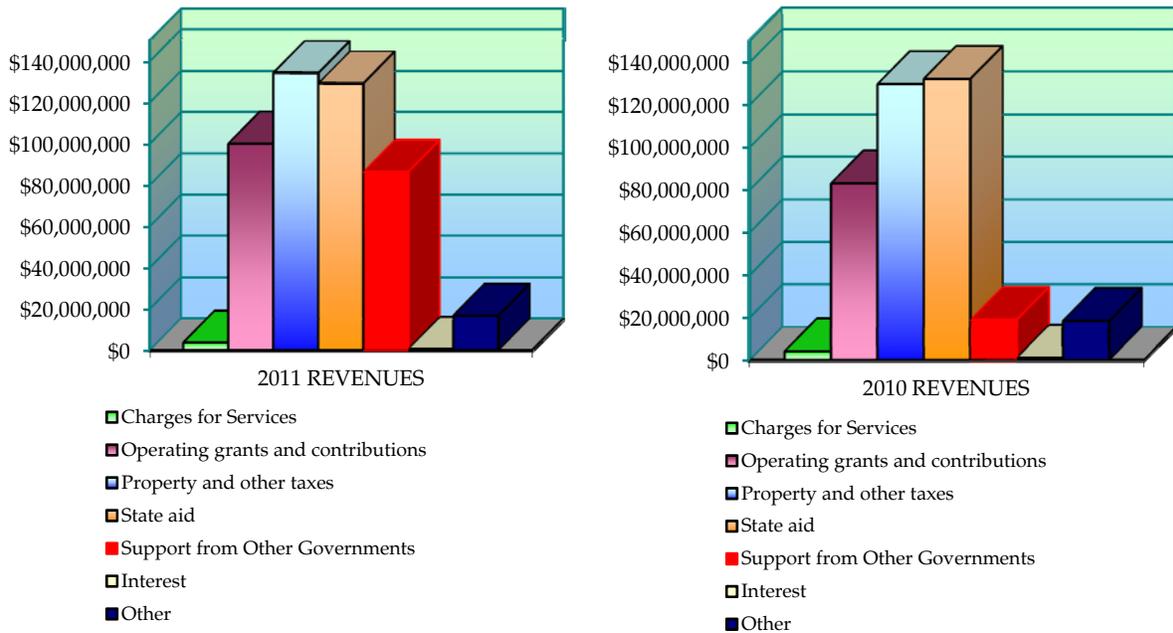
Revenues:

The District's total accrual basis revenues at June 30, 2011 were \$471.3 million, an increase of \$84.8 million or 21.9% over last year's total revenues of \$386.5 million. Major transactions/factors were:

- Property Tax collections (benefiting the General Fund, Building Fund, and Sinking Fund) were \$109.0 million, an increase of \$2.1 million or 2.0% over last year's collections of \$106.9 million. The District also benefited from a 1.5% increase in its Net Assessed Property Valuations to \$1.851 billion as compared to \$1.823 billion in prior year.
- State Aid sources were \$129.3 million, a decline of \$2.8 million or 2.1% under prior year collections of \$132.1 million, as the State of Oklahoma continued to pass through funding cuts to all agencies.
- Support from other local governments, which is primarily the completed assets transferred from the Oklahoma City MAPS Sales Tax Projects, totaled \$86.4 million, an increase of \$67.6 million or 359.6% over last year's transfers of \$18.8 million. Additional information concerning the MAPS Sales Tax Projects is contained in Note L to the financial statements.
- Insurance recovery revenues were \$2.5 million, a decrease of \$2.9 million or 53.7% under last year's insurance recovery revenues of \$5.4 million. Total insurance proceeds related to the May 2010 Hail Storm now total \$7.9 million.
- Federal program revenues were \$90.4 million, an increase of \$16.5 or 22.3% over last year's federal program revenues of \$73.9 million. Federal revenue increase included \$7.1 million related to the one-time Education Jobs fund program as well as increases in several other federal programs.

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

As graphically portrayed below, the District is heavily reliant on state aid to support operations. State aid provided 27.4% and 34.2% of the District's total government revenues in fiscal years 2011 and 2010, respectively.



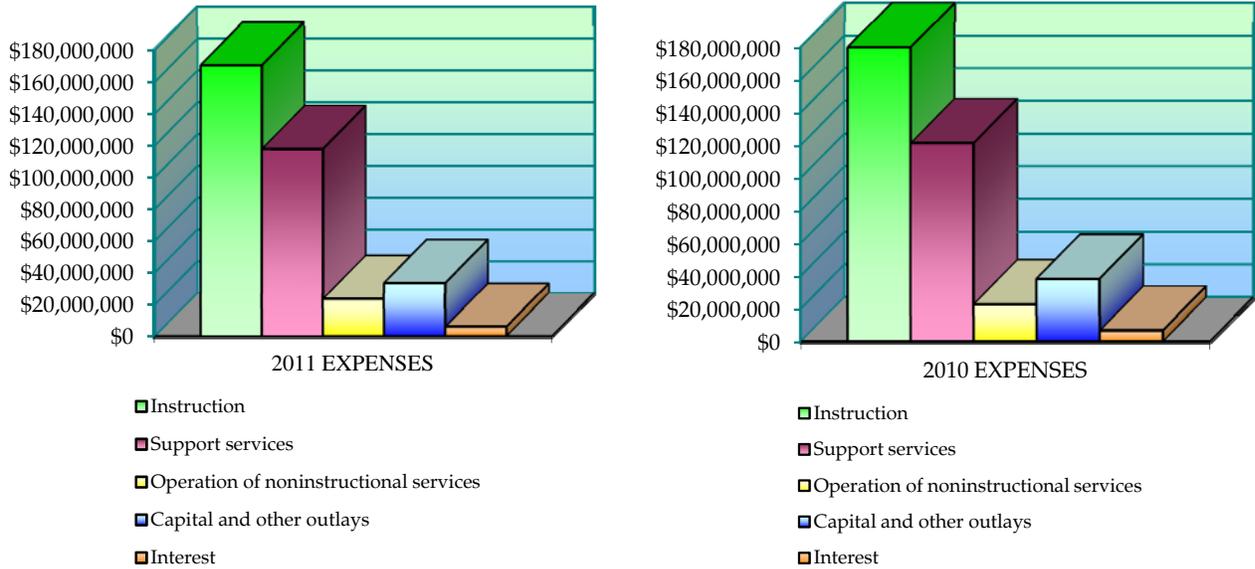
Expenses:

District's total accrual basis expenses at June 30, 2011 were \$350.9 million, a decrease of \$18.9 million or 5.1% over last year's total expenses of \$369.8 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 a revenue and expense impact include the Federal Grant Programs (such as Title I), MAPS Sales Tax projects, E-rate program participation and on-behalf teacher retirement contributions by the State of Oklahoma. These financial transactions are generally reflected within Instructional Costs classification. Major transactions/factors were:

- Instructional costs, the majority of overall cost for the district, were \$170.4 million, a decrease of \$10.3 million or 5.7% over last year's expenses of \$180.7 million with these reductions primarily in the areas of staffing and supplies.
- Support costs were \$117.8 million, a decrease of \$3.5 million or 2.9% under last year's expenses of \$121.3 million with these reductions primarily related to staff furlough's and reductions in force.

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



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.

Governmental funds

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Long-Term financial reporting, such as fixed assets and long-term debt are adjusted back to revenue and expenditures to reflect only short-term activity. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. See pages 19 and 20 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.

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

TOTAL REVENUES BY SOURCE (in thousands)

	2011	2010
Local sources	\$ 199,469	\$ 125,020
Intermediate sources	10,348	9,536
State sources	163,465	160,449
Federal sources	71,580	55,874
Non-revenue receipts	2,134	754
Total sources of revenue	<u>\$ 446,996</u>	<u>\$ 351,633</u>

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

	2011	2010
Instruction	\$ 166,763	\$ 180,767
Support services	116,921	124,557
Non-instruction services	1,300	1,383
Facilities acquisition and construction	99,770	9,766
Other outlays	27,925	31,775
Debt service	32,808	23,278
Total cost of service	<u>\$ 445,487</u>	<u>\$ 371,526</u>

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

Proprietary funds

The focus of the District's proprietary fund for Child Nutrition Services as detailed on pages 22 through 24 is to provide the same type of information found in the district-wide financial statements as of June 30, 2011.

