



T U L S A

PUBLIC SCHOOLS

Tulsa Public Schools
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012



Excellence and High Expectations with a Commitment to All

**INDEPENDENT SCHOOL DISTRICT NO. I-1,
TULSA COUNTY, OKLAHOMA**

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INDEPENDENT SCHOOL DISTRICT NO. I-1,
TULSA COUNTY, OKLAHOMA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

*Prepared by the
Department of Financial Services*

Tulsa Public Schools does not discriminate on the basis of race, religion, color, national origin, sex, sexual orientation, disability, genetic information, veteran status, marital status or age in its employment, programs and activities and provides equal access to the Boy Scouts and other designated youth groups.

The following person has been designated to handle inquiries regarding Tulsa Public Schools' non-discrimination policies:

*Dr. Pauline Harris, Human Rights Coordinator
Tulsa Public Schools Human Capital Department
3027 South New Haven Avenue
Tulsa, Oklahoma 74114-6131
918-746-6517*

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TULSA PUBLIC SCHOOLS
2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION



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Board of Education

President

Brian Hunt, President (through February 2012)
Gary Percefull, President (March 2012 through Current)

Members

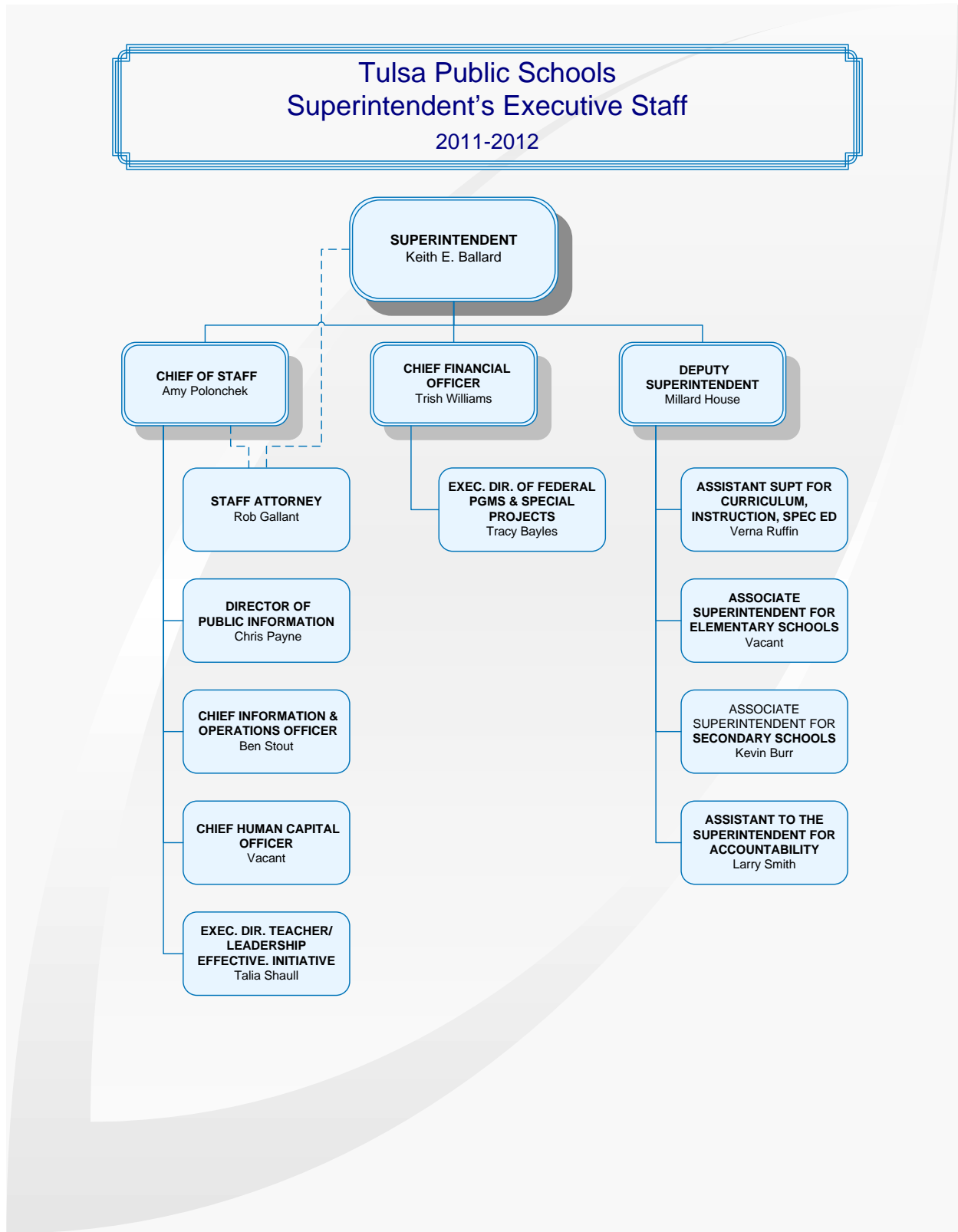
Lana Turner-Addison, Ed.D.
Anna America
Oma Jean Copeland
Ruth Ann Fate
Leigh Goodson
Lois Jacobs

Keith E. Ballard, Ed.D.
Superintendent

Patricia K. Williams
Chief Financial Officer

George P. Stoeppelwerth
Director of Finance
Treasurer

Janet L. Jamison, CPA
Director of Accounting
Encumbrance Clerk



Keith E. Ballard, Ed.D. (Superintendent)



Before becoming the Superintendent of Tulsa Public Schools in 2008, Dr. Keith Ballard was Executive Director of the Oklahoma State School Boards Association (OSSBA). He has more than 40 years of service in public education. Dr. Ballard began his educational career in 1972 as a teacher in Coweta Public Schools. He moved to Oologah, Oklahoma, in 1974 where he taught and served in several administrative positions including Superintendent from 1986 until 1992. Dr. Ballard then moved to Claremore where he served as Superintendent of Claremore Public Schools before assuming the position with OSSBA on January 1, 2000.

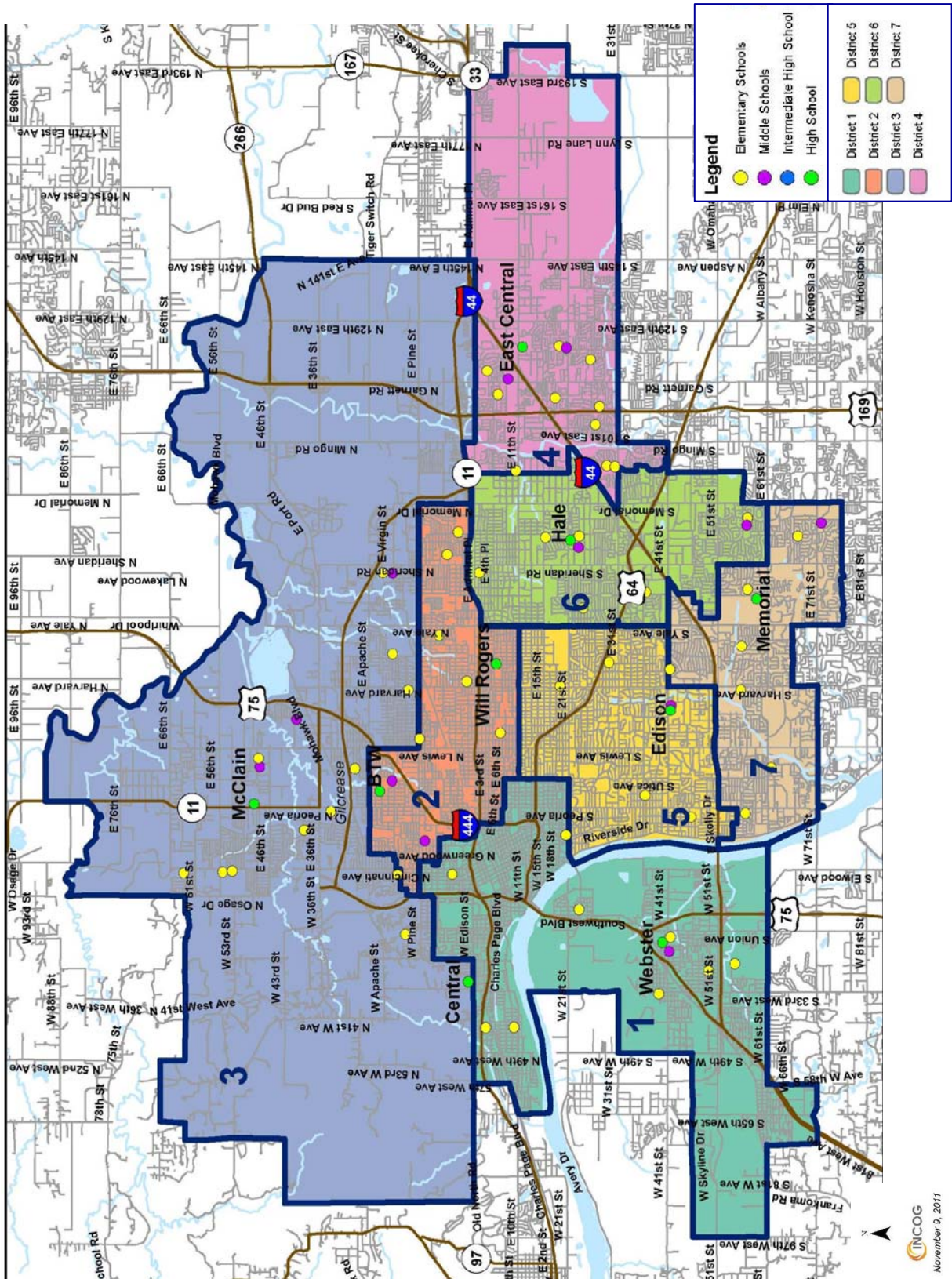
He holds a Bachelor of Arts Degree in Psychology and Speech from Fort Hays State University in Hays, Kansas; a Master's Degree as a Reading Specialist from Northwestern Oklahoma State University in Alva, Oklahoma; and a Doctorate in Educational Administration from Oklahoma State University in Stillwater, Oklahoma. Dr. Ballard has served as an adjunct professor of school law for Southern Nazarene University, Tulsa and Oklahoma City branches, and Oral Roberts University in Tulsa.

He currently serves as a professor in Educational Leadership at the University of Oklahoma, but is on a leave of absence while serving as Superintendent of Tulsa Public Schools. In addition, Dr. Ballard currently serves on the State Superintendent's Advisory Council and is past chairman of the Oklahoma Education Coalition and of the Oklahoma Educational Technology Trust. He served on the United Suburban Schools Association Executive Committee where he was the 1996-97 president and was on the executive committee of the Oklahoma Association of School Administrators where he served as president in 1997-98. Dr. Ballard has served on the American Association of School Administrators and the National School Boards Association Liaison Committee representing executive directors on the National School Boards Association (NSBA) Board of Directors.

Dr. Ballard has also been active for several years with the Oklahoma State Legislature regarding educational issues. He meets regularly with key legislators and other state leaders to help shape educational legislation and policy. Dr. Ballard has served on several committees to study statewide educational issues including School Funding Formula, All-Day Kindergarten, Mid-term Adjustment, Hold-Harmless, Gifted and Talented, and English as a Second Language.








Dr. Ballard has been honored as being named one of NSBA's "Executive Educator 100" in 1988, "Who's Who in American Education" and "Who's Who Among Top Executives." Dr. Ballard was named COOSA District 5 Administrator of the Year for 2010. He has also been asked to serve as a juror for the 2011 Brock International Prize in Education. Dr. Ballard was inducted into the Oklahoma Educator's Hall of Fame in 2011. In August 2012, he received the State Superintendent's Award for Tulsa's CareerTech programs for outstanding achievement in the delivery of career and technology education in comprehensive schools. In 2011, he was inducted into the Oklahoma Educators Hall of Fame, and he was named "Tulsan of the Year" by TulsaPeople magazine in the January 2012 issue. Dr. Ballard recently accepted the Innovative Schools Award at the Big Picture Principals Conference in San Diego, as well as the Excellence in Educational Leadership Award by the University Council for Educational Administration.