Students eligible for free or reduced price meals was 89.8%, a decrease of .9% over prior year eligibility of 90.7%.

Breakfast and lunch participation remained basically flat versus prior year increasing slightly to 17,959 and 32,997 respectively from prior year participation of 17,897 and 32,843.

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

Unrestricted net assets were \$2.5 million, an increase of \$0.4 million or 19 % over prior unrestricted net assets of \$2.1 million.

Total net assets were \$2.9 million, an increase of \$0.2 million or 7.4% over last year's total net assets of \$2.7 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, 2011 were \$1.8 million, an increase of \$0.1 million or 5.9% over last year's total assets of \$1.7 million.

Budgetary Funds

Under the required supplemental information section (pages 54 and 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.

Economic Factors and Next Year's Budget

Oklahoma State Treasurer, Ken Miller, reported on February 28, 2012, that Oklahoma's economy showed growth for a 23rd consecutive month in January.

While current revenue trends continue to improve for the State of Oklahoma, local and international developments could impact the state economy in the coming months. State budget officials continue to warn agencies to expect a flat budget for next year.

The District will continue to evaluate cost reduction strategies previously implemented.

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

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, 2011
(in thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 25	\$ 6	\$ 31
Investments	248,065	4,135	252,200
Receivables			
Delinquent/Protested property taxes, net of allowance	11,085	-	11,085
Due from other governments	29,549	140	29,689
Other, net of allowance	397	-	397
Inventories	307	57	364
Prepays	26,734	-	26,734
TOTAL CURRENT ASSETS	<u>316,162</u>	<u>4,338</u>	<u>320,500</u>
Noncurrent assets			
Bond issuance costs, net of accumulated amortization	346	-	346
Capital assets:			
Land and construction in progress	21,407	-	21,407
Other capital assets, net of accumulated depreciation	342,216	408	342,624
TOTAL CAPITAL ASSETS	<u>363,623</u>	<u>408</u>	<u>364,031</u>
TOTAL NONCURRENT ASSETS	<u>363,969</u>	<u>408</u>	<u>364,377</u>
TOTAL ASSETS	<u>680,131</u>	<u>4,746</u>	<u>684,877</u>
LIABILITIES			
Current liabilities:			
Warrants payable	6,771	576	7,347
Accounts payable and accrued liabilities	31,043	865	31,908
Accrued interest payable	3,356	-	3,356
Current portion of long-term obligations	32,338	129	32,467
TOTAL CURRENT LIABILITIES	<u>73,508</u>	<u>1,570</u>	<u>75,078</u>
Noncurrent liabilities			
General obligations bonds	148,640	-	148,640
Premium on bonds	1,694	-	1,694
Accrued compensated absences	5,656	301	5,957
TOTAL NONCURRENT LIABILITIES	<u>155,990</u>	<u>301</u>	<u>156,291</u>
TOTAL LIABILITIES	<u>229,498</u>	<u>1,871</u>	<u>231,369</u>
NET ASSETS			
Invested in capital assets, net of related debt	296,623	408	297,031
Restricted for:			
Debt service	38,617	-	38,617
Building	3,327	-	3,327
Gifts	28	-	28
Unrestricted	112,038	2,467	114,505
TOTAL NET ASSETS	<u>\$ 450,633</u>	<u>\$ 2,875</u>	<u>\$ 453,508</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, 2011
(in thousands)

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Instruction	\$ 170,413	\$ 1,273	\$ 79,456	\$ -	\$ (89,684)	\$ -	\$ (89,684)
Support services	117,761	754	-	-	(117,007)	-	(117,007)
Noninstruction services	1,305	-	-	-	(1,305)	-	(1,305)
Capital outlays	7,009	-	-	-	(7,009)	-	(7,009)
Other outlays	26,423	-	-	-	(26,423)	-	(26,423)
Interest on long-term debt	5,847	-	-	-	(5,847)	-	(5,847)
TOTAL GOVERNMENTAL ACTIVITIES	<u>328,758</u>	<u>2,027</u>	<u>79,456</u>	<u>-</u>	<u>(247,275)</u>	<u>-</u>	<u>(247,275)</u>
Business-type activities:							
Food services	22,183	1,658	20,622	-	-	97	97
TOTAL BUSINESS-TYPE ACTIVITIES	<u>22,183</u>	<u>1,658</u>	<u>20,622</u>	<u>-</u>	<u>-</u>	<u>97</u>	<u>97</u>
TOTAL DISTRICT-WIDE	<u>\$ 350,941</u>	<u>\$ 3,685</u>	<u>\$ 100,078</u>	<u>\$ -</u>	<u>(247,275)</u>	<u>97</u>	<u>(247,178)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					76,650	-	76,650
Property taxes, levied for debt service					32,393	-	32,393
Other					25,296	-	25,296
State aid not restricted to specific purposes					129,317	-	129,317
Support from other local governments					86,433	-	86,433
Interest, dividends and investment earnings					672	5	677
Insurance recoveries					2,533	-	2,533
Other general revenues					14,111	115	14,226
TOTAL GENERAL REVENUES					<u>367,405</u>	<u>120</u>	<u>367,525</u>
CHANGE IN NET ASSETS					120,130	217	120,347
NET ASSETS, BEGINNING OF YEAR					330,503	2,658	333,161
NET ASSETS, END OF YEAR					<u>\$ 450,633</u>	<u>\$ 2,875</u>	<u>\$ 453,508</u>

See accompanying notes to financial statements.

BALANCE SHEET-GOVERNMENTAL FUNDS

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

June 30, 2011
(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	\$ 1	\$ -	24	\$ -	\$ -	\$ 25
Investments	101,914	-	90,528	12,516	43,107	248,065
Receivables:						
Delinquent/Protested property taxes, net of allowance	7,148	-	-	2,979	958	11,085
Due from other governments	29,549	-	-	-	-	29,549
Accrued investment income	-	-	-	-	-	-
Other, net of allowance	397	-	-	-	-	397
Inventories	243	-	-	-	64	307
Prepays	633	-	-	26,101	-	26,734
TOTAL ASSETS	\$ 139,885	\$ -	\$ 90,552	\$ 41,596	\$ 44,129	\$ 316,162
LIABILITIES AND FUND BALANCES						
Warrants payable	\$ 6,621	\$ -	\$ 1	\$ -	\$ 149	\$ 6,771
Deferred revenues	7,192	-	-	2,979	958	11,129
Accounts payable and accrued liabilities	28,727	-	383	-	1,933	31,043
TOTAL LIABILITIES	42,540	-	384	2,979	3,040	48,943
Fund balances:						
Nonspendable	876	-	-	26,101	89	27,066
Restricted	-	-	90,168	12,516	29,943	132,627
Committed	-	-	-	-	5,000	5,000
Assigned	7,871	-	-	-	6,057	13,928
Unassigned	88,598	-	-	-	-	88,598
TOTAL FUND BALANCES	97,345	-	90,168	38,617	41,089	267,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 139,885	\$ -	\$ 90,552	\$ 41,596	\$ 44,129	\$ 316,162
RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES						
FUND BALANCES OF GOVERNMENTAL FUNDS						\$ 267,219
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					504,673	
Cost of capital assets						
Accumulated depreciation					(141,050)	363,623
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds						
Bond issuance costs					346	
Property taxes receivable, net of allowance					11,085	
Other receivables					44	11,475
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					(177,885)	
Premium on bonds					(2,363)	
Compensated absences					(8,080)	
Accrued interest					(3,356)	(191,684)
						\$ 450,633

See accompanying notes to financial statements.

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

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

Year end June 30, 2011
(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	\$ 70,377	\$ 86,434	278	\$ 32,520	\$ 9,860	\$ 199,469
Intermediate sources	10,348	-	-	-	-	10,348
State sources	163,044	-	-	-	421	163,465
Federal sources	71,580	-	-	-	-	71,580
Non-revenue receipts	629	-	-	1,505	-	2,134
TOTAL REVENUES	<u>315,978</u>	<u>86,434</u>	<u>278</u>	<u>34,025</u>	<u>10,281</u>	<u>446,996</u>
EXPENDITURES						
Current:						
Instruction	163,769	2,428	377	-	189	166,763
Support services	103,050	22	2,934	-	10,915	116,921
Noninstruction services	1,300	-	-	-	-	1,300
Facilities acquisition and constructions	87	83,984	633	-	15,066	99,770
Other outlays	26,556	-	-	-	1,369	27,925
Debt service:						
Judgments	-	-	-	-	-	-
Bond principal payments	-	-	-	24,525	-	24,525
Interest and fiscal charges	-	-	-	8,283	-	8,283
TOTAL EXPENDITURES	<u>294,762</u>	<u>86,434</u>	<u>3,944</u>	<u>32,808</u>	<u>27,539</u>	<u>445,487</u>
Excess (deficiency) of revenues over (under) expenditures	21,216	-	(3,666)	1,217	(17,258)	1,509
OTHER FINANCING SOURCES (USES)						
Bond issuances	-	-	11,000	-	-	11,000
Premium on bond issuances	-	-	-	109	-	109
Insurance recoveries	34	-	-	-	2,499	2,533
TOTAL OTHER FINANCING SOURCES (USES)	<u>34</u>	<u>-</u>	<u>11,000</u>	<u>109</u>	<u>2,499</u>	<u>13,642</u>
NET CHANGE IN FUND BALANCES	21,250	-	7,334	1,326	(14,759)	15,151
FUND BALANCES, beginning	76,095	-	82,834	37,291	55,848	252,068
FUND BALANCES, ending	<u>\$ 97,345</u>	<u>\$ -</u>	<u>\$ 90,168</u>	<u>\$ 38,617</u>	<u>\$ 41,089</u>	<u>\$ 267,219</u>

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, 2011
(in thousands)

Net changes in fund balances - total governmental funds	\$ 15,151
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	105,180
Depreciation expense	(12,740)
Retirements	(587)
	<u>91,853</u>
Repayments of principal on bonds, judgments, and capital lease obligations 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. Proceeds from the sale of new bonds is revenue in the governmental funds, but has no impact on the statements of activities.	
Proceeds from sale of new bonds	(11,109)
Principal payments and premium	25,573
	<u>14,464</u>
Because some revenues (property taxes and certain investment and 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.	(370)
Some expenses (compensated absences, accrued interest payable, and and bond issuance costs) 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.	(968)
Change in net assets of governmental activities	<u>\$ 120,130</u>

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, 2011
(in thousands)

	Enterprise Fund
	<u>Child Nutrition Program</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 6
Investments	4,135
Receivables	140
Inventories	57
	<u>4,338</u>
TOTAL CURRENT ASSETS	
Noncurrent assets:	
Capital assets:	
Capital assets being depreciated	1,791
Less accumulated depreciation	<u>(1,383)</u>
	408
TOTAL NONCURRENT ASSETS	
	<u>4,746</u>
TOTAL ASSETS	
LIABILITIES	
Current liabilities:	
Warrants payable	576
Accounts payable and accrued liabilities	865
Current portion of long-term obligations	129
	<u>1,570</u>
TOTAL CURRENT LIABILITIES	
Noncurrent liabilities:	
Accrued compensated absences	301
	<u>301</u>
TOTAL NONCURRENT LIABILITIES	
	<u>1,871</u>
TOTAL LIABILITIES	
NET ASSETS	
Invested in capital assets, net of related debt	408
Unrestricted	<u>2,467</u>
	<u>2,875</u>
TOTAL NET ASSETS	
	<u>\$ 2,875</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, 2011
 (in thousands)

	Enterprise Fund
	<u>Child Nutrition Program</u>
OPERATING REVENUES	
Meals	\$ 1,658
Other income	120
TOTAL OPERATING REVENUES	<u>1,778</u>
OPERATING EXPENSES	
Salaries and wages	6,308
Employee benefits	3,805
Professional and technical services	590
Property services	143
Purchased services	89
Food supplies	10,942
Depreciation	257
Other outlays	49
TOTAL OPERATING EXPENSES	<u>22,183</u>
OPERATING LOSS	(20,405)
NONOPERATING REVENUES (EXPENSES)	
Federal and state grants	20,622
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>20,622</u>
CHANGE IN NET ASSETS	217
NET ASSETS, beginning	<u>2,658</u>
NET ASSETS, ending	<u>\$ 2,875</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, 2011
(in thousands)

	Enterprise Fund <u>Child Nutrition Program</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from user charges	\$ 1,658
Other operating receipts	124
Cash payments to suppliers for goods and services	(11,353)
Cash payments to employees for services	(10,235)
Cash payment for other operating expenses	<u>(49)</u>
NET CASH USED IN OPERATING ACTIVITIES	(19,855)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	<u>20,732</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	20,732
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	<u>(107)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(107)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net purchase of investments	<u>(882)</u>
NET CASH USED IN INVESTING ACTIVITIES	(882)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(112)
CASH AND CASH EQUIVALENTS, beginning	<u>118</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 6</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (20,405)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation expense	257
Loss on the disposal of assets	3
Changes in assets and liabilities:	
Inventories	49
Warrants payable	249
Accounts payable and accrued liabilities	<u>(8)</u>
TOTAL ADJUSTMENTS	<u>550</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (19,855)</u>

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, 2011
(in thousands)

	<u>Agency Fund</u> <u>School Activity</u> <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,759
Capital assets, net	<u>59</u>
TOTAL ASSETS	<u>\$ 1,818</u>
LIABILITIES	
Due to student groups	\$ 1,759
Capital assets held for the benefit of student groups	<u>59</u>
TOTAL LIABILITIES	<u>\$ 1,818</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

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

June 30, 2011

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 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

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 ("GASB") 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

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).

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 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.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

Governmental Funds--Continued:

MAPS Sales Tax Fund: *The MAPS Sales Tax Fund* was established during the year ended June 30, 2004 and is used 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

93/94 Refunding Bond Fund: *The 93/94 Refunding Bond Fund* was established during the year ended June 30, 2002, to account for the excess proceeds of a particular bond sale used for refinancing 1994 general obligation bond fund and refunding the bonds to a lower interest rate. The fund has concluded as of June 30, 2011.

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 reimbursements from the school breakfast, lunch, and summer food service programs, for meals served and for associated costs of the program.

Fiduciary Funds: Fiduciary funds are comprised entirely of agency-type funds and are not included in the district-wide financial statements. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of operations.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

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. For this purpose, the District considers revenues (excluding property taxes) to be available if they are collected within 90 days of the end of the current fiscal period. Property tax revenues are considered to be available if they are collected within 60 days of the end of the fiscal period.

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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, 2011

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

Cash and Cash Equivalents: The District considers all cash on hand, demand deposits, and interest-bearing checking accounts to be cash and cash equivalents.

Investments: Investments may consist of direct obligations of the United States of America government and agencies; certificates of deposit; sweep accounts; and warrants, bonds, or judgments of the District. All investments are recorded at market 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 and "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.

Due To and Due From: Amounts owed to one fund or business-type activity by another that are due within one year are reported as due to or due from other funds or business-type activities in the fund financial statements.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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, 2011 consisted of the following (in thousands):

Governmental Activities:	
Stock/Fuel Inventory	243
Maintenance Supply Inventory	<u>64</u>
Total Governmental Activity Inventory	<u>307</u>
Business-type Activities:	
Food Inventory	<u>57</u>
Total Business-type Activity Inventory	<u>57</u>
TOTAL INVENTORY	<u>\$ 364</u>

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 individual 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 materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as 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, 2011.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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. Payment for 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, 2011

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

Fund Balance and Equity: Fund balance refers to the difference between assets and liabilities in the governmental funds balance sheet. 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

Fund Balance and Equity--Continued

Assigned Fund Balance--Continued: 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

Fund Balance and Equity--Continued

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, 2011:

	Major Funds				Non Major	Total
	General Fund	MAPS Sales Tax Fund	Yes for Kids Construction Bond Funds	Debt Service Fund	Other Governmental Funds	Governmental Funds
Fund Balances:						
Nonspendable	\$ 876	\$ -	\$ -	\$ 26,101	\$ 89	\$ 27,066
Restricted For:						
Capital projects	-	-	90,168	-	26,677	116,845
Debt service	-	-	-	12,516	-	12,516
Building	-	-	-	-	3,263	3,263
Gifts	-	-	-	-	3	3
	-	-	90,168	12,516	29,943	132,627
Committed For:						
Capital projects	-	-	-	-	5,000	5,000
Assigned For:						
Compensated absences	7,871	-	-	-	-	7,871
Gifts	-	-	-	-	29	29
Capital projects	-	-	-	-	6,028	6,028
	7,871	-	-	-	6,057	13,928
Unassigned:	88,598	-	-	-	-	88,598
Total Fund Balance	\$ 97,345	\$ -	\$ 90,168	\$ 38,617	\$ 41,089	\$ 267,219

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

Net Assets on the Statement of Net Assets include the following:

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 restrict 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.