Tulsa Public Schools
Board Member Districts



INTRODUCTORY SECTION: BOARD MEMBER PROFILES

Color Legend for Board Member Districts Map

	District 1 – Gary Percefull		District 5 – Leigh Goodson
	District 2 – Oma Jean Copeland		District 6 – Ruth Ann Fate
	District 3 – Lana Turner-Addison		District 7 – Lois Jacobs
	District 4 – Anna America		



Back: Ruth Anne Fate, Brian Hunt, Lois Jacobs, Gary Percefull
Front: Anna America, Lana Turner-Addison, Oma Jean Copeland
Not Pictured: Leigh Goodson who replaced Brian Hunt whose term expired February 2012

District 1 – Gary Percefull

Mr. Percefull was elected to the Board of Education in February 2003. His term will expire February 2015. Mr. Percefull is president of a Tulsa public relations firm, The Scissortail Group Ltd. The company, based in a renovated house along Historic Route 66 in southwest Tulsa, specializes in events, media relations and government affairs. Mr. Percefull previously was employed at the Tulsa World. He is a graduate of Tulsa Memorial High School (Class of 1972) and the University of Oklahoma where he earned a bachelor's degree in journalism. He is an active volunteer with several community organizations and initiatives. He serves on the boards of the Community Service Council of Greater Tulsa and the Southwest Tulsa Chamber of Commerce, and the steering committees of the East Tulsa Prevention Coalition and Tulsa Volunteer Center. He is past president of the Riverview Neighborhood Association. The Scissortail Group is a Partner in Education/Adopt-A-School partner with Park Elementary School and Mr. Percefull mentors students through the Going-to-Bat for Tulsa Kids program. Schools in Mr. Percefull's election district include ECDC Porter; Chouteau, Emerson, Eugene Field, Lee, Park, Remington, Robertson and Mark Twain Elementary Schools; Clinton Middle School; Central Junior High; and Central and Webster High Schools.

District 2 – Oma Jean Copeland

Mrs. Copeland was elected to the Board of Education February 2005. Her term will expire February 2013. Mrs. Copeland is a graduate of Booker T. Washington High School and currently serves as the vice present of the 1967 alumni class. She graduated from the Hillcrest Medical Center School of Radiology. Mrs. Copeland has been an employee of the Cedant Corporation for the past 24 years. Schools in Mrs. Copeland's election district are Burroughs, Kendall-Whittier, McKinley, Mitchell, Owen, Sequoyah and Springdale Elementary Schools; Carver Middle School; and Will Rogers College High and Booker T. Washington High School.

District 3 – Lana Turner-Addison, Ed.D.

Dr. Turner-Addison was elected to her post in April 2005. Her term will expire February 2013. Dr. Turner-Addison earned an Associate Degree at Oklahoma Junior College; has a Bachelor's Degree in Accounting, a Master's Degree in Urban Education from Langston University, and an Ed.D. in Occupational/Adult Education from Oklahoma State University. She was formerly employed at OSU-Tulsa as the Community Relations Manager and is currently working at the City of Tulsa as the Director of Human Rights. She also owns and operates Business & Bookkeeping Services, Inc. Dr. Turner-Addison is a Leadership Tulsa graduate. She has served as Board Chair for Rotary Club of North Tulsa and is the Public Relations Chair for the Martin Luther King Commemorative Society and Chair of the North Tulsa Economic Development Initiative. She has extensive experience and involvement working with community organizations and Tulsa school children at McLain High School for Science and Technology, Sam Houston, Academy Central, Roosevelt Elementary and Madison Middle schools. In addition, she is involved and/or volunteers with CARA, YMCA, Modern Woodsmen of America, Salvation Army North Mabee Center, Urban League, Tulsa Talks, Junior Achievement and Going to the Arts for Tulsa Kids. Schools in Dr. Turner-Addison's election district include ECDC Bunche; Academy Central, Anderson, Celia Clinton, Gilcrease, Hamilton, Hawthorne, Jackson, Penn, and Whitman Elementary Schools; Dual Language Program; Monroe Demonstration School; McLain Junior High; Central and McLain High Schools.

District 4 – Anna America

Anna America was elected to serve District 4 in February 2010. Her term will expire in 2014. A graduate of the University of Tulsa, Anna began her career as a reporter for The Tulsa Tribune. She worked for two decades as a journalist, writer, editor and communications consultant – including a two-year-stint in Washington D.C. before coming back home to Tulsa where she worked in the administration of former Tulsa Mayor Kathy Taylor. Since 2007, Anna has been executive director of Up With Trees, a Tulsa non-profit promoting urban forestry education that has planted some 25,000 trees in the Tulsa area. A long-time community volunteer, she is a Girl Scout troop leader and has served as a volunteer for Habitat for Humanity and Meals on Wheels. Schools in Anna America's election district include ECDC Reed; Columbus, Cooper, Disney, Kerr, Lewis & Clark, Lindbergh, Peary, and Skelly Elementary Schools; East Central Junior High; and East Central High School.

District 5 – Leigh Goodson

Ms. Goodson's term will expire February 2016. Leigh B. Goodson is Vice President for Research and Institutional Advancement and School Head/Associate Professor, Health Care Administration for OSU Tulsa and OSU Center for Health Sciences. As vice president for research, Leigh oversees the Office of Research and Sponsored Programs. Leigh works closely with the OSU administration regarding state government relations and makes frequent trips to Oklahoma City and Washington, D.C. to foster relationships with state and national legislators. As an active member of the community Leigh serves on the YMCA of Greater Tulsa Metro Board of Directors, YMCA Camp Takatoka Advisory Board, the Center

INTRODUCTORY SECTION: BOARD MEMBER PROFILES

for Legislative Excellence and is also a parent volunteer for Tulsa Public Schools. Leigh is a graduate of Leadership Oklahoma (Class of 2010) and Leadership Tulsa, and has a Ph.D. in Educational Research and a B.A. in Political Science from OSU Stillwater, OK and an M.S. in Organizational Communication from Fort Hays University, Fort Hays, Kansas. Leigh is a native of Tulsa, OK. Schools in Ms. Goodson's election district include Eisenhower International, Eliot, Lanier, and Wright Elementary Schools; Mayo Demonstration School; and Edison Preparatory School.

District 6 – Ruth Ann Fate

Ms. Fate was first elected to her post in April 1996. She served as president of the Board of Education from February 1999 through February 2002. Her term will expire February 2016. She is a life-long Oklahoman, graduating from high school in Miami, Oklahoma, and attending Oklahoma University. Ms. Fate is a charter member of Bethany Christian Church (Disciples of Christ) and a founding member of the Bethany Community pre-school where she taught for ten years. An involved community volunteer, Ms. Fate is on the Board of Trustees for the National Conference for Community and Justice and currently serves as a Docent for the Philbrook Museum of Art. She served as the president of that organization during 1993 and 1994. Ms. Fate is now a trustee of the Philbrook Museum Board, is the past president and a member of the Board of Arts and Humanities Council, is the president of OU College of Education Board of Advocates, is an advisory board member for the Center for Counseling and also for the Tulsa Arboretum and serves on the Phillips Theological Seminary board. Schools in Ms. Fate's election district include Bell, Hoover, Jones, MacArthur, Phillips and Salk Elementary Schools; Zarrow International School; Hale and Memorial Junior High Schools; and Hale High School.

District 7 – Lois Jacobs

Lois Jacobs was elected to serve District 7 in February 2010. Her term will expire in 2014. Dr. Jacobs completed her B.S. Pharm D.D.S. at the University of Iowa. She completed her residency in Anesthesiology at the University of Iowa Hospital and Clinics, Iowa City, Iowa and completed her Pharm D at Oklahoma University. She was Director of Dental Anesthesiology at Oral Roberts University holding joint appointments in the colleges of Dentistry and Medicine. Dr. Jacobs has lectured at numerous professional seminars and prepared and written test questions for national boards. She has taught numerous clinical courses approved by the Oklahoma State Board of Dentistry. Schools in Dr. Jacob's election district include Carnegie, Grimes, Grissom, Patrick Henry, Key, Marshall, and McClure Elementary Schools; Thoreau Demonstration Academy; and Memorial High School.



December 17, 2012

To the Board of Education Members and the
Citizens of the Independent School District No. I-1, Tulsa County:

The Comprehensive Annual Financial Report (CAFR) of the Independent School District No. I-1, Tulsa Public Schools, ("District"), for the fiscal year ended June 30, 2012, is hereby submitted. The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position as well as the financial condition of the District. Disclosures necessary to enable the reader to gain understanding of such financial operations have been included. The Management's Discussion and Analysis (MD&A) section provides a brief overview of these financial reports. This transmittal letter is designed to be read in conjunction with the MD&A.

Oklahoma Public School Audit law (Title 70-22-101) requires the District to submit an annual report of the financial records and transactions audited by independent certified public accountants. This document is submitted in fulfillment of that requirement. An audit was also conducted to meet the requirements of the Federal Single Audit Act and related Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

The role of the auditors is to audit the financial statements to determine if the basic financial statements are free of material misstatements and to assess the accounting principles followed. Based on their findings, they express an opinion on the fairness of the statements and disclose any material weaknesses. Responsibility for the accuracy and completeness of the data presented, as well as the fairness of presentation of this report, rests with District management.

PROFILE OF THE TULSA PUBLIC SCHOOLS

The District is a corporate body for public purposes created under Title 70 of the Oklahoma statutes and accordingly, is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on support from the state of Oklahoma. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education, which is composed of seven elected members who serve four year terms. The appointed superintendent is the executive officer of the District. The District is fully accredited by the Oklahoma Department of Education and by the North Central Association.

Tulsa Public Schools is a 173 square mile school district serving the city of Tulsa, the county seat of Tulsa County and the surrounding area in Tulsa, Creek, Osage and Wagoner Counties. The Tulsa Metropolitan Area (MSA) supports a population of 929,015 (2009). Approximately 94 percent of the District is located

INTRODUCTORY SECTION: LETTER OF TRANSMITTAL

inside the city limits of the city of Tulsa, Oklahoma. The remaining six percent lies in surrounding portions of Tulsa, Creek, Osage and Wagoner Counties.

Tulsa was first settled in the 1830's by the Lachapoka Band of the Creek Native American tribe. For most of the 20th century, the city held the nickname "Oil Capital of the World" and played a major role as one of the most important hubs for the American oil industry. Tulsa, along with several other cities, claims to be the birthplace of U.S. Route 66 and is also known for its Western Swing music.

Tulsa Public Schools is the second largest public school district in the state of Oklahoma, with an enrollment (ADM) of 40,133 students (excluding approximately 275 charter school students) in fiscal year 2011-12. The District is projecting a slight increase in student enrollment to 40,434 in 2012-13.

As of June 30, 2012 the District employs 6,845 employees of which 2,868 are certified teachers and 204 are certified administrators and 3,747 are support personnel and 26 are support administration. In addition, an estimated 5,000 volunteers offer their services to the District.

Tulsa Public Schools provides early childhood (pre-kindergarten for four-year old students), primary (kindergarten through 3rd grade), elementary schools (grades 4-5), middle schools (grades 6-8) and high schools (serving grades 9-12).

During FY 2011-12 programs were delivered through 54 elementary schools, 12 middle/junior high schools, and 9 high schools plus 10 alternative school sites. The District contracted with one charter school, Tulsa School for the Arts and Sciences, during this time. In addition, eight early childhood programs are delivered at school sites operated by not-for-profits or partnerships with county agencies working in cooperation with the District.

Program delivery occurs during the regular school calendar of 177 days (or 1,105 hours) of instruction annually with six elementary schools currently following a Continuous-Learning Calendar (CLC) schedule which distributes these days/hours through a 12-month calendar instead of the traditional 9-month calendar. The District also delivers programs through evening school operating year round and through summer school. During 2010-11, the District launched a virtual academy for secondary students. By the end of 2011-12, 220 students were receiving instruction through this method of delivery. At this writing, 235 students are enrolled in the on line program.

ECONOMIC OUTLOOK

The 2008 recession began affecting Oklahoma during the second half of the 2008-09 fiscal year with final revenue collections at \$617.3 million, or 20.1% below the estimated revenue projections. During 2009-10 Oklahoma experienced consistent shortfalls in monthly revenue collections, ending the year with collections 17% (or \$945 million) below the previous year and 15.1% (or \$815.7 million) below estimate. Fortunately, state revenues began a partial recovery during 2010-11. Final general revenues for the state during 2010-11 were \$5.138 billion, an increase of 10.5% from FY 2010, but still 16.5% below FY 2008. The effects of the recession were exacerbated by a continued phase-in of tax cuts and the growth of tax exemptions.