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.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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

Property Tax Revenue--Continued: 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.

Reclassifications: The District determines which funds should be considered major funds on an annual basis. Certain major/non-major fund reclassifications were made for the year-ended June 30, 2011. These reclassifications are reflected in the non-major funds beginning fund balances.

NOTE C--CASH AND INVESTMENTS

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. 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 the counterparty or the counterparty's trust department but not in the name of the District. The District does not have a formal policy for custodial credit risk for its deposits and investments, but does follow the requirements of Title 70, Article III of the *Oklahoma Statutes*. As of June 30, 2011, all of the Districts deposits and investments were in compliance with the requirements of Title 70, Article III of the *Oklahoma Statutes*.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE C--CASH AND INVESTMENTS--Continued

Deposits: As of June 30, 2011, the District had cash deposits with financial institutions as part of its governmental and business-type activities with a carrying amount of approximately \$0.03 million. The District's financial reports reflect cash deposits of (\$7.3) million. The primary difference between the financial institution balance and the District's financials is the outstanding payroll and accounts payable checks. The outstanding checks are presented in the District's financial reports as Warrants Payables.

Investments: As of June 30, 2011, the District had the following aggregate investments (in thousands):

Investment	Maturities	Fair Value	Percentage
U.S. Agency Securities (FNMA)	< 1 year	\$ -	0%
Collateralized High Balance Investment Deposits	on going	<u>252,200</u>	<u>100%</u>
TOTAL		<u>\$ 252,200</u>	<u>100%</u>

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, 2011, all of the District's investments were scheduled to mature in less than 12 months.

Credit Risk: As noted previously, the District follows the requirements of Title 70, Article III of the *Oklahoma Statutes* which limits investments to the following:

1. Direct obligations of the United States government to the payment of which the full faith and credit of the United States government is pledged, provided a treasurer of a school district who has completed the program pursuant to the provisions of subsection H of Title 70, Article III may invest funds in the investment account in other obligations of the United States government, its agencies or instrumentalities;
2. Obligations to the payment of which the full faith and credit of the state of Oklahoma is pledged;

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE C--DEPOSITS, INVESTMENTS, AND COLLATERAL--Continued

Credit Risk--Continued:

3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies;
4. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of Title 70, Article III including obligations of the United States of America, its agencies and instrumentalities, and where the collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes;
5. County, municipal or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value. The income received from an investment may be placed in the general fund of the governmental subdivision to be used for general governmental operations, the sinking fund, the building fund, or the fund from which the investment was made;
6. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States of America, its agencies and instrumentalities, and investments in those items and those restrictions specified in paragraphs 1 through 6 of Title 70, Article III;
7. Warrants, bonds or judgments of the school district; or
8. Qualified pooled investment programs, the investments of which consist of those items specified in paragraphs 1 through 8 of Title 70, Article III, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for school funds must be governed through an interlocal cooperative agreement formed pursuant to Section 5-117b of this title, and the program must competitively select its investment advisors and other professionals. Any pooled investment program used must be approved by the board of education.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE C--DEPOSITS, INVESTMENTS, AND COLLATERAL--Continued

Credit Risk--Continued:

There are no other limits that would further limit the District's investment choices. As of June 30, 2011 the District's investments were in compliance with the requirements of items 1 through 8 above.

NOTE D--RECEIVABLES

Receivables and allowances at June 30, 2011, 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	\$ 8,055	\$ 3,341	\$ 1,081	\$ -	\$ 12,477
Due from other governments	29,549	-	-	-	29,549
Other	512	-	7	25	544
TOTAL	<u>\$ 38,116</u>	<u>\$ 3,341</u>	<u>\$ 1,088</u>	<u>\$ 25</u>	<u>\$ 42,570</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	\$ 907	\$ 362	\$ 123	\$ -	\$ 1,392
Other	115	-	7	25	147
TOTAL	<u>\$ 1,022</u>	<u>\$ 362</u>	<u>\$ 130</u>	<u>\$ 25</u>	<u>\$ 1,539</u>

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE E--CAPITAL ASSETS

Capital asset activity for governmental and business-type activities for the year ended June 30, 2011, 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	\$ 2,962	\$ -	\$ -	\$ (2)	\$ 2,960
Construction in-progress	3,691	16,011	(1,255)	-	18,447
Total capital assets not being depreciated	<u>6,653</u>	<u>16,011</u>	<u>(1,255)</u>	<u>(2)</u>	<u>21,407</u>
Capital assets being depreciated:					
Buildings & Improvements	340,211	83,714	1,014	(700)	424,239
Computer and related equipment	36,724	3,506	241	(692)	39,779
Machinery and equipment	2,532	358	-	(24)	2,866
Vehicles	15,590	1,591	-	(799)	16,382
Total assets being depreciated	<u>395,057</u>	<u>89,169</u>	<u>1,255</u>	<u>(2,215)</u>	<u>483,266</u>
Accumulated depreciation for:					
Buildings & Improvements	(97,849)	(6,497)	-	504	(103,842)
Computer and related equipment	(21,877)	(4,681)	-	350	(26,208)
Machinery and equipment	(810)	(275)	-	22	(1,063)
Vehicles	(9,404)	(1,287)	-	754	(9,937)
Total accumulated depreciation	<u>(129,940)</u>	<u>(12,740)</u>	<u>-</u>	<u>1,630</u>	<u>(141,050)</u>
Total capital assets being depreciated, net	<u>265,117</u>	<u>76,429</u>	<u>1,255</u>	<u>(585)</u>	<u>342,216</u>
Governmental activities capital assets, net	<u>\$ 271,770</u>	<u>\$ 92,440</u>	<u>\$ -</u>	<u>\$ (587)</u>	<u>\$ 363,623</u>

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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	-	-	-	533
Machinery and equipment	955	107	-	(11)	1,051
Vehicles	<u>207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207</u>
Total assets being depreciated	<u>1,695</u>	<u>107</u>	<u>-</u>	<u>(11)</u>	<u>1,791</u>
Accumulated depreciation for:					
Computer and related equipment	(264)	(106)	-	-	(370)
Machinery and equipment	(703)	(146)	-	8	(841)
Vehicles	<u>(167)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>	<u>(172)</u>
Total accumulated depreciation	<u>(1,134)</u>	<u>(257)</u>	<u>-</u>	<u>8</u>	<u>(1,383)</u>
Business type activities capital assets, net	<u>\$ 561</u>	<u>\$ (150)</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ 408</u>

Depreciation expense for the year ended June 30, 2011, was charged to functions/programs of the District as follows (in thousands):

Governmental activities:	
Instruction	\$ 3,232
Support Services	3,008
Capital outlay	<u>6,500</u>
Total governmental activities	<u>12,740</u>
Business-type activities:	
Food services program	<u>257</u>
Total business-type activities	<u>257</u>
Total Depreciation	<u>\$ 12,997</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, 2011

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, 2011, the District had an outstanding liability for unused sick, vacation and personal leave totaling \$6.4 million and a related liability for payroll taxes associated with the unused sick, vacation and personal leave totaling \$2.1 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, 2011, 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%.	\$ 24,000
\$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 5.00%.	19,200
\$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%.	14,540
\$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%.	16,000
\$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.	12,210

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

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	16,135
\$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%.	54,000
\$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%.	2,600
\$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%.	<u>11,000</u>
Total general obligation bonds outstanding – at face value	<u>177,885</u>
Premium on bonds outstanding	<u>2,363</u>
Total general obligation bonds outstanding	<u>\$ 180,248</u>
Compensated absences and related taxes	8,510
Total long-term liabilities	<u>\$ 188,758</u>

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE G--LONG-TERM LIABILITIES--Continued

During the year ended June 30, 2011, long-term liability transactions were as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General obligation bonds:					
2002 general	\$ 30,000	\$ -	\$ 6,000	\$ 24,000	\$ 6,000
2004 general	21,600	-	2,400	19,200	2,400
2005 general	16,155	-	1,615	14,540	1,615
2006 general	20,000	-	4,000	16,000	4,000
2007 general	14,655	-	2,445	12,210	2,445
2008 general	24,200	-	8,065	16,135	8,065
2009 general	54,000	-	-	54,000	3,855
2009 general	2,600	-	-	2,600	865
2010 general	8,200	-	-	8,200	-
2011 general	-	11,000	-	11,000	-
Total general obligation bonds	191,410	11,000	24,525	177,885	29,245
Premium on bonds	3,302	109	1,048	2,363	669
Compensated absences	8,615	2,592	2,697	8,510	2,553
Total long-term liabilities	<u>\$ 203,327</u>	<u>\$ 13,701</u>	<u>\$ 28,270</u>	<u>\$ 188,758</u>	<u>\$ 32,467</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
2012	\$ 29,245	\$ 6,373
2013	31,980	5,364
2014	27,580	4,149
2015	26,720	3,132
2016	13,970	2,230
2017-2021	32,940	6,121
2022-2026	15,450	1,238
Total long-term liabilities	<u>\$ 177,885</u>	<u>\$ 28,607</u>

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE G--LONG-TERM LIABILITIES--Continued

Interest expense on general obligation bonds during the year ended June 30, 2011 totaling \$8.3 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, 2011 is \$1.0 million. The net amount of unamortized premium at June 30, 2011 was \$2.4 million.

On June 28, 2011, the District made the July 2011 principal and interest payments on the 2004 through 2010 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, 2011 is \$26.1 million.

NOTE H--EMPLOYEE PENSION PLANS

The District participates in the state-administered Teachers' Retirement System of Oklahoma (the "System") which is a cost-sharing multiple-employer public employee retirement system. Additionally, the District provides an employer-funded pension plan for eligible employees.

Teachers' Retirement System of Oklahoma

The District participates in the state-administered Teachers' Retirement System of Oklahoma (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, 2011

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 contribution rates for the District, which are not actuarially determined, and its employees are established by state statute and applied to the employee's earnings plus employer-paid fringe benefits. The District was required to contribute 9.0% (July – December) and 9.5% (January – June) of applicable statutory compensation for the year ended June 30, 2011. Participating members receive District contributions as follows: Classified employees 90% of the 7% required contribution (employees contribute 10% of the 7% required contribution). All other employees receive District contributions of 100% of the 7% required contribution.

The compensation, including designated benefits, for employees covered by the System for the year ended June 30, 2011 was approximately \$164.5 million. Total contributions by the District made during the year ended June 30, 2011 totaled approximately \$27 million. These contributions represented approximately 16% of covered compensation.

Trend information for the District's annual required contributions is as follows (in thousands):

<u>Teacher's Retirement System of Oklahoma</u>		
<u>Fiscal Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2009	25,273	100%
2010	27,124	100%
2011	27,120	100%

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE H--EMPLOYEE PENSION PLANS--Continued

Teachers' Retirement System of Oklahoma--Continued

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. For the fiscal year ended June 30, 2011, the State paid \$1.8 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. These payments do not represent a direct or indirect payment of the District.

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, 2011

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, 2011

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, 2011

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.

During the year ended June 30, 2011, the District sold the Willard School property. The unexpended bond proceeds totaling \$1,505,115 that were designated for this renovation from the original bond authorization were transferred to the Sinking Fund to reduce the bond tax levy required to pay the 2002 Bond obligations.

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, 2011

NOTE N--NEW PRONOUNCEMENTS

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB statements No. 14 and No. 34* ("GASB 61"). GASB 61 modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that were previously required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, GASB 61 clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.

Under GASB 61, the blending provisions were amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements* ("GASB 62"). The objective of GASB 62 is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

- (a) Financial Accounting Standards Board Statements and Interpretations.
- (b) Accounting Principles Board Opinions.
- (c) Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedures.

NOTES TO FINANCIAL STATEMENTS--Continued

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

June 30, 2011

NOTE N--NEW PRONOUNCEMENTS--Continued

The requirements in GASB 62 will improve financial reporting by contributing to GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. GASB 62 is effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The provisions of GASB 62 are required to be applied retroactively for all periods presented.

In June 2011, the GASB issued 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. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged.

In June 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment of GASB Statement No. 53*. GASB No. 64 clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged.

The District's management is in the process of determining what, if any, impact the above pronouncements will have on the District's financial reporting process.

REQUIRED SUPPLEMENTARY
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

Year end June 30, 2011
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 66,987	\$ 66,987	\$ 70,453	\$ 3,466
Intermediate sources	9,320	9,320	10,198	878
State sources	147,998	147,998	159,722	11,724
Federal sources	106,413	106,413	60,535	(45,878)
Nonrevenue Receipts	1,000	1,000	669	(331)
TOTAL REVENUES	<u>331,718</u>	<u>331,718</u>	<u>301,577</u>	<u>(30,141)</u>
EXPENDITURES				
Instruction	200,900	200,900	167,454	(33,446)
Support services	100,000	100,000	105,966	5,966
Operation of noninstruction services	2,000	2,000	1,289	(711)
Facilities acquisition and construction services	500	500	(374)	(874)
Other	32,318	32,318	28,330	(3,988)
TOTAL EXPENDITURES	<u>335,718</u>	<u>335,718</u>	<u>302,665</u>	<u>(33,053)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,000)</u>	<u>(4,000)</u>	<u>(1,088)</u>	<u>2,912</u>
OTHER FINANCING SOURCES (USES)				
Lapsed appropriations	4,000	4,000	6,542	2,542
Insurance recoveries	-	-	34	34
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000</u>	<u>4,000</u>	<u>6,576</u>	<u>2,576</u>
Net change in fund balances	-	-	5,488	5,488
FUND BALANCES, beginning	<u>7,016</u>	<u>7,016</u>	<u>14,218</u>	<u>7,202</u>
FUND BALANCES, ending	<u>\$ 7,016</u>	<u>\$ 7,016</u>	<u>\$ 19,706</u>	<u>\$ 12,690</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

June 30, 2011

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, 2011, are as follows (in thousands):

Fund balance - budgetary basis	\$	19,706
Current year revenue accrual net of portion deferred in fund statements		29,903
Revenue received but not expended		2,835
Inventory		243
Prepays		633
Encumbrances outstanding		36,154
Compensated absences		7,871
Fund balance - fund financial statements	\$	<u>97,345</u>
Revenues - budgetary basis	\$	301,577
Current year revenue accrual		37,094
Prior year revenue accrual		(26,547)
Current year revenue received but not expended		3,052
Prior year deferred revenue recongized in current year		(1,021)
Teachers' Retirement System on-behalf payments		1,823
Revenues - fund financial statements	\$	<u>315,978</u>
Expenditures - budgetary basis	\$	302,665
Encumbrances included in expenditures		(6,616)
Compensated absences		(2,297)
Inventory		(180)
Prepaid		(633)
Teachers' Retirement System on-behalf payments		1,823
Expenditures - fund financial statements	\$	<u>294,762</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION--Continued

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

June 30, 2011

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, 2011

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, 2011
(in thousands)

	Special Revenue Funds		Capital Project Funds			Total
	Building Fund	Gifts and Endowments Fund	MAPS Construction Bond Funds	93/94 Refunding Bond Fund	Casualty Flood Insurance Recovery Fund	
ASSETS						
Investments	\$ 3,584	\$ 57	\$ 26,987		\$ 12,479	\$ 43,107
Receivables:						
Delinquent/Protested property taxes, net of allowance	958	-	-	-	-	958
Other	-	-	-	-	-	-
Inventories	64	-	-	-	-	64
TOTAL ASSETS	<u>\$ 4,606</u>	<u>\$ 57</u>	<u>\$ 26,987</u>	<u>\$ -</u>	<u>\$ 12,479</u>	<u>\$ 44,129</u>
LIABILITIES AND FUND BALANCES						
Warrants payable	110	-	39	-	-	149
Deferred revenues	958	-	-	-	-	958
Accounts payable and accrued liabilities	211	-	271	-	1,451	1,933
TOTAL LIABILITIES	<u>1,279</u>	<u>-</u>	<u>310</u>	<u>-</u>	<u>1,451</u>	<u>3,040</u>
Fund balances:						
Nonspendable	64	25	-	-	-	89
Restricted	3,263	3	26,677	-	-	29,943
Committed	-	-	-	-	5,000	5,000
Assigned	-	29	-	-	6,028	6,057
Unassigned	-	-	-	-	-	-
TOTAL FUND BALANCES	<u>3,327</u>	<u>57</u>	<u>26,677</u>	<u>-</u>	<u>11,028</u>	<u>41,089</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,606</u>	<u>\$ 57</u>	<u>\$ 26,987</u>	<u>\$ -</u>	<u>\$ 12,479</u>	<u>\$ 44,129</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, 2011
(in thousands)