During FY 2011-12 the State collected approximately \$10.9 billion, primarily from net income taxes and sales taxes. All major revenue categories grew from prior year levels with sales tax revenues increasing 8.7% and motor vehicle taxes ending the year 8.2% above 2011. Only gross production taxes on gas and oil declined by \$81.4 million or 8.3% below 2011 collections.

Oklahoma voters approved the creation of a state lottery in 2004. In 2011-12, the State's lottery games were forecasted to collect total proceeds of \$198 million. From these revenues, \$63.1 million was estimated to be transferred to the Oklahoma Education Lottery Trust Fund, with \$35.3 million dedicated to support common education.

INTRODUCTORY SECTION: LETTER OF TRANSMITTAL

The City of Tulsa General Fund revenue collections in 2012 totaled \$253.7 million, compared with \$243.4 million in 2011. Sales taxes, the largest source of revenue for the City, increased by 9.7% or \$19.3 million in 2012.

The City of Tulsa serves as one of the State's two main economic centers. The City has a highly diversified economy which includes health care, aerospace manufacturing, airline maintenance, and higher education, in addition to being a continued core of the oil and petroleum-related industries.

Despite the indications of a slow economic recovery, the Tulsa area had an unemployment rate of 5.5% in September 2012. The Tulsa Metropolitan Area unemployment rate continues to be about 2% below the national rate. Oklahoma's unemployment rate continues to be around the 7th lowest in the nation.

State revenue collections for 2012-13 are projected to decline slightly, as total appropriations decreased 3.8% to \$6.8 billion from FY 2011-12. Appropriations for common education are essentially flat. Most state agencies in Oklahoma have experienced funding reductions of at least 20 percent over the last four years.

MAJOR INITIATIVES

During FY 2011-12, the Board of Education and administrative staff worked closely together on a number of school improvement initiatives, despite the state's continuing economic uncertainty. Anticipating an initial budget \$7.7million (2.4%) less than the prior year, the District anticipated the loss of ARRA Stabilization, Title I and IDEA funds. A reduction in state aid of \$5.1 million in formula aid and \$2.3 million in flex benefit allowance were also incorporated into the original budget for the year. Major initiatives during the year included continuation of the Project Schoolhouse plan, Teacher and Leader Effectiveness (TLE), and the district's first Teach for America (TFA) Summer Institute.

Project Schoolhouse (PSH), launched in January 2011, was designed to address under-enrolled schools, examine curriculum offerings, and ultimately develop a recommendation concerning the number of buildings and grade configurations for the Superintendent and Board approval. The existing array of 90 buildings was compared to the arrangement in 1952, when the district also had about 41,000 students but only 56 buildings. As a result, the district had evolved into a system of schools with significant variations in educational quality, equity, and cost effectiveness.

Data was analyzed according to ten measures ("lenses") including: demographics, facility utilization rates, academic performance, physical plant, location, program considerations, other community services, culture, safety, and other legal obligations or restrictions. Based on the analysis of the data, three proposals were developed for the consolidation and closing of schools. After further review and input from the community, the final recommendation was approved by the Board of Education on May 4, 2011. The final plan called for the closing of 14 buildings with an estimated savings of \$5.2 million. Under the plan, vacant seats within TPS were reduced from 10,440 to 4,521. Grade level reconfigurations expanded elementary schools to PK-6, and secondary schools to grades 7-12. During the summer of 2011, district work crews moved furniture, equipment, and instructional materials to accommodate the needs of students in time for the start of the 2011-12 school year. As part of Project Schoolhouse, an estimated 7,200 families were redistricted as a result of boundary changes, 300 teachers reassigned, and countless textbooks, library books, computers, and furniture items were moved. Additional changes across the District included: changed bell times, mandatory uniforms for all elementary, middle and junior high students, new bus routes, elementary schools that incorporate 6th grade, incorporating 7-8 grade in several high school buildings, and many construction projects and building improvements that were necessary to accommodate the new grade level configurations. Savings from Project Schoolhouse for 2011-12 were estimated at \$2.7 million.

The second major district initiative for 2010-11 actually began in 2009, when the district began work on the Teacher and Leader Effectiveness initiative as part of a proposal for a Gates Foundation Grant. Although TPS was not successful in obtaining the grant, the district has aggressively pursued other

INTRODUCTORY SECTION: LETTER OF TRANSMITTAL

funding opportunities, including federal, state, and nonprofit foundations. The district continues to refine the plan and identify sustainable sources of funding. The Teacher and Leader Effectiveness Initiative (TLE) involves four interrelated initiatives: set and assess standards of effectiveness, deploy and motivate effective teachers and leaders, develop data-driven professional development, and attract high potential teacher and leader candidates. TPS has adopted Student Achievement as one of the five core goals in the new Strategic Plan, and effective teachers and leaders are an essential component of this goal. During 2010, an evaluation rubric was designed in collaboration with the teacher's union using current research and best practices that support professional competencies. The final rubric features 20 observation and evaluation indicators, with a scale ranking of 1 (Ineffective) to 5 (Superior). Rubrics were also developed for non-teaching certified staff such as counselors, deans, librarians, nurses, etc. Finally, the system also includes a performance evaluation component for Principals and Assistant Principals. The entire system is aligned with the district's Strategic Plan and Oklahoma Senate Bill 2033, which requires a state wide evaluation system to be in place by 2012-13. Tulsa's TLE system has attracted national attention, and has been adopted by more than 500 school districts within the state of Oklahoma.

During March 2010 the district proposed to voters a 5-year series bond issue. A Citizen's Bond Development Committee worked to develop each of the ballot proposals, with the goals of maintaining a level debt service millage rate and selecting building projects based on the physical condition of the building in question and classroom needs due to shifting populations. The final \$354 million proposal included four separate ballot initiatives: (1) facilities construction, improvements, and renovations, (2) library books, learning materials, and building additions, (3) textbooks, classroom learning materials and technology, and (4) transportation. All four proposals passed with over 70% approval. Finally, a Citizens' Oversight Committee is charged with monitoring bond projects and funding.

During FY 2008-09, TPS applied for, and was accepted as a Teach for America (TFA) district. Patterned after the Peace Corps, TFA recruits students from the top colleges and universities across the country to accept two-year teaching assignments in urban schools. TPS was originally awarded placement of 50 TFA teachers, and the local philanthropic community agreed to sponsor an additional group of approximately 25 new teachers. In early 2011, TFA announced plans to locate their Summer Institute in Tulsa. The Institute provided intensive training to 650 new TFA recruits from across the country and 180 veteran TPS teachers, and provided summer school programming for almost 5,300 TPS students at seven elementary and three secondary sites.

Tulsa Public Schools continues to develop and promote four magnet high schools, created from a \$12 million federal grant received in 2008. These high schools include Central (Fine and Performing Arts), Hale (Restaurant, Lodging, and Health Management), McLain (Science and Technology), and Webster (Broadcasting and Digital Media). These new learning environments are designed to provide students with hands-on, real world learning experiences that integrate traditional subjects with specialized curricula.

Other magnet schools include three middle schools (Carver, Monroe and Thoreau), and four elementary schools (Mayo, Eisenhower, Dual Immersion (located at Monroe) and Zarrow), three of which are language immersion schools wherein students are taught in French or Spanish. Other special programs offered include Special Education, Gifted and Talented Education, and English Language Learner programs.

Magnet programs are housed at Edison Middle School and three high schools (Washington, Memorial, and Edison). These schools/programs of choice are either admission by application or are open-enrollment for any interested student. Over subscription is addressed through the use of a lottery.

STRATEGIC PLANNING

“Excellence and High Expectations with a Commitment to All” is the District Vision Statement. Our Mission is “to provide a quality learning experience for every student, every day, without exception.” In March of 2011, the Board of Education approved a new 2010-2015 Strategic Plan to reflect the new Vision and Mission Statements. Within the Strategic Plan, the District has adopted the following core goals:

Core Goal 1: Student Achievement – Each student will meet or exceed state and national standards by demonstrating mastery of a rigorous curriculum that provides a foundation for success in career readiness or college preparedness and beyond.

Core Goal 2: Teacher and Leader Effectiveness – Assure that Tulsa Public Schools has an effective teacher in every classroom, an effective principal in every building and an effective employee in every position.

Core Goal 3: Performance-Based Culture – Create an environment for sustainable performance improvement and accomplishment of the District’s Vision, Mission, Core Goals, and Core Beliefs.

Core Goal 4: Financial Sustainability – Seek, organize, and optimize resources for improved academic results.

Core Goal 5: Safe and Secure Schools – Ensure the safety and security of all students and staff throughout the District.

In addition, the Board of Education has adopted the following Core Beliefs:

- Effective leaders and classroom teachers have a profound impact on children’s lives.
- All children can learn and TPS can close the achievement gap.
- TPS can be an efficient, effective, performance-based organization.
- Community collaboration is fundamental to achieving and sustaining excellence.
- TPS should provide a safe, healthy learning environment for students and staff.

AWARDS

In 2012, the Financial Services Department received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers’ Association (GFOA) for the June 30, 2011 Comprehensive Annual Financial Report (CAFR). To receive the Certificate of Achievement for Excellence, applicants must prepare a CAFR that meets rigorous program standards as well as generally accepted accounting principles and applicable statutory requirements. We believe that the CAFR for the year ended June 30, 2012 conforms to the Certificate of Achievement program requirements, and will submit this report to GFOA for review.

The Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting was also awarded for the June 30, 2011 Comprehensive Annual Financial Report (CAFR). This award recognizes school districts that produce a CAFR meeting the principles and standards of financial reporting as adopted by ASBO. We believe that the CAFR for the year ended June 30, 2012 meets these requirements, and will submit this report to ASBO in application for this esteemed award.

REVENUES

Tulsa Public School's 2011-12 General Fund revenue totaled \$321.5 million. The primary funding source was the State of Oklahoma, with State revenue comprising 51 percent of the total, or \$164.9 million. Local and intermediate sources represented 30 percent of total revenue collections. Ad valorem tax revenue totaled \$84.1 million. Federal program revenue totaled \$59 million, representing 18 percent of total revenue.

Ad valorem tax revenues account for 94 percent of the Building Fund revenue and total \$11.3 million.

Child Nutrition Fund collects 81 percent of fund revenues from the Federal Nutrition Program, administered through the U.S. Department of Agriculture. Eighty-seven percent of students participate in the free and reduced price lunch program.

BOND FUNDS

Tulsa Public Schools has strong community support. Since 1996, voters have approved bonds totaling \$860.4 million for new facilities, technology, media centers, school buses and textbooks for all students. The District's bonds are rated by both Moody's (Aa2) and Standard & Poor's (AA).

The District continues to follow a 20 year Capital Improvement Plan developed in 1994 at the request of and with the input of the Citizen's Bond Development Committee. This plan addressed the needs of the 8 million square feet of space owned and maintained by Tulsa Public Schools. This capital program to update, build and renovate District facilities has been accomplished without raising tax rates.

On March 2, 2010, the citizens overwhelmingly approved a \$354 million bond package to fund \$261,415,000 for facility improvements, \$61,290,000 for classroom materials, \$19,600,000 for media centers and \$11,695,000 for transportation. As of June 30, 2012, the district had \$210 million in remaining bonds authorized.

FINANCIAL POLICIES AND CONTROLS

District activities are governed by Board-approved policies and regulations. The Board's Policy Committee reviews all proposals for new or revised policies. After review, the policy recommendation is placed on the Board agenda for information, and then consent. Policies are routinely reviewed by administrators to insure that they are consistent with current law. The paragraphs below summarize the key policies that address the financial activities of the District:

Accounting System – Defines the Oklahoma Cost Accounting System and its required compatibility with the budgetary control system. Also provides approval requirements for journal entries.

Financial Reports and Statements – Defines the periodic financial reporting requirements.

Types of Funds – Establishes separate funds for accounting purposes.

Depository of Funds/Banking Services – Establishes requirements for bidding and investment services.

Purchasing – Defines responsibilities and levels of authority in the Purchasing department.

Solicitation Requirements – Defines requirements for solicitations and competitive procurement.

Expense Reimbursement – Establishes authority for reimbursing employees for travel expenses.

INTRODUCTORY SECTION: LETTER OF TRANSMITTAL

Audit – Requires an independent annual audit be performed in accordance with Governmental Auditing Standards.

Inventories – Requires an annual inventory of District assets, identifies capitalization thresholds, and identifies individuals responsible for maintaining inventory records.

Budget Transfer Authority – Defines levels of authority and required approvals for budget transfers.