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>			
	<u>Building Fund</u>	<u>93/94 Refunding Bond Fund</u>	<u>MAPS Construction Bond Funds</u>	<u>Gifts and Endowments Fund</u>	<u>Casualty Flood Insurance Recovery Fund</u>	<u>Total</u>
REVENUES						
Local sources	\$ 9,706	\$ -	\$ 115	18	\$ 21	\$ 9,860
State sources	421	-	-	-	-	421
TOTAL REVENUES	<u>10,127</u>	<u>-</u>	<u>115</u>	<u>18</u>	<u>21</u>	<u>10,281</u>
EXPENDITURES						
Current:						
Instruction	-	-	189	-	-	189
Support services	8,933	-	1,801	16	165	10,915
Facilities acquisition and constructions	(61)	1	13,698	-	1,428	15,066
Other outlays	-	-	1,369	-	-	1,369
TOTAL EXPENDITURES	<u>8,872</u>	<u>1</u>	<u>17,057</u>	<u>16</u>	<u>1,593</u>	<u>27,539</u>
Excess (deficiency) of revenues over (under) expenditures	1,255	(1)	(16,942)	2	(1,572)	(17,258)
OTHER FINANCING SOURCES (USES)						
Insurance recoveries	-	-	-	-	2,499	2,499
NET CHANGE IN FUND BALANCES	<u>1,255</u>	<u>(1)</u>	<u>(16,942)</u>	<u>2</u>	<u>927</u>	<u>(14,759)</u>
FUND BALANCES, beginning	<u>2,072</u>	<u>1</u>	<u>43,619</u>	<u>55</u>	<u>10,101</u>	<u>55,848</u>
FUND BALANCES, ending	<u>\$ 3,327</u>	<u>\$ -</u>	<u>\$ 26,677</u>	<u>\$ 57</u>	<u>\$ 11,028</u>	<u>\$ 41,089</u>

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FUDICIARY FUND

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

Year Ended June 30, 2011
(in thousands)

	Balance June 30, 2010	Additions	Deductions	Balance June 30, 2011
ELEMENTARY SCHOOL TOTAL	\$ 654	\$ 1,734	\$ (1,651)	\$ 737
MIDDLE SCHOOL TOTAL	184	489	(475)	198
ALTERNATIVE SCHOOL TOTAL	5	15	(12)	8
HIGH SCHOOL TOTAL	722	1,933	(1,885)	770
SPECIAL SITES TOTAL	<u>43</u>	<u>70</u>	<u>(67)</u>	<u>46</u>
TOTAL FUNDS HELD FOR STUDENT ACTIVITIES	<u>\$ 1,608</u>	<u>\$ 4,241</u>	<u>\$ (4,090)</u>	<u>\$ 1,759</u>
 SUMMARY-ACTIVITY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 1,608	\$ 4,241	\$ (4,090)	\$ 1,759
Capital assets, net	<u>69</u>	<u>-</u>	<u>(10)</u>	<u>59</u>
TOTAL ASSETS	<u>\$ 1,677</u>	<u>\$ 4,241</u>	<u>\$ (4,100)</u>	<u>\$ 1,818</u>
 LIABILITIES				
Due to Student groups	\$ 1,608	\$ 4,241	\$ (4,090)	\$ 1,759
Capital assets held for the benefit of student groups	<u>69</u>	<u>-</u>	<u>(10)</u>	<u>59</u>
TOTAL LIABILITIES	<u>\$ 1,677</u>	<u>\$ 4,241</u>	<u>\$ (4,100)</u>	<u>\$ 1,818</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, 2011
 (in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 650	\$ 650	\$ 278	\$ (372)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue Receipts	-	-	-	-
TOTAL REVENUES	<u>650</u>	<u>650</u>	<u>278</u>	<u>(372)</u>
EXPENDITURES				
Instruction	3,527	3,527	731	(2,796)
Support services	15,379	15,379	5,681	(9,698)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	87,378	87,378	1,006	(86,372)
Other	89	89	-	(89)
TOTAL EXPENDITURES	<u>106,373</u>	<u>106,373</u>	<u>7,418</u>	<u>(98,955)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(105,723)</u>	<u>(105,723)</u>	<u>(7,140)</u>	<u>98,583</u>
OTHER FINANCING SOURCES (USES)				
Bond issuances	<u>24,000</u>	<u>24,000</u>	<u>11,000</u>	<u>(13,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>24,000</u>	<u>24,000</u>	<u>11,000</u>	<u>(13,000)</u>
Net change in fund balances	<u>(81,723)</u>	<u>(81,723)</u>	<u>3,860</u>	<u>85,583</u>
FUND BALANCES, beginning	<u>81,723</u>	<u>81,723</u>	<u>81,682</u>	<u>(41)</u>
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,542</u>	<u>\$ 85,542</u>

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUNDS

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

Year end June 30, 2011
 (in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 32,870	\$ 32,870	\$ 32,520	\$ (350)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue Receipts	-	-	1,505	1,505
TOTAL REVENUES	<u>32,870</u>	<u>32,870</u>	<u>34,025</u>	<u>1,155</u>
EXPENDITURES				
Instruction	-	-	-	-
Support services	-	-	-	-
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	-	-	-	-
Other	36,071	36,071	32,808	(3,263)
TOTAL EXPENDITURES	<u>36,071</u>	<u>36,071</u>	<u>32,808</u>	<u>(3,263)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,201)</u>	<u>(3,201)</u>	<u>1,217</u>	<u>4,418</u>
OTHER FINANCING SOURCES (USES)				
Bond Premium	-	-	109	109
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>109</u>	<u>109</u>
Net change in fund balances	(3,201)	(3,201)	1,326	4,527
FUND BALANCES, beginning	<u>37,613</u>	<u>37,613</u>	<u>37,291</u>	<u>(322)</u>
FUND BALANCES, ending	<u>\$ 34,412</u>	<u>\$ 34,412</u>	<u>\$ 38,617</u>	<u>\$ 4,205</u>

BUDGETARY COMPARISON SCHEDULE - BUILDING FUND

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

Year end June 30, 2011
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 9,032	\$ 9,032	\$ 9,706	\$ 674
Intermediate sources	-	-	-	-
State sources	425	425	421	(4)
Federal sources	-	-	-	-
Nonrevenue Receipts	92	92	86	(6)
TOTAL REVENUES	<u>9,549</u>	<u>9,549</u>	<u>10,213</u>	<u>664</u>
EXPENDITURES				
Instruction	-	-	-	-
Support services	9,707	9,707	9,119	(588)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	-	-	-	-
Other	-	-	(61)	(61)
TOTAL EXPENDITURES	<u>9,707</u>	<u>9,707</u>	<u>9,058</u>	<u>(649)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(158)</u>	<u>(158)</u>	<u>1,155</u>	<u>1,313</u>
OTHER FINANCING SOURCES (USES)				
Lapsed appropriations	<u>250</u>	<u>250</u>	<u>-</u>	<u>(250)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>250</u>	<u>250</u>	<u>-</u>	<u>(250)</u>
Net change in fund balances	<u>92</u>	<u>92</u>	<u>1,155</u>	<u>1,063</u>
FUND BALANCES, beginning	<u>1,131</u>	<u>1,131</u>	<u>1,570</u>	<u>439</u>
FUND BALANCES, ending	<u>\$ 1,223</u>	<u>\$ 1,223</u>	<u>\$ 2,725</u>	<u>\$ 1,502</u>

BUDGETARY COMPARISON SCHEDULE - MAPS CONSTRUCTION BOND FUNDS

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

Year end June 30, 2011
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local sources	\$ 200	\$ 200	\$ 115	\$ (85)
Intermediate sources	-	-	-	-
State sources	-	-	-	-
Federal sources	-	-	-	-
Nonrevenue Receipts	-	-	-	-
TOTAL REVENUES	<u>200</u>	<u>200</u>	<u>115</u>	<u>(85)</u>
EXPENDITURES				
Instruction	200	200	280	80
Support services	3,000	3,000	2,663	(337)
Operation of noninstruction services	-	-	-	-
Facilities acquisition and construction services	25,220	25,220	20,321	(4,899)
Other	<u>1,000</u>	<u>1,000</u>	<u>1,369</u>	<u>369</u>
TOTAL EXPENDITURES	<u>29,420</u>	<u>29,420</u>	<u>24,633</u>	<u>(4,787)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(29,220)</u>	<u>(29,220)</u>	<u>(24,518)</u>	<u>4,702</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	(29,220)	(29,220)	(24,518)	4,702
FUND BALANCES, beginning	<u>29,220</u>	<u>-</u>	<u>33,221</u>	<u>33,221</u>
FUND BALANCES, ending	<u>\$ -</u>	<u>\$ (29,220)</u>	<u>\$ 8,703</u>	<u>\$ 37,923</u>

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report on Compliance and Other Matters and
on Internal Control Over Financial Reporting 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, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 27, 2012. Our report contained an explanatory paragraph describing the District's adoption of GASB Statement No. 54 in the year ended June 30, 2011. 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 2011-01 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 27, 2012.