Statement of Income and Expenditures and the Related Budget Process – Establishes the timeline for preparing the Annual Statement of Income and Expenditures, and for preparing the Annual School District Budget Plan.

In addition to these explicit policies, the district maintains a strong internal and budgetary control structure:

Internal Control Structure – District management is responsible for implementing and enforcing a system of internal controls to protect the assets from loss, theft, or misuse and to ensure that reliable accounting data are available for the timely preparation of financial statements in accordance with GAAP. The internal controls structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. An evaluation of the internal control structure during the annual audit disclosed no material weaknesses.

Budgetary Control – The objective of the District's budgetary controls is to ensure compliance with legal appropriation limitations and to provide an operating plan for the District's resources. The annual appropriated budget includes the General Fund, Special Revenue Funds, Capital Improvement Funds, and Debt Services Fund. Preliminary budgets are adopted at the commencement of the fiscal year with periodic amendments approved by the Board of Education. Budgetary control for accounts without a project is generally at the full account level. For accounts within a project the budgetary control is generally maintained by fund, project and site. These appropriated budgets represent the legally adopted fiscal plan of the District. Board of Education approval is required for budgetary transfers totaling \$25,000 and greater. The District utilizes an encumbrance system as a budgetary control mechanism.

Capital projects activity is controlled with approval of the bond plans and is monitored by individual bond project budgets. The Citizen Bond Oversight Committee reviews all bond project budgets and expenditure reports.

ACKNOWLEDGEMENTS

We would like to express appreciation to all the members of the Finance Department who assisted with the preparation of this Comprehensive Annual Financial Report. Our goal is to continuously improve our financial accountability to our citizens.

We would also like to thank the members of the Board of Education for their interest and support in conducting the financial affairs of the district in a responsible and progressive manner.

Respectfully submitted,



Keith E. Ballard, Ed.D.
Superintendent



Patricia K. Williams
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to
Independent School District
No. I-1, Tulsa County, Oklahoma

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

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**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

TULSA PUBLIC SCHOOLS, INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2011

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

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FINANCIAL SECTION



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Independent Auditors' Report

To the Board of Education
Tulsa Public Schools
Tulsa, Oklahoma

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tulsa Public Schools (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report (under separate cover) dated December 17, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining financial statements and other schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying Introductory and Statistical sections, as listed in the table of contents, have not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 17, 2012

Our discussion and analysis of the financial performance of Independent School District No. I-1, Tulsa Public Schools, ("District"), provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this management discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

At fiscal 2012 year end, total fund balance was \$122.9 million, a decrease of \$11.4 million, primarily due to spending for capital projects in excess of proceeds from bond issuance.

During the fiscal year, the District issued \$47 million in debt offerings to further fund capital improvements and acquisitions while our overall credit rating remained strong. The District was issued an "Aa2" rating from Moody's and an "AA" rating from Standard and Poor's for the general obligation bonds issued during the year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which comprise 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.

Government-wide financial statements – The *government-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 the two 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 showing 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues. The activities of the District include instruction, support services - student and staff, operation and maintenance of plant facilities, student transportation, and operation of non-instructional services. Examples of the types of expenses that can be found in these categories include:

Instruction – costs associated with activities that deal directly with the interaction between students and teachers

Support services – student and staff – includes costs for activities that serve as adjuncts for fulfilling the objectives of instruction such as counseling, social work, testing, health services, psychological service, speech pathology, library, and professional development for instructional staff

Instructional and school leadership – costs associated with the overall general administrative responsibility for a single school or group of schools, including principals, deans and assistant principals, and school office support

Administrative support services – includes costs such as the superintendent's office, board of education and related support, legal, audit, budgeting, accounting and financial reporting, payroll, human resource functions, purchasing, warehouse support, information services and communications, centralized printing services, and community relations.

Non-instructional services – includes costs for child nutrition (cafeteria).

Operation and maintenance of plant services – costs for utilities, grounds upkeep, custodial, security, building repairs and maintenance that do not meet capitalization thresholds or criteria, and the servicing and maintenance of school vehicles other than school buses.

Student transportation services – costs associated with transporting students including drivers, bus maintenance and depreciation, fuel, and transportation administration.

The government-wide financial statements can be found on pages 37 and 38 of this report.

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 legal requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decision. 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*. These reconciliations are on pages 40 and 42, respectively.

The basic governmental fund financial statements can be found on pages 39 and 41 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 through 66 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required supplementary information. The required supplementary information can be found on pages 69 and 70 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position over time. In the case of the District, assets exceeded liabilities by \$371.4 million as of June 30, 2012 and \$336.3 million as of June 30, 2011, an increase of \$35.1 million, or 10.4%.

The largest portion of the District's net assets (76%) reflects its investment in capital assets (e.g. land, buildings, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several types of financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

FINANCIAL SECTION: MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of the District's net assets is presented below:

	Statement of Net Assets at June 30,		
	2012	2011	2010
		(millions)	
Current assets	\$ 168.6	\$ 188.0	\$ 192.5
Capital assets, net	454.2	398.1	374.2
Other non current assets	9.6	-	-
Total assets	632.4	586.1	566.7
Current liabilities	101.0	105.2	95.9
Long-term liabilities	160.0	144.6	151.6
Total liabilities	261.0	249.8	247.5
Net assets:			
Invested in capital assets, net of related debt	280.5	262.4	255.6
Restricted	54.5	52.7	51.1
Unrestricted	36.4	21.2	12.5
Total net assets	\$ 371.4	\$ 336.3	\$ 319.2

Several significant current year transactions had an impact on the Statement of Net Assets, and include the following:

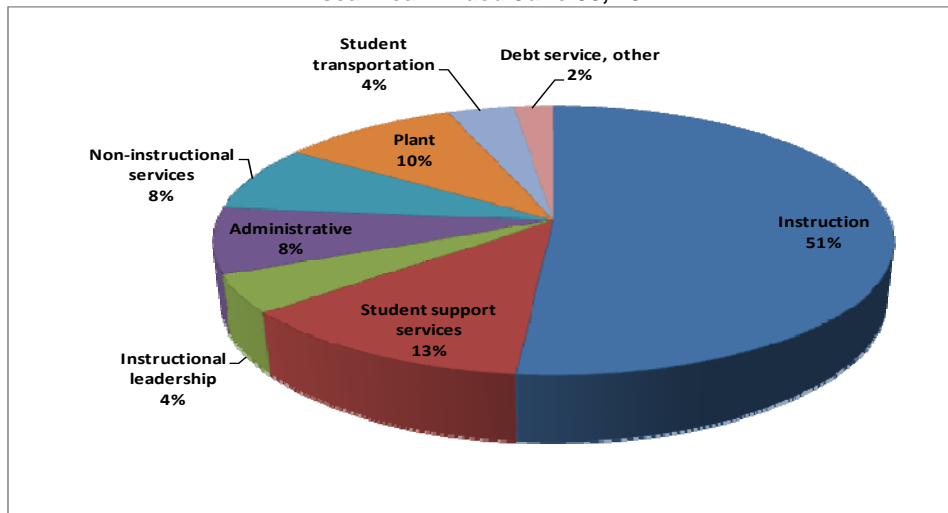
- Capital assets, net of related debt, increased \$18.1 million or 6.9% over the prior fiscal year, representing significant progress in the completion of school building renovations.
- Unrestricted net assets increased \$15.2 million, or 71.7% over the prior fiscal year primarily due to the net change in General Fund balance of \$12.5 million. In 2012, \$9.4 million of buildings were reclassified from capital assets to assets held for sale, partially offset by an increase of \$4.4 million to the workers' compensation liability based on an actuarial study.

Changes in net assets. The District's total revenues were \$406.7 million, a decrease of \$8.8 million, or 2.2%, from the prior fiscal year total of \$397.9 million. The total cost of all programs and services was \$371.6 million and \$380.8 million for the fiscal years ended June 30, 2012 and 2011, respectively. The following table presents a summary of the change in net assets for the fiscal years ended June 30, 2012, 2011, and 2010:

FINANCIAL SECTION: MANAGEMENT'S DISCUSSION AND ANALYSIS

	Statement of Activities		
	2012	2011	2010
	(millions)		
Revenues:			
Program revenues:			
Charges for services	\$ 7.2	\$ 8.5	\$ 8.5
Operating grants and contributions	86.4	97.4	85.3
Capital grants and contributions	0.1	0.2	0.1
General revenues:			
Property taxes	141.1	139.5	140.4
State aid - formula grants	97.9	94.4	96.7
County revenue	9.6	9.4	9.1
Dedicated state revenue	61.4	57.5	53.4
Unrestricted investment earnings	0.6	0.9	0.4
Contributions on behalf of QSCB interest payments	1.1	-	-
Gain on sale of real estate	0.4	-	-
Gain on early lease payoff	0.4	-	-
Other local revenue	0.5	0.5	0.7
Total revenues	406.7	408.3	394.6
Expenses:			
Instruction and instruction-related services	191.4	211.2	210.7
Support services - student and staff	46.9	51.7	49.9
Instructional and school leadership	17.0	17.2	17.8
Administrative support services	28.8	27.1	27.6
Operation of non-instructional services	29.3	26.1	27.4
Operation and maintenance of plant services	36.4	36.5	36.7
Student transportation services	13.7	13.0	13.9
Facilities acquisition and construction services	2.0	2.4	-
Charter schools	1.3	1.5	3.5
QSCB interest	1.1	-	-
Interest on long-term debt	3.7	4.5	4.5
Total expenses	371.6	391.2	392.0
Increase in net assets	35.1	17.1	2.6
Net assets - ending	\$ 371.4	\$ 336.3	\$ 319.2

**District Expenses by Function – Governmental Funds
Fiscal Year Ended June 30, 2012**



FINANCIAL SECTION: MANAGEMENT’S DISCUSSION AND ANALYSIS

Governmental activities – The District reports its activities in the following functional categories: instruction and instruction-related services, support services – student and staff, instructional and school leadership, administrative support services, operation of non-instructional services, operation and maintenance of plant facilities, student transportation services, facilities acquisition and construction services, charter schools, other expenses, and interest on long-term debt. The net expense shows the financial burden that was placed on the State and District’s taxpayers by each of these functions and is net of program-specific revenues and grants:

	Total Expense	Net Expense	% Net Expense
	(millions)		
Instruction and instruction-related services	\$ 191.4	\$ 131.5	47%
Support services - student and staff	46.9	42.6	16%
Instructional and school leadership	17.0	17.0	6%
Administrative support services	28.8	28.7	11%
Operation of non-instructional services	29.3	4.7	2%
Operation and maintenance of plant services	36.4	36.0	13%
Student transportation services	13.7	9.2	3%
Facilities acquisition and construction services	2.0	2.0	1%
Charter schools	1.3	1.3	0%
QSCB interest	1.1	1.1	0%
Interest on long-term debt	3.7	3.7	1%
Total	\$ 371.6	\$ 277.8	100%

FINANCIAL ANALYSIS OF DISTRICT’S FUNDS

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

Governmental funds. The focus of the District’s governmental funds is to provide information on near-term inflow, outflows, and balances of expendable resources. Such information is useful in assessing the District’s financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the District’s net resources available for spending at the end of the year.

These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. These statements provide a detailed short-term view of the school district’s operations and the services it provides.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District’s fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District’s governmental funds use the following accounting approach. All of the District’s services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using *modified accrual* accounting, which measures cash and all other

FINANCIAL SECTION: MANAGEMENT'S DISCUSSION AND ANALYSIS

financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's operations and the services it provides.

The District maintains three significant governmental funds: General, Capital Projects, and Debt Service. The following schedules present a summary of the general fund, capital projects fund and debt service fund revenues and other financing sources by type and expenditures by program for the period ended June 30, 2012 as compared to June 30, 2011. They also depict the amount and percentage increases and decreases in relation to prior year revenues and other financing resources.