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 27, 2012

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, 2011. 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, 2011.

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, 2011, and have issued our report thereon dated February 27, 2012. 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 27, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

YEAR ENDED JUNE 30, 2011

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	\$ -	\$ 375,447	\$ 375,447
Subtotal				-	375,447	375,447
U.S. Department of Agriculture						
School Breakfast Program, Child Nutrition	10.553	Department of Education	385	-	4,532,128	4,532,128
Child Nutrition Program - Commodity	10.555	Department of Human Services	060	-	921,048	921,048
National School Lunch Program, Child Nutrition	10.555	Department of Education	385	-	12,195,902	12,195,902
Child and Adult Care Food Program	10.558	Department of Human Services	769	-	18,671	18,671
Summer Food Service Program	10.559	Department of Education	766	-	114,714	114,714
Fresh Fruit/Vegetable Program	10.582	Department of Education	768	40,765	1,024,772	1,065,537
Subtotal				40,765	18,807,235	18,848,000
U.S. Department of Defense						
JROTC - National Guard Civilian Youth Opportunities	12.404	Department of Education	190	-	432,752	432,752
Subtotal				-	432,752	432,752
U.S. Department of the Interior						
Title VII, Johnson O'Malley	15.130	Department of Education	563	-	96,468	96,468
Subtotal				-	96,468	96,468
U.S. Department of Labor						
GED Transitional Program	17.258	Oklahoma Employment Security Commission	183	-	10,163	10,163
Subtotal				-	10,163	10,163
U.S. Department of Education						
Adult Education and Literacy	84.002	Department of Education	731	-	463,041	463,041
English Literacy/Civics	84.002	Department of Education	732	-	52,307	52,307
Adult Education Services to Corrections and Institutionalized Individuals	84.002	Department of Education	733	-	23,409	23,409
Title I, Part A, Basic	84.010	Department of Education	511	-	17,037,226	17,037,226
Title I, School Support	84.010	Department of Education	515	-	3,247,777	3,247,777
Title I, Federal Academic Achievement Awards	84.010	Department of Education	517	-	63,889	63,889
Title I, Part A, Neglected	84.010	Department of Education	518	-	395,851	395,851
Consolidated Administrative Fund	84.010	Department of Education	786	-	1,212,988	1,212,988
Title I, Part D, Local Delinquent Program	84.013	Department of Education	532	-	252,707	252,707
Discretionary PL 108-446, IDEA, Part B - Categorical	84.027	Department of Education	613	-	7,500	7,500
Discretionary PL 108-446, IDEA, Part B	84.027	Department of Education	621	-	6,995,625	6,995,625
Flow Through, PL 108-446, IDEA Part B Private Schools	84.027	Department of Education	625	-	36,524	36,524
Carl Perkins Secondary	84.048	Career & Technology Education	421	-	977,447	977,447
Carl Perkins Supplemental Grant	84.048	Career & Technology Education	424	-	42,827	42,827
Carl Perkins High Schools That Work	84.048	Career & Technology Education	426	-	350	350
Job Training - OJT	84.126	Department of Rehabilitation Services	456	-	7,556	7,556
Preschool, Ages 3-5 PL 108-446, IDEA Part B	84.173	Department of Education	641	-	136,323	136,323
Preschool, Private School, IDEA Part B	84.173	Department of Education	642	-	1,595	1,595
Title IV, Part A, Safe and Drug Free Schools and Communities	84.186	Department of Education	551	-	159,621	159,621

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

YEAR ENDED JUNE 30, 2011

Federal Grantor/Program	CFDA Number	Pass through Grantor	Project	Charter	OKCPS	TOTAL
				Expenditures	Expenditures	Expenditures
Title X, Part C, Education for Homeless Children and Youth	84.196	Department of Education	596	-	161,154	161,154
Title I, Part B, Evenstart	84.213	Department of Education	514	-	112,801	112,801
Eagle Ridge, PAT	84.310	Department of Education	771	-	162,095	162,095
Title II, Part D, Enhancing Education through Technology	84.318	Department of Education	546	-	105,677	105,677
Title II, Part D, Enhancing Education through Technology for Professional Development	84.318	Department of Education	548	-	1,562	1,562
Title I, Part B, Reading First	84.357	Department of Education	513	-	277,515	277,515
Title III, Part A, Immigrant Education Act	84.365	Department of Education	571	-	67,641	67,641
Achievement	84.365	Department of Education	572	-	915,322	915,322
Title II, Part A, Teacher and Principal Training	84.367	Department of Education	541	-	3,222,316	3,222,316
Title I, Supplemental School Improvement Grants	▲ 84.377	Department of Education	519	-	1,134,933	1,134,933
ARRA, Title I, 1003 G Supplemental	▲ 84.388	Department of Education	537	-	1,646,123	1,646,123
ARRA, Title I, Part A	▲ 84.389	Department of Education	516	-	9,757,294	9,757,294
ARRA, Title I, Local Delinquent Program	▲ 84.389	Department of Education	533	-	48,810	48,810
ARRA, Title I, Part A, Neglect	▲ 84.389	Department of Education	534	-	130,612	130,612
ARRA, IDEA Part B, Flow Through	▲ 84.391	Department of Education	622	-	5,491,156	5,491,156
ARRA, IDEA Preschool Part B	▲ 84.392	Department of Education	643	-	163,753	163,753
ARRA, Education Stabilization Fund	▲ 84.394	Department of Education	782	57,629	8,405,472	8,463,101
ARRA, Government Service Fund - Textbooks	▲ 84.397	Department of Education	787	-	1,830,700	1,830,700
Education Jobs Fund	▲ 84.410	Department of Education	790	-	7,151,181	7,151,181
Subtotal				57,629	71,900,680	71,958,309
U.S. Department of Health and Human Services						
Temporary Assistance for Needy Families	93.558	Department of Education	735	-	332,000	332,000
DayCare @ sites	* 93.558 93.575	Department of Human Services		-		
	93.596		na	-	105,207	105,207
Head Start Funds to Schools	93.600	Department of Commerce	691	-	113,928	113,928
Medicaid Resources	93.778	Health Care Authority	698	-	18,582	18,582
Subtotal				-	569,717	569,717
Corporation for National and Community Service						
Learn and Serve America, School-Based Programs	94.004	Department of Education	781	-	7,860	7,860
Subtotal				-	7,860	7,860
U.S. Department of Homeland Security						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Oklahoma Emergency Mangement	594	-	20,007	20,007
Subtotal				-	20,007	20,007
Total Federal Assistance				98,394	92,220,329	92,318,723

▫ 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 \$119,014. 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, 2011

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, 2011, the District provided the following Federal awards to Charter School subrecipients.

<u>Program</u>	<u>CFDA Number</u>	<u>Charter Expenditures</u>
Fresh Fruit/Vegetable Program	10.582	\$ 40,765
ARRA, Education Stabilization Fund	84.394	57,629
		<u>\$ 98,394</u>

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2011

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>
Fresh Fruit/Vegetable Program	10.582
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
State Fiscal Stabilization Cluster	84.394 and 84.397
Education Jobs Fund	84.410

Dollar threshold used to distinguish between type A and type B programs: \$2,769,562

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, 2011

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

See finding 2011-01.

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

None to report for the June 30, 2011 period.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2011

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2011

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

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

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2011

FINDING 2010-01

Employees are only paid for time worked. Any exception time (overtime, vacation, etc.) is supported by time reports and is reviewed and approved by the employee's supervisor. Payment for unused sick and vacation leave are calculated correctly.