General Fund, Capital Projects Fund, Debt Service Fund combined

Total Revenues, Other Financing Sources and Expenditures
(Millions)

	2012 Amount	2011 Amount	2012 Percent Of Total	Increase (Decrease) From 2011	Percent Increase (Decrease) From 2011
Revenues:					
Property taxes	\$ 135.3	\$ 132.9	30.8%	2.4	1.8%
Intermediate sources	9.6	9.4	2.2%	0.2	2.1%
Fees and charges	1.8	3.3	0.4%	(1.5)	-45.5%
State aid	164.9	160.7	37.6%	4.2	2.6%
Federal aid	59.0	63.8	13.4%	(4.8)	-7.5%
Earnings on investments	0.3	0.4	0.1%	(0.1)	-25.0%
Miscellaneous	1.9	1.7	0.4%	0.2	11.8%
Subtotal	<u>\$ 372.8</u>	<u>\$ 372.2</u>	<u>84.9%</u>	<u>0.6</u>	<u>0.2%</u>
Other financing sources	66.1	44.0	15.1%	22.1	50.2%
Total	<u><u>\$ 438.9</u></u>	<u><u>\$ 416.2</u></u>	<u><u>100.0%</u></u>	<u><u>22.8</u></u>	<u><u>5.5%</u></u>
Expenditures:					
Instruction and instruction-related services	\$ 176.5	\$ 190.6	39.0%	(14.1)	-7.4%
Support services - student and staff	46.1	50.8	10.2%	(4.7)	-9.3%
Instructional and school leadership	17.0	17.2	3.8%	(0.2)	-1.2%
Administrative support services	26.2	26.0	5.8%	0.2	0.8%
Operation of non-instructional services	1.5	1.2	0.3%	0.3	25.0%
Operation and maintenance of plant services	25.4	24.3	5.6%	1.1	4.5%
Student transportation services	13.9	17.5	3.1%	(3.6)	-20.6%
Facilities acquisition and construction services	81.3	41.9	17.9%	39.4	94.0%
Charter schools	1.3	1.4	0.3%	(0.1)	-7.1%
Debt service	54.1	48.8	11.9%	5.3	10.9%
Other	9.7	6.9	2.1%	2.8	40.6%
Total	<u>\$ 453.0</u>	<u>\$ 426.6</u>	<u>100.0%</u>	<u>26.4</u>	<u>6.2%</u>
Change in fund balance	<u><u>\$ (14.1)</u></u>	<u><u>\$ (10.4)</u></u>			

General Fund

**Revenues and Other Financing Sources
(Millions)**

	2012 Amount	2011 Amount	2012 Percent Of Total	Increase (Decrease) From 2011	Percent Increase (Decrease) From 2011
Revenues:					
Property taxes	\$ 84.0	\$ 83.3	26.1%	0.7	1.0%
Intermediate sources	9.6	9.4	3.1%	0.2	2.1%
Fees and charges	1.8	3.3	0.6%	(1.5)	-45.5%
State aid	164.9	160.7	51.3%	4.2	2.6%
Federal aid	59.0	63.8	18.7%	(4.8)	-7.5%
Earnings on investments	0.3	0.4	0.1%	(0.1)	-25.0%
Miscellaneous	1.9	1.7	0.6%	0.2	11.8%
Revenues	\$ 321.5	\$ 322.6	100.0%	(1.1)	-0.3%
Other financing sources	0.0	3.8	0.0%	(3.8)	-100.0%
Total	<u>\$ 321.5</u>	<u>\$ 326.4</u>	<u>100.0%</u>	<u>(4.9)</u>	<u>-1.5%</u>

Revenues decreased by \$4.9 million compared to 2011:

- **Property taxes** increased by \$.7 million due to a higher rate of collection.
- **Fees and charges** decreased by \$1.5 million due to the sale of school buses in 2011.
- **State aid** increased by \$4.2 million. The increase was primarily due to an increase in State Salary and Incentive aid formula factors.
- **Federal aid** decreased by \$4.8 million due to the expiration of ARRA.
- **Other financing sources** decreased by \$3.8 million due to the bus fleet lease received in the prior fiscal year.

**Expenditures
(Millions)**

	2012 Amount	2011 Amount	2012 Percent Of Total	Increase (Decrease) From 2011	Percent Increase (Decrease) From 2011
Instruction and instruction-related services	\$ 172.9	\$ 182.5	55.9%	(9.6)	-5.3%
Support services - student and staff	44.8	47.3	14.5%	(2.5)	-5.3%
Instructional and school leadership	17.0	17.1	5.5%	(0.1)	-0.6%
Administrative support services	23.4	22.5	7.6%	0.9	4.0%
Operation of non-instructional services	1.4	1.2	0.5%	0.2	16.7%
Operation and maintenance of plant services	24.7	23.2	8.0%	1.5	6.5%
Student transportation services	13.9	16.2	4.5%	(2.3)	-14.2%
Facilities acquisition and construction services	-	0.2	0.0%	(0.2)	-100.0%
Charter schools	1.3	1.4	0.4%	(0.1)	-7.1%
Other	9.7	7.1	3.1%	2.6	36.6%
Total	<u>\$ 309.1</u>	<u>\$ 318.7</u>	<u>100.0%</u>	<u>(9.6)</u>	<u>-3.0%</u>

Expenditures for 2012 were \$9.6 million below 2011, primarily due to:

- Federal and State Stabilization funding sources declined in fiscal 2012 resulting in a \$13.4 million reduction of expenditures as compared to fiscal 2011. In 2012, the District's unrestricted funds provided \$5.5 million more towards salaries and benefits to partially offset the reduction in stabilization funding.
- Project Schoolhouse consolidation of school sites effective in fiscal 2012 resulted in \$2.7 million savings.

Capital Projects Fund

**Revenues and Other Financing Sources
(Millions)**

	2012 Amount	2011 Amount	2012 Percent Of Total	Increase (Decrease) From 2011	Percent Increase (Decrease) From 2011
Revenues	\$ -	\$ -	-	\$ -	-
Other financing sources	65.6	40.0	100.0%	25.6	64.0%
Total	<u>\$ 65.6</u>	<u>\$ 40.0</u>	<u>100.0%</u>	<u>\$ 25.6</u>	64.0%

Other financing sources increased \$25.6 million from fiscal year 2011, due to draw downs of \$17.6 million from the "Qualified School Construction Bond" lease purchase agreement in 2012 and also due to Combined Purpose bond issuance of \$47.0 million in 2012 compared to \$40.0 million in 2011.

**Expenditures
(Millions)**

	2012 Amount	2011 Amount	2012 Percent Of Total	Increase (Decrease) From 2011	Percent Increase (Decrease) From 2011
Instruction and instruction-related services	\$ 3.7	\$ 8.1	4.1%	\$ (4.4)	-54.3%
Support services - student and staff	1.3	3.5	1.4%	(2.2)	-62.9%
Instructional and school leadership	-	0.1	0.0%	(0.1)	-100.0%
Administrative support services	2.8	3.5	3.1%	(0.7)	-20.0%
Operation and maintenance of plant services	0.7	1.1	0.8%	(0.4)	-36.4%
Student transportation services	-	1.3	0.0%	(1.3)	-100.0%
Facilities acquisition and construction services	81.3	41.7	89.4%	39.6	95.0%
Debt service	1.1	-	1.2%	1.1	-
Other	-	(0.2)	0.0%	0.2	-100.0%
Total	<u>\$ 90.9</u>	<u>\$ 59.1</u>	<u>100.0%</u>	<u>\$ 31.8</u>	53.8%

Capital Expenditures increased by \$31.8 million due to the continuation of the bond capital improvement program.

Debt Service Fund

**Revenues and Other Financing Sources
(Millions)**

	2012 Amount	2011 Amount	2012 Percent Of Total	Increase (Decrease) From 2011	Percent Increase (Decrease) From 2011
Property taxes	\$ 51.3	\$ 49.6	99.2%	\$ 1.7	3.4%
Other financing sources	0.4	0.2	0.8%	0.2	100.0%
Total	\$ 51.7	\$ 49.8	100.0%	\$ 1.9	3.8%

Property taxes increased by \$1.7 million to provide debt service for the general obligation bonds.

**Expenditures
(Millions)**

	2012 Amount	2011 Amount	2012 Percent Of Total	Increase (Decrease) From 2011	Percent Increase (Decrease) From 2011
Debt service	53.0	48.8	100.0%	4.2	8.6%
Total	\$ 53.0	\$ 48.8	100.0%	\$ 4.2	8.6%

Debt service expenditures increased by \$4.2 million due to the increase in current principal and interest payments on the general obligation bonds.

BUDGETARY HIGHLIGHTS

The District's budget is prepared according to Oklahoma law and is based on accounting for certain transactions in appropriated funds on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund, which, including the fund balance, represented 63% of all original budgets of appropriated funds. Only the General Fund is discussed below.

For 2012, the District budgeted General Fund revenues of \$318.8 million and expenditures of \$318.8 million. An amended budget was not submitted for 2012 as no significant change in revenue was expected.

Actual revenue on a budgetary basis for the General Fund was \$6.2 million less than projected.

Actual expenditures for the year were \$14.5 million below the final budget.

Expenditures for instruction and instruction-related services, support services, instructional and school leadership, and direct payments to Charter schools were budgeted at an original budget of \$250.5 million or 78.6% of total budgeted expenditures. Actual expenditures for these same items were \$231.0 million or 76% of total actual expenditures.

The actual fund balance carry forward of \$16.3 million was \$9.1 million greater than the final budgeted amount of \$7.2 million.

Capital Assets. As of June 30, 2012, the District had invested \$454.2 million, net of accumulated depreciation of \$250.7 million, in capital assets including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represented a net increase of \$56.0 million, or 14.1%.

FINANCIAL SECTION: MANAGEMENT'S DISCUSSION AND ANALYSIS

<u>Capital assets (at cost)</u>	<u>June 30, 2011</u>	<u>Increases</u>	<u>Decreases and Transfers</u>	<u>June 30, 2012</u>
		(millions)		
Land	\$ 4.1	\$ 0.3	\$ (0.2)	\$ 4.2
Construction in progress	36.5	75.6	(10.7)	101.4
Buildings	567.1	5.8	(13.9)	558.9
Furniture and equipment	36.4	2.6	1.3	40.3
Total asset cost	<u>644.1</u>	<u>84.3</u>	<u>(23.5)</u>	<u>704.8</u>
Accumulated depreciation	<u>(246.0)</u>	<u>(17.3)</u>	<u>12.7</u>	<u>(250.6)</u>
Capital assets (net)	<u>\$ 398.1</u>	<u>\$ 67.0</u>	<u>\$ (10.8)</u>	<u>454.2</u>

Additional information related to the District's capital assets can be found in Note 6 on page 57 of this report.

Debt administration. At the end of the fiscal year, the District had \$196.2 million in bonds and capital leases outstanding, \$50.6 million due within one year. The following table presents a summary of the District's outstanding long-term debt for the fiscal years ending June 30, 2012 and 2011.

	<u>June 30,</u>		
	<u>2012</u>	<u>2011</u>	<u>Change</u>
Capital leases (at present value)	\$ 18.0	\$ 3.8	\$ 14.2
General obligation bonds	177.0	178.6	(1.6)
Net unamortized bond premium	1.2	1.0	0.2
Total	<u>\$ 196.2</u>	<u>\$ 183.4</u>	<u>\$ 12.8</u>

State statutes currently limit the amount of total aggregate net indebtedness to ten percent of the net assessed valuation of taxable property within the district. As of June 30, 2012, the District had a legal debt limitation of \$218.3 million, which was \$89.7 million more than the District's net bonded indebtedness.

In March 2010, the electors approved issuance of \$354 million in general obligation bonds for various building and equipment acquisition purposes. At June 30, 2012, \$210 million remained available for future issuance. See Note 8 for additional information regarding the District's long-term debt on pages 60-61.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances to show accountability for the money it receives. Additional details can be requested at the following address:

Tulsa Public Schools
 Patricia K. Williams
 Chief Financial Officer
 3027 So. New Haven Ave.
 Tulsa, OK 74114

Or visit our website at: www.tulsaschools.org

Basic Financial Statements

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Statement of Net Assets
June 30, 2012
(Thousands)

		<u>Governmental Activities</u>
ASSETS		
Current		
Cash and cash equivalents	\$	99,017
Investments		56,500
Due from other governments		11,375
Other receivables		272
Inventories and prepaid items		1,403
Total current assets		<u>168,567</u>
Noncurrent:		
Capital assets		
Land and construction in progress		105,653
Other capital assets net of accumulated depreciation		348,509
Debt issuance cost, net of amortization		267
Assets held for sale		9,402
Total noncurrent assets		<u>463,831</u>
Total assets		<u>632,398</u>
LIABILITIES		
Current:		
Accounts payable and other current liabilities		45,271
Current portion of bonds, capital leases, and contracts		50,597
Accrued interest		1,191
Special termination benefits and compensated absences		372
Insurance reserves		3,607
Total current liabilities		<u>101,038</u>
Noncurrent:		
Bonds, capital leases, and contracts		145,585
Special termination benefits and compensated absences		6,154
Insurance reserves		8,219
Total long-term liabilities		<u>159,958</u>
Total liabilities		<u>260,996</u>
NET ASSETS		
Invested in capital assets, net of related debt		280,478
Restricted for:		
Debt service		48,500
Building		4,487
Gifts		1,580
Unrestricted		36,357
Total net assets	\$	<u><u>371,402</u></u>

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

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**Statement of Activities
For the Year Ended June 30, 2012
Thousands**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>FY12 Total</u>
Instruction and instruction-related services	\$ 191,361	\$ 54	\$ 59,759	\$ -	\$ (131,548)
Support services - student and staff	46,858	6	4,236	-	(42,616)
Instructional and school leadership	16,986	-	-	-	(16,986)
Administrative support services	28,765	21	-	10	(28,734)
Operation of non-instructional services	29,300	5,754	18,895	-	(4,651)
Operation and maintenance of plant services	36,426	297	32	80	(36,017)
Student transportation services	13,753	1,079	3,498	-	(9,176)
Facilities acquisition and construction services	2,008	-	-	-	(2,008)
Charter schools	1,310	-	-	-	(1,310)
QSCB interest	1,063	-	-	-	(1,063)
Interest on long-term debt	3,735	-	-	-	(3,735)
Total primary government	<u>\$ 371,565</u>	<u>\$ 7,211</u>	<u>\$ 86,420</u>	<u>\$ 90</u>	<u>\$ (277,844)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	51,284
Property taxes, levied for debt service	89,777
State aid - formula grants	97,945
Unrestricted dedicated state revenue	61,413
County 4 mill levy and apportionment	9,581
Unrestricted investment earnings	575
Contributions on behalf of QSCB interest payment	1,063
Gain on sale of capital assets	417
Gain on early lease payoff	359
Other local revenue	529
Total general revenues	<u>312,943</u>

Change in net assets

Net assets - beginning	336,303
Net assets - ending	<u>\$ 371,402</u>

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

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**Balance Sheet - Governmental Funds
June 30, 2012
(Thousands)**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 59,015	\$ 19,707	\$ 13,224	\$ 7,071	\$ 99,017
Investments	10,000	10,000	35,000	1,500	56,500
Due from other governments	10,756	-	276	343	11,375
Other receivables	272	-	-	-	272
Inventories and prepaid items	781	66	-	556	1,403
Total Assets	<u>80,824</u>	<u>29,773</u>	<u>48,500</u>	<u>9,470</u>	<u>168,567</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	36,614	7,275	-	1,382	45,271
Claims and judgments	91	-	-	-	91
Deferred revenue	337	-	-	-	337
Total liabilities	<u>37,042</u>	<u>7,275</u>	<u>-</u>	<u>1,382</u>	<u>45,699</u>
Fund balances:					
Non-spendable					
Inventories and prepaids	781	66	-	556	1,403
Endowments	-	-	-	30	30
Restricted					
Federal allocation carryover	168	-	-	-	168
Capital projects	-	22,432	-	-	22,432
Debt service	-	-	48,500	-	48,500
Building	-	-	-	4,487	4,487
Gifts	-	-	-	1,580	1,580
Committed					
General	4,566	-	-	-	4,566
Assigned					
General	10,444	-	-	-	10,444
Workers compensation	322	-	-	-	322
Child nutrition	-	-	-	1,417	1,417
Arbitrage	-	-	-	-	-
Flexible benefit	-	-	-	18	18
Unassigned					
General	27,501	-	-	-	27,501
Total fund balances	<u>43,782</u>	<u>22,498</u>	<u>48,500</u>	<u>8,088</u>	<u>122,868</u>
Total liabilities and fund balances	\$ <u>80,824</u>	\$ <u>29,773</u>	\$ <u>48,500</u>	\$ <u>9,470</u>	\$ <u>168,567</u>

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2012
(Thousands)**

Total fund balances - governmental funds \$ 122,868

The cost of capital assets purchased or constructed is reported as an expenditure in the governmental funds. The Statement of Net Assets includes those capital assets among the assets of the District as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Land	\$ 4,197	
Construction in progress	101,456	
Buildings	558,829	
Furniture and equipment	40,367	
Accumulated depreciation	<u>(250,687)</u>	454,162

Debt issuance cost is reported as an expenditure in the governmental fund, but is capitalized and amortized over the life of the debt in the Statement of Net Assets.

Debt issuance cost on QSCB lease	333	
Accumulated amortization of debt issuance cost	<u>(66)</u>	267

Assets held for sale 9,402

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as governmental fund liabilities. Interest payable on debt and other long-term obligations is also not recorded in the governmental funds but is reported in the Statement of Net Assets. All liabilities, both current and long-term, are reported in the Statement of Net Assets. Liabilities not reported as governmental fund liabilities include:

Bonds, capital leases and contracts	\$ (196,182)	
Interest payable	(1,191)	
Special termination benefits and compensated absences	(6,526)	
Claims and judgments	<u>(11,735)</u>	(215,634)

Revenues that have been deferred in the governmental funds but are recognized as revenue in the government-wide financial statements.

337

Total net assets **\$ 371,402**

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

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2012
(Thousands)**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 84,058	\$ 5	\$ 51,283	\$ 13,804	\$ 149,150
Intermediate sources	9,581	-	-	-	9,581
Fees and charges	1,778	-	-	4,444	6,222
State aid	164,889	-	-	900	165,789
Federal aid	59,000	-	-	19,602	78,602
Earnings on investments	277	-	24	296	597
Miscellaneous	1,938	-	-	-	1,938
Total revenues	321,521	5	51,307	39,046	411,879
EXPENDITURES					
Current:					
Instruction and instruction-related services	172,815	3,663	-	199	176,677
Support services - student and staff	44,818	1,322	-	56	46,196
Instructional and school leadership	16,982	-	-	4	16,986
Administrative support services	23,390	2,762	-	56	26,208
Operation of non-instructional services	1,464	-	-	24,886	26,350
Operation and maintenance of plant services	24,702	709	-	10,177	35,588
Student transportation services	13,939	-	-	9	13,948
Facilities acquisition and construction services	2	81,334	-	2,353	83,689
Charter schools	1,310	-	-	-	1,310
Other	9,666	-	-	562	10,228
Debt service					
Principal	-	-	49,593	-	49,593
Interest	-	1,063	3,407	-	4,470
Total expenditures	309,088	90,853	53,000	38,302	491,243
Excess (deficiency) revenues over expenditures	12,433	(90,848)	(1,693)	744	(79,364)
OTHER FINANCING SOURCES					
Bond issuances	-	47,000	-	-	47,000
Premium on bond issuances	-	-	412	-	412
Capital Leases	-	17,562	-	-	17,562
Proceeds from sale of capital assets	17	-	-	1,931	1,948
Contributions on behalf of QSCB interest payment	-	1,063	-	-	1,063
Net change in fund balances	12,450	(25,223)	(1,281)	2,675	(11,379)
Fund balance -- June 30, 2011	31,332	47,721	49,781	5,413	134,247
Fund balance -- June 30, 2012	\$ 43,782	\$ 22,498	\$ 48,500	\$ 8,088	\$ 122,868

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

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2012
(Thousands)**

Change in fund balance of governmental activities		\$ (11,379)
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for government-wide 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 capital outlays exceed depreciation for the period.</p>		
Capital outlay	\$ 84,316	
Depreciation expense	(17,321)	
Retirements and adjustments	<u>(1,548)</u>	65,447
<p>Revenues that have been deferred in the governmental funds but are recognized as revenue in the government-wide financial statements.</p>		
		(2,812)
<p>Payments made on capital leases are reported as expenditures in the governmental funds, but the amount of the lease payments attributable to principal reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. This is the principal portion of the lease payments made during the period.</p>		
		3,664
<p>Proceeds from QSCB lease are reported in the governmental funds as a source of financing but are recorded as long-term liabilities in Statement of Net Assets.</p>		
		(17,562)
<p>Debt issuance costs are expenditures in the governmental fund but are capitalized and amortized in the Statement of Net Assets.</p>		
		(66)
<p>In the Statement of Activities, sick pay and vacation pay are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. During the period, payments for sick pay exceeded accruals by \$624 while payments for vacation pay exceeded accruals by \$135.</p>		
		759
<p>Proceeds from sales of bonds and related premiums are reported in the governmental funds as a source of financing but are recorded as long-term liabilities in the Statement of Net Assets.</p>		
		(47,412)
<p>Repayment of bond principal in the amount of \$48,500 and bond premium in the amount of \$340 is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.</p>		
		48,870
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is due and thus requires the use of current financial resources. In the Statement of Activities, however, interest cost is recognized as the interest accrues, regardless of when it is due.</p>		
		443
<p>Change in long-term liability for Claims and Judgments does not require current financial resources, therefore, is not reported as expenditures in governmental funds.</p>		
		(4,853)
Change in Net Assets		\$ <u>35,099</u>

Statement of Fiduciary Assets and Liabilities
Student Activity Funds
June 30, 2012
(Thousands)

ASSETS		
Cash and temporary investments	\$	3,675
TOTAL ASSETS	\$	<u>3,675</u>
LIABILITIES		
Due to student groups	\$	3,675
TOTAL LIABILITIES	\$	<u>3,675</u>

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

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and is, accordingly, a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on support from the State of Oklahoma. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

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

Description of Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the government-wide entity as a whole. The Statement of Net Assets and the Statement of Activities were prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions."

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function. Interest on general long-term debt is considered an indirect expense and is reported in the Statement of Activities.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not identified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

During fiscal year 2011, the District adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. The *economic resources measurement focus* is not applicable to the agency funds (which comprise the entire fiduciary fund category) and therefore have no 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Funds

The District reports its financial activities through the use of fund accounting. This is a system of accounting wherein transactions are reported in self-balancing sets of accounts to reflect results of activities. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. There are two categories of funds: Governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund – The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Activities previously reported in the Workers Compensation Fund have been included with the General Fund. The assets are controllable by the General Fund and the liabilities are also obligations of the General Fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction, and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Capital Projects Fund – The capital projects fund is comprised of the District's bond funds and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities and acquiring transportation equipment.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund – The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term debt (including judgments) principal, interest, and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Other Funds – The other fund category includes the following non-major funds:

Building Fund – The building fund consists mainly of monies derived from property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, and for purchasing security systems.

Child Nutrition Fund – The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students.

Gifts and Endowments Fund – The gifts and endowments fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Arbitrage Rebate Fund – The arbitrage rebate fund is used to accumulate the earnings of certain bond issues to which the Internal Revenue Service arbitrage rules apply. These funds will either be retained or transferred to the Internal Revenue Service, depending on future financial events and computations.

Flexible Benefit Fund – The flexible benefit fund is used to account for forfeited amounts received from the third-party administrator of the District's cafeteria plan. These funds must be used for the administering of fund employee benefit programs.

Fiduciary Funds

As of June 30, 2012, the fiduciary fund category was comprised entirely of agency-type funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for monies collected principally through fundraising efforts of the students and District sponsored groups. Fiduciary funds are not included in the government-wide financial statements.

Cash and Cash Equivalents

The District considers all cash on hand, demand deposits and highly liquid investments with original maturity of three months or less when purchased to be cash and cash equivalents.

Investments

Investments consist of United States Treasury securities and agencies and certificates of deposit. All investments are recorded at cost which approximates fair value.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Tax

The District records its property taxes receivable as levied.

Taxes are levied by the County annually on October 1 and are due one-half by December 31 and one-half by March 31. Major tax payments are received from the County in the months of January through May, and are recognized as revenue in the year received. Lien dates for personal and real property are in June and October, respectively. Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Revenues received within 60 days of year-end are considered to be available.

Inventories and Prepaid Items

All inventories are valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These prepaid items are amortized over the term of their agreements.

Capital Assets

Capital assets, which include land, building, building improvements, and equipment, are reported in the government-wide financial statements. Land, buildings and building improvements are recorded at historical cost or estimated historical cost if purchased or constructed. The capitalization threshold for buildings and improvements, and equipment and fixtures is \$10,000 and \$2,500, respectively. Donated capital assets are recorded at estimated fair market value at date of donation.