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.

First, we noted one instance in which an employee was paid for more overtime hours than their approved time report reflected. We noted one instance where the time report was not reviewed by a supervisor. In nine other instances, we were not able to obtain time reports to verify the accuracy of overtime payments.

We also noted two instances where unused sick or vacation time payments were calculated incorrectly which led to under/over payments to employees.

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 HR department will go in and issue a blanket approval so that all employees will still get paid.

Sick leave and vacation leave calculations are prepared manually by the HR department. These calculations are not reviewed by a person other than the preparer.

Effect or Potential Effect

Employees are paid more or sometimes less than they have earned.

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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2011

FINDING 2010-01--Continued

We further recommend that all sick and vacation leave calculations are reviewed by the HR Director to ensure the accuracy of the calculation.

District's Response and Corrective Action Plan

Contact Person: Michael Shanahan, Senior Human Capital Officer

Action Plan to be Implemented:

- Supervisors will be held accountable for time approval. This will ensure that employees are only paid for time worked. A training session will be held for all supervisors.
- Principals, Central Office and Service Center Administrators have been or will be informed of the Audit Findings and trainings will be provided. Training will be conducted between now and June 30, 2011.
- Changes have been made in SAP to allow principals to see their total staff as opposed to just those taking leave.
- Request for overtime must be made to the supervisor and approved in advance. Supervisors will be held accountable for time approval. This will ensure that employees are only paid for time worked. Signed time sheets serve as documentation of hours worked. Overtime payments will not be made without the supervisor's signed approval.
- Human Capital staff will no longer approve time in the absence of a supervisor's or designee's approval. Exception time will only be approved by the employee's supervisor or designee. This change will be effective on July 1, 2011 to allow for training and communication to all staff between now and that time.
- For resigned employees, eligible leave payouts and/or retirement incentives will be processed per appropriate Collective Bargaining Agreement, Board of Education Policy and relevant State Law, with all calculations documented and reviewed. A monitoring procedure and checklist is being developed with a requirement of two signatures.

TRAINING/COMPLETION/CORRECTION DATE: June 30, 2011

IMPLEMENTATION DATE: July 1, 2011

Current Status

Similar findings were noted in the current year. See Finding 2011-01.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2011

FINDING 2010-02

Program

ARRA, IDEA Part B, Flow Through – CFDA No. 84.391

Specific Requirement

The District must report specific vendor information to the Oklahoma State Department of Education (OSDE), by American Recovery and Reinvestment Act of 2009 funding source, for every vendor that the District has paid \$25,000 or more in a single payment in a given quarter. The OSDE in turn, is required to report that information to the Federal Government.

Condition

Specific vendor information for one vendor, paid approximately \$215,000, was not reported to the OSDE.

Questioned Cost

\$0

Context

Total expenditures for this program were \$3,598,000. This specific reporting requirement is only applicable to vendors paid \$25,000 or more. Of the expenditures selected for testing, vendor information was required to be reported for six vendors. Information for one of the six was not reported.

Effect

The District did not comply with the federal program reporting requirement.

Cause

A secondary review of the quarterly reports is not performed to ensure vendor information is reported for all required vendors.

Recommendation

We would recommend that the quarterly vendor information reports are reviewed by a person other than the person preparing the report to ensure that all vendor information is properly included for vendors paid \$25,000 or more.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS--Continued

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89

OKLAHOMA CITY PUBLIC SCHOOLS

Year Ended June 30, 2011

FINDING 2010-02-- Continued

Districts Response and Corrective Action Plan

The ARRA Vendor Report will be reviewed and approved by Director of Budget prior to certification of quarterly report. The corrective action plan is in place for FY11, started for the quarter ending March 31, 2011. There will be a file maintained like other grants for review by internal or external examiner.

Current Status

No similar findings were noted in the current year.

OTHER INFORMATION

SCHEDULE OF SURETY BONDS

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

June 30, 2011

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 2011:

Effective 07/01/2010 through 06/30/2011
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
Minute Clerk/Board Clerk	1597454	\$ 750,000
Encumbrance Clerk/Director of Financial Mgmt.	1597454	\$ 750,000
Assistant Encumbrance Clerk/Executive Director of Finance	1597454	\$ 750,000
Executive Director of Related Services	1597454	\$ 750,000
Sr Human Resources Officer/Board Clerk/Board Minute Clerk	1597454	\$ 750,000
Director of Purchasing	1597454	\$ 750,000
Petty Cash Custodian	1597443	\$ 2,500
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 ENROLLMENT

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

June 30, 2011

Charter School enrollment for the year ended June 30, 2011 was as follows:

	<u>Membership</u>
Independence Charter Middle School	299
Justice A.W. Seeworth Academy	452
Western Village Academy	330
ASTEC Charter MS & HS	936
Dove Science Academy	456
Dove Elementary	305
Santa Fe South High School	552
Santa Fe South Junior High School	382
Harding Charter Preparatory High School	459
Harding Fine Arts Center	281
Marcus Garvey Leadership Charter School	188
KIPP	<u>276</u>
Total	<u><u>4,916</u></u>

ENTERPRISE SCHOOL ENROLLMENT

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

June 30, 2011

Enterprise School enrollment for the year ended June 30, 2011 was as follows:

Enterprise School	Enrollment
Columbus	664
Belle Isle	450
Total	<u>1,114</u>

MAPS MANAGEMENT FEES

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

June 30, 2011

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
Total	<u>\$ 4,802</u>	<u>\$ 1,124</u>	<u>\$ 5,926</u>

SCHEDULE OF MAPS SALES TAX FUNDED TRANSFERS AND CLASSIFICATION

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

June 30, 2011

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-0010	Edgemere Renovation/Addition	147
ES-T030	Adams Network Equipment/Phones - revision	(20)
ES-T034	Mark Twain Network Equipment/Phones - revision	(1)
ES-T030	Kaiser Furniture, Fixtures & Equipment	92
ES-T012	Heronville Renovation	238
ES-T022	N. Highland Furniture	83
ES-T042	Edwards Furniture	53
ES-001	MLK Main Building	82
ES-0037	Stand Watie Furniture	92
ES-T024	Edgemere Network Equipment/Phones	42
ES-0013	Gatewood Renovation	179
ES-0023	Adams Renovation	4,771
ES-0027	Mark Twain Renovation	11
ES-0029	Quail Creek Renovation	27
ES-0045	Dunbar Renovation	60
ES-011	Bodine Renovation	66
ES-015	Wilson Renovation	4,942
ES-018	Cesar Chavez Renovation	12,246
ES-021	Britton Renovation	5,180
ES-022	N. Highland Renovation	4,659
ES-028	Putnam Heights Renovation	3,835
ES-030	Kaiser Renovation	5,569
ES-031	Hoover Renovation	4,779
ES-032	Coolidge Renovation	5,244
ES-037	Stand Watie Renovation	4,989
ES-038	Shidler Renovation	3,330
ES-039	Nichols Hills Renovation	2,709
ES-040	Green Pastures Renovation	3,887
ES-041	Pierce Renovation	3,531
ES-042	Edwards Renovation	2,981
ES-043	Hillcrest Renovation	3,581
ES-077	SEHS Renovation	6,626
ES-T037	Desktop Computers	2,424
	Total Transferred in FY 2011	86,434
	Total Transferred in FY 2004 - FY 2010	76,648
	Total transferred through June 30, 2011	<u>\$ 163,082</u>
	Total Technology	\$ 20,032
	Total Other Construction/FFE etc.	134,227
	Total Transportation	8,823
		<u>\$ 163,082</u>

OKLAHOMA COUNTY SCHOOL DISTRICT NO. I-89
OKLAHOMA CITY PUBLIC SCHOOLS
SCHEDULE OF ACCOUNTANTS' PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
Year Ended June 30, 2011

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, 2011.

Cole & Reed, P.C.



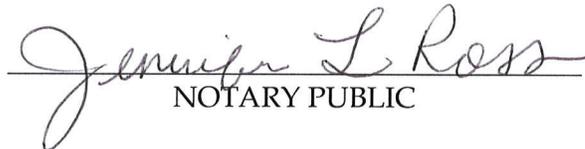
Signature of Authorized Agent

Michael J. Gibson

Printed Name of Authorized Agent

Subscribed and sworn to before me on this

1st Day of March, 2012



NOTARY PUBLIC

My commission expires on:

17 Day of September, 2015

Commission No. 07008593