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

Building and building improvements of the District are depreciated using the straight-line method beginning in the year they are placed in service. Equipment is depreciated using the straight-line method beginning in the month acquired. The District's capital assets have the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	20-50
Equipment and fixtures	5-15
Vehicles	8

The District did not maintain financial accounting asset records prior to July 1, 2001; consequently a large portion of the value reflected in the statements is based on estimates. Land was valued at actual cost based on research of the District's land abstracts for all properties. The historical cost for buildings, improvements, equipment and fixtures acquired prior to July 1, 2001 was estimated.

Buildings and improvements were valued based on an estimate of the replacement value and the effective age of the asset. The effective age was used instead of actual age in order to reflect renovations, additions, and replacements. The effective age is a value assigned by the district architects based on the condition of the buildings and is shown on the "List of School Buildings" schedule in the statistical section. The estimated replacement value was deflated to the effective age of acquisition using the Construction Cost Index (CCI) published by the Engineering News-Record (ENR) to calculate the

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

composite original acquisition cost of the asset. The effective age was also used to determine accumulated depreciation as of July 1, 2001.

Revenue

All sources of revenue other than federal revenue are recognized as soon as they are both measurable and available. Federal revenue is considered earned in the same period the associated reimbursable expense is recognized. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Deferred Revenue

Revenue that has been earned but is not available to finance expenditures of the current fiscal period is classified as deferred revenue in the governmental funds. The District reports deferred revenue related to expenditures made for federal reimbursable grants during the fiscal year, but reimbursed more than sixty days following the close of the fiscal year.

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation leave is accrued as a liability as the benefits are earned by the employees if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave is calculated using the vesting method. The balance reflects sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments. The accrual has been reduced to the maximum amount allowed by the District's policy as a termination payment.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are not significant and so are reported as current year expenditures.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. 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 administrative support service expenditures.

Fund Balances and Equity

Fund balance refers to the difference between assets and liabilities in the governmental funds balance sheet. Fund balance consists of five categories, defined in Governmental Accounting Standards Board Statement No. 54, as follows:

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Board of Education. Also, such constraints can only be removed or changed by the same form of formal action.

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

Assigned Fund Balance: The assigned fund balance classification reflects amounts that are constrained by the government's intent to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in unassigned fund balance.

For the purposes of assigned fund balance, the District has given authority to its Chief Financial Officer to assign funds for specific purposes. Any funds that the Chief Financial Officer assigns for specific purposes must be reported to the Board of Education at its next regular meeting. The assignment of funds shall be recorded in the Board of Education's official meeting minutes.

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, amounts classified as committed should be reduced first, followed by amounts classified as assigned and then amounts classified as unassigned.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The General Fund has the following amounts committed and assigned at June 30, 2012 (000's):

Function	Committed	Assigned
Instruction	\$ 980	\$ 519
Support services - students and staff	1,144	385
Administrative support services	1,247	579
Operation of non-instructional services	-	54
Operation and maintenance of plant services	1,027	1,155
Student transportation services	-	141
Other	168	7,611
Total	<u>\$ 4,566</u>	<u>\$ 10,444</u>

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

Invested in Capital Assets, net of Related Debt – the component of net assets that reports the difference between capital assets less both the 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 for Specific Purposes – the component of net assets that reports the difference between assets and liabilities of certain programs that consist of assets with constraints placed on their use by either external parties and/or enabling legislation

Restricted for Debt Service – the component of net assets that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors

Unrestricted – the difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, net of Related Debt, Net Assets Restricted for Specific Purposes, or Net Assets Restricted for Debt Service

Certain Comparative

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

District's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the District to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Program Revenues

Amounts reported as program revenues include charges to customers for goods or services provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes and allocations from the state.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Note 2. REVENUES

Property Taxes

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. These property taxes are distributed to the District's general, capital project and debt service funds based on the levies approved for each fund. The District receives property taxes from four counties. Levies by fund and county for fiscal year 2012 were as follows:

**FY2012 Tax Levy
in mills (1/1000 of a dollar or .001)**

<u>County</u>	<u>General Fund</u>	<u>Building Fund</u>	<u>Debt Service Fund</u>	<u>Valuation</u>
Tulsa	36.05	5.15	23.59	\$ 2,136,830,026
Creek	35.04	5.01	23.59	\$ 13,071,094
Osage	36.53	5.22	23.59	\$ 32,988,049
Wagoner	35.55	5.16	23.59	\$ 237,084

The County Assessor for each county, upon receipt of the certification of tax levies from the County Excise Board, extends the tax levies on the tax rolls for submission to the County Treasurer prior to October 1. The County Treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made in a timely manner, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Intermediate Revenues

Revenue from intermediate sources is the amount of money collected by an intermediate administrative unit, or a political subdivision between the District and the state, and distributed to districts in amounts that differ in proportion to those which are collected within such systems.

Fees and Charges

Fees and charges include tuition, fees, rentals, disposals, commissions, and reimbursements.

State Revenues

Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, of the Oklahoma Statutes. The State Board 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 State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions from or additions to the revenue of the year when the adjustment is made.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 2. REVENUES (continued)

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

Federal Revenues

Federal revenues consist of revenues from the federal government in the form of operating grants, entitlements, or commodities. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass through from another government, such as the state.

The majority of federal revenues received by the District are apportioned to the general fund. The District maintains a separate child nutrition fund and the federal revenues received for the child nutrition programs are apportioned there.

Note 3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of bank failure, the District may not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. The District's policy requires that all deposits in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits. As of June 30, 2012, all of the Districts deposits were either covered by federal deposit insurance or were collateralized at 110% of the investment principal.

The District had deposits at financial institutions with a carrying amount of approximately \$99.0 million at June 30, 2012. The bank balance of these deposits at June 30, 2012 was approximately \$82.4 million. Differences between the carrying amount and bank balance consist of deposits in transit and outstanding checks.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District, and are held by counterparty or the counterparty's trust department but not in the name of the District. The District's policy requires that all investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the investments. As of June 30, 2012, all of the Districts investments were either covered by federal deposit insurance or were fully collateralized. Further, all of the District's investments are held by its agent in the District's name. Accordingly, no investments are subject to custodial credit risk.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 3. CASH AND CASH EQUIVALENTS (continued)

Credit Risk

The District's fixed-income securities are subject to credit risk. Credit quality rating is one method of assessing the ability of the issuer to meet its obligation. At June 30, 2012, The District's bond portfolio consisted of \$41.5 million of investments in FNMA, FHLMC, and Federal Farm Credit Bank mortgage backed securities. These securities are considered direct obligations of the U.S. government and are rated AA+ by Standard & Poor's. The remaining investment balance at June 30, 2012, \$15.0 million, was invested in certificates of deposit which are not subject to credit risk.

Concentration of Credit Risk

The District's investment policy requires that, except for direct obligations of the U.S. government, its agencies or instrumentalities, or certificates of deposit secured by diversified pledges of collateral, the District's investment portfolio will be diversified to avoid incurring undue concentration in securities of one type. At June 30, 2012, all investments were in direct obligations of the U.S. government or certificates of deposit.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy limits the duration of investments to a maximum maturity from the date of purchase of thirty-six months, provided that sufficient liquidity is available to meet the District's major cash outlays. The District monitors investment performance on an ongoing basis to limit the District's interest rate risk. As of June 30, 2012, all of the District's investments were scheduled to mature in 3 years or less.

Maturities of investments as of June 30, 2012 are as follows (000's):

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Cost</u>	<u>Less Than 1</u>	<u>1-3</u>
Certificates of deposit	\$ 15,000	\$ 15,000	\$ -
Mortgage-backed securities			
FNMA	16,500	-	16,500
FHLMC	10,000	-	10,000
Federal Farm Credit Bank	15,000	-	15,000
Total	<u>\$ 56,500</u>	<u>\$ 15,000</u>	<u>\$ 41,500</u>

The District's investment policy is adopted in accordance with the provisions of applicable law by the Board of the District. This policy sets forth the investment policy for the management of the public funds of the District. The policy is designed to ensure prudent management of public funds, the availability of funds when needed, and reasonable investment returns.

Investment Authority

The District treasurer is required by the Board to invest District monies in the custody of the treasurer in those investments permitted by law. The treasurer shall, to the extent practicable, use competitive bids when purchasing direct obligations of the United States Government or other obligations of the United States Government, its agencies, or instrumentalities.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 3. CASH AND CASH EQUIVALENTS (continued)

The District treasurer shall limit investments to:

- Direct obligations of the United States Government to the payment of which the full faith and credit of the Government of the United States is pledged; provided the District treasurer, after completion of an investment education program in compliance with applicable law, may invest funds in the investment account in other obligations of the United States Government, its agencies or instrumentalities;
- Obligations to the payment of which the full faith and credit of the state is pledged;
- Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as defined in this policy.
- Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation;
- Repurchase agreements that have underlying collateral consisting of those items specified above including obligations of the United States, 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;
- 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 as defined in this policy.
- Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items and those restrictions specified in this policy;
- Warrants, bonds or judgments of the District;
- Qualified pooled investment programs through an interlocal cooperative agreement formed pursuant to applicable law and to which the Board has voted to be a member, the investments of which consist of those items specified in this policy, as well as obligations of the United States agencies and instrumentalities; or
- Any other investment that is authorized by law.

Investment Philosophy

This policy shall be based upon a “prudent investor” standard. The Board recognizes that those charged with the investment of public funds act as fiduciaries for the public, and, therefore the treasurer is directed to exercise the judgment and care that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs as to the permanent nonspeculative disposition of their funds, with due consideration of probable income earnings and probable safety of capital. In investing the District’s funds, the treasurer shall place primary emphasis, first, on safety and liquidity of principal, and then on earnings.

- **Liquidity:** Available funds will be invested to the fullest extent practicable in interest-bearing investments or accounts, with the investment portfolio remaining sufficiently liquid to meet reasonably anticipated operating requirements.
- **Diversification:** The investment portfolio will be diversified to avoid one class of investment causing a disproportionate risk of loss to the portfolio. Provided this restriction will not apply to direct obligations of the United States Government, its agencies or instrumentalities, or Certificates of Deposit secured by diversified pledges of collateral as provided this policy.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 3. CASH AND CASH EQUIVALENTS (continued)

- **Safety of Principal:** Although investments are made to produce income for the District, investments will be made in a manner that preserves principal and liquidity.
- **Prohibition of Speculation:** The purchase of an investment to be sold before its maturity will normally result in either a gain or loss for the District and is therefore “speculative” by definition. This practice is prohibited.
- **Yield:** The portfolio will be designed to attain maximum yield within each class of investment instrument, consistent with the safety of the funds invested and taking into account investment risk and liquidity needs.
- **Maturity:** Investments will be purchased with expectation that they will be held to maturity. Investments may have remaining maturities extending to 36 months, provided sufficient liquidity is available to meet major outlays, and except that General Fund investments may not exceed 18 months. Any investment collateralized by a pledge of a surety bond or letter of credit as permitted by OAC 735, Chapter 20, may not have a maturity date after the expiration of the surety bond or letter of credit.
- **Capability of Investment Management:** The Superintendent shall be responsible for seeing that the treasurer and any assistant treasurer are qualified and capable of managing the investment portfolio and satisfactorily complete any investment education programs required by state law or by the Board.
- **Collateral:** Securities pledged to the District to secure investments shall be limited to the type and terms acceptable to the Treasurer of the state of Oklahoma under the Oklahoma Administrative Code Title 735, Chapter 20. Such securities shall be diversified as to type and maturity. Such securities shall be valued at no more than market value and such pledged value shall be at least 110 percent of the investment principal being secured on the date of the pledge. Changes in the market value of the pledged securities occurring during the life of the pledge that would cause the value of the pledge to be less than 110 percent of the principal being secured shall be supplemented by the pledgor with additional securities. The treasurer shall have the authority to sign forms and contracts with financial institutions or the Federal Reserve to enter into agreements for the safekeeping of collateral.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 4. DUE FROM OTHER GOVERNMENTS

At June 30, 2012, the District had the following receivables of which \$337 thousand were considered to be unavailable and were offset by a corresponding liability for deferred revenue.

	(Millions)
Tulsa County (property tax)	\$.8
State of Oklahoma	2.4
Federal	8.2
	<u>\$ 11.4</u>

Note 5. INVENTORIES

Inventories are valued at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

The inventories on hand at June 30, 2012 were comprised of the following categories (000's):

Food service supplies	\$ 542
Classroom supplies	373
Custodial supplies	385
	<u>\$ 1,300</u>

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Note 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows (000's):

<u>Governmental Activities:</u>	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Transfers</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, not being depreciated:					
Land	\$ 4,133	\$ 275	\$ -	\$ (211)	\$ 4,197
Construction in progress	36,549	75,633	(10,726)		101,456
Total capital assets not being depreciated	<u>\$ 40,682</u>	<u>\$ 75,908</u>	<u>\$ (10,726)</u>	<u>\$ (211)</u>	<u>\$ 105,653</u>
Capital assets being depreciated:					
Buildings	\$ 566,996	\$ 5,773	\$ 9,354	\$ (23,294)	\$ 558,829
Furniture and equipment	36,433	2,635	1,372	(73)	40,367
Total capital assets being depreciated	<u>\$ 603,429</u>	<u>\$ 8,409</u>	<u>\$ 10,726</u>	<u>\$ (23,367)</u>	<u>\$ 599,196</u>
Total assets	<u>\$ 644,111</u>	<u>\$ 84,316</u>	<u>\$ -</u>	<u>\$ (23,578)</u>	<u>\$ 704,849</u>
Less accumulated depreciation for:					
Buildings	\$ (225,123)	\$ (14,921)	\$ -	\$ 12,572	\$ (227,472)
Furniture and equipment	(20,871)	(2,400)	-	56	(23,215)
Total accumulated depreciation	<u>\$ (245,994)</u>	<u>\$ (17,321)</u>	<u>\$ -</u>	<u>\$ 12,628</u>	<u>\$ (250,687)</u>
Governmental activities capital assets, Net	<u>\$ 398,117</u>	<u>\$ 66,995</u>	<u>\$ -</u>	<u>\$ (10,950)</u>	<u>\$ 454,162</u>

Depreciation expense was charged to functions/programs of the District as follows (000's):

Governmental activities:	
Instruction	\$ 10,189
Support services - student and staff	908
Administrative support services	2,367
Operation and maintenance of plant services	1,042
Student transportation services	1,165
Operation of non-instructional services	1,620
Other	30
	<u>\$ 17,321</u>

Assets Held for Sale

During the year, capital assets in the amount of \$9.4 million net of accumulated depreciation were reclassified as assets held for sale. The Project Schoolhouse initiative identified these sites as surplus properties.

Construction Commitments

The District has active construction projects as of June 30, 2012. These projects include new construction and renovations of schools. At year-end, the District had approximately \$6.8 million in outstanding construction encumbrances.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 7. CAPITAL LEASES

The District records lease agreements that qualify as capital leases for accounting purposes at the present value of their future minimum lease payments at their inception date. The present value has been calculated based on the District's incremental borrowing rate at time of inception unless the lessor's implicit interest rate is known and lower, as provided by FASB 13, *Accounting for Leases*.

In December 2000, the District entered into a lease purchase agreement financed by assignment of Qualified Zone Academy Bonds (QZAB). The lease agreement was for an initial funding of \$1.0 million and bears an implicit rate of .45%. The proceeds were used to finance renovation and equipment for Owen Elementary School. The District is required to deposit funds into an escrow account on an annual basis in sufficient amount to fully retire the lease at maturity in December of 2013.

In May 2009, the District entered into an agreement between NGV Fleet Leasing and Joe Cooper Ford of Tulsa for the purchase, conversion, acquisition and lease of buses. The diesel engines were converted to operate with compressed natural gas. Under the agreement, Joe Cooper Ford purchased the vehicles from the District, converted the engines and sold them to NGV Fleet Leasing who leased them back to the District. Under this agreement, the District converted 140 buses under five-year leases totaling \$5.7 million. In August 2011, the balance due on the leases was paid.

In April 2011, the District entered into an Equipment Lease Purchase Agreement with JPMorgan Chase Bank in the amount of \$30.0 million. This agreement is designated as a "Qualified School Construction Bond" pursuant to the American Recovery and Reinvestment Act of 2009. At the same time, the District entered into an Escrow and Paying Agent Agreement between the Bank of Oklahoma as escrow agent and JPMorgan Chase Bank as lessor. The agreement allowed the Lessor to deposit funds of \$30.0 million with the escrow agent to be held in Trust for the purpose of acquiring certain improvements to and equipment at various school facilities within the District. The District received an allocation from the federal government in the aggregate amount of \$30.0 million for such bonds. Under the legislation, the federal government will make interest payments on behalf of the District which the District records as revenue and expenses/expenditures in the government-wide and fund financial statements. Interest payments at 3.25% per annum is payable semi-annually on each December 1 and June 1, beginning December 1, 2011. The initial payment for fiscal year 2012 was reported as revenue and expenditure in the amount of \$1.1 million. The principal due under the Agreement will be in the form of one installment on December 1, 2015. At the maturity of the Lease Purchase Agreement, the Equipment will be purchased by the District from the proceeds of general obligation bonds which have been previously approved by the voters of the District. As of June 30, 2012, there were draw downs of \$17.6 million used by the District to fund various projects.

The future lease payments due at June 30, 2012, are as follows (000's):

Fiscal Year(s)	Buildings and Improvements	QSCB	Total
2013	\$ 81	\$ -	\$ 81
2014	79	-	79
2015	-	-	-
2016	-	17,562	17,562
Total lease payments	160	17,562	17,722
Less imputed interest	(1)	-	(1)
Principal amount of leases due	<u>\$ 159</u>	<u>\$ 17,562</u>	<u>\$ 17,721</u>

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 7. CAPITAL LEASES (continued)

The following is a summary of changes in the leases and capitalized lease obligations outstanding (000's):

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
QSCB	-	17,562		17,562
Buildings and improvements	292	-	(133)	159
Vehicles	3,531	-	(3,531)	-
Total	\$ 3,823	\$ 17,562	\$ (3,664)	\$ 17,721
Less: Current portion				(82)
Total long-term capitalized lease obligations outstanding				\$ 17,639

The gross amount of assets acquired under capital leases by major asset class:

QSCB	17,562
Buildings and improvements	1,026
Total	\$ 18,588

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Note 8. LONG-TERM DEBT

Combined Purpose Bonds (Series 2011)

In September 2011, the District issued \$42 million in Combined Purpose Bonds Series 2011. The proceeds from these bonds will be used to construct and renovate school facilities, for library additions, renovations and library materials and to acquire textbooks, classroom materials, technology infrastructure and computer hardware and software.

Combined Purpose Bonds (Series 2012A)

In April 2012, the District issued \$5 million in Combined Purpose Bonds Series 2012A. The proceeds from these bonds will be used to construct and renovate school facilities.

The District uses the effective interest rate method for accruing interest expense. 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. The net amount of unamortized premium at June 30, 2012 was \$1.2 million.

The following is a summary of changes in Long-term Debt outstanding, excluding premium (000's):

Series	Principal Outstanding June 30, 2011	Issuances	Retirements	Principal Outstanding June 30, 2012	Accrued Interest	Principal and Accrued Interest June 30, 2012
2012A	\$ -	5,000	-	\$ 5,000	\$ 24	\$ 5,024
2011	-	42,000	-	42,000	459	42,459
2010B	40,000	-	-	40,000	57	40,057
2010A	57,000	-	14,250	42,750	64	42,814
2009B	21,345	-	5,300	16,045	140	16,185
2009A	10,875	-	3,625	7,250	62	7,312
2008B	21,000	-	7,000	14,000	213	14,213
2008A	9,000	-	4,500	4,500	79	4,579
2007B	11,000	-	5,500	5,500	94	5,594
2007A	5,355	-	5,355	-	-	-
2006B	3,000	-	3,000	-	-	-
Total Long-term Debt	\$ 178,575	\$ 47,000	\$ 48,530	\$ 177,045	\$ 1,191	178,236
Less Current Portion						(50,175)
Total Long-term Debt plus Accrued Interest, Net of Current Portion						\$ 128,061

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012**

Note 8. LONG-TERM DEBT (continued)

The future payments including premium are scheduled as follows (000's):

Fiscal Year	Principal	Coupon Interest	Total
2013	\$ 50,515	\$ 3,277	\$ 53,792
2014	52,274	1,979	54,253
2015	43,088	969	44,057
2016	21,938	301	22,239
2017	10,432	67	10,499
	<u>\$ 178,247</u>	<u>\$ 6,593</u>	<u>\$ 184,840</u>

Issue date, original amount and final maturity (000's):

	Issue Date	Original Amount	Final Maturity
2012A	4/1/2012	\$ 5,000	4/1/2017
2011	9/1/2011	42,000	9/1/2016
2010B	11/1/2010	40,000	11/1/2015
2010A	6/1/2010	57,000	6/1/2015
2009B	8/1/2009	21,345	8/1/2014
2009A	2/1/2009	14,500	2/1/2014
2008B	8/1/2008	28,000	8/1/2013
2008A	1/1/2008	18,000	1/1/2013
2007B	8/1/2007	22,000	8/1/2012

Interest Rates on the bonds range from 1.62% to 4.5% and nominal rates range from 1.69% to 4.04%

	Coupon Rate	Nominal Rate
2012A	1.85%	1.87%
2011	1.29%	1.30%
2010B	1.62%	1.69%
2010A	2.00%	1.78%
2009B	2.00%	2.08%
2009A	2.25%	2.03%
2008B	3.75%	3.62%
2008A	3.50%	3.46%
2007B	4.50%	4.04%
2007A	4.00%	3.59%
2006B	4.00%	3.92%

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Commercial policies in force during the year contained the following deductibles:

Property, Fire and Extended Coverage	\$ 100,000
Automobile Liability	175,000
General Liability	175,000
Inland Marine	2,500
School Leader Legal	175,000

Settled claims resulting from risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The District is self-insured for workers' compensation claims and accounts for this activity in a separate fund that has been combined with the general fund for purposes of financial presentation. Premiums are paid into the workers' compensation fund from the general fund and the child nutrition fund. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. For example, estimated recoveries from salvage or subrogation are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$800,000 up to an aggregate total of \$5,000,000. Settlements did not exceed coverage for the past three years.

At June 30, 2012, the District had established reserves for workers compensation claims liability and deductibles on commercial coverage of \$10.6 million and \$1.2 million, respectively. Changes in the balances of claims liability for the past three years are as follows (000's):

	2012	2011	2010
Unpaid claims, beginning of year	\$ 6,929	\$ 6,853	\$ 5,600
Incurred claims (including IBNRs)	9,632	5,085	6,555
Claim payments	(4,735)	(5,009)	(5,302)
Unpaid claims, end of year	<u>\$ 11,826</u>	<u>\$ 6,929</u>	<u>\$ 6,853</u>

\$3.6 million of the amount unpaid at June 30, 2012 is expected to be paid out in the next fiscal year from General Funds.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 10. CONTINGENT LIABILITIES

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 11. PENSION BENEFITS

Pension benefits for District employees are provided under a defined benefit plan administered by the Board of Trustees of the Oklahoma Teachers' Retirement System ("System"), which is a cost sharing, multiple-employer public employee retirement system (PERS). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53524, Oklahoma City, OK 73152, or by calling 405-521-2387.

Participation in the plan is required for certified teachers and administrators. Other permanent, support employees working at least half time are eligible for participation in the plan at their option. At June 30, 2012, there were 3,879 active employees of the District participating in the plan, comprising 4.4% of the total system active members.

The District, the State of Oklahoma, and the participating employees make contributions. The contribution rates for the District and its participating employees are established and may be amended by Oklahoma Statutes. The rates are applied to the participant's earnings plus employer-paid fringe benefits. The required contribution for the participating employees and the District is 7.0% and 9.5% of compensation, respectively. The District's contribution rate:

- Was 9% on January 1, 2009
- Increased to 9.5% on January 1, 2010
- Remained 9.5% on January 1, 2011
- Remained 9.5% on January 1, 2012

No further employer contribution rate increases are currently scheduled.

The District fully funds its required contribution each year. The total amount of the District's contribution for the year ended June 30, 2012 was \$15.0 million. The District's contribution for each of the years ended June 30, 2011 and 2010 was \$15.1 and \$15.3 million, respectively.

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. In the fiscal years ended June 30, 2012 and 2011, the State paid \$2.0 and \$2.0 million, respectively, on behalf of teachers employed at the District and have been recognized as revenue and expenditure/expense.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 11. PENSION BENEFITS (continued)

The State of Oklahoma is also required to contribute to the System on behalf of the participating employers. For 2012, the State of Oklahoma contributed 5% of state revenues from sales and use taxes and individual income taxes, to the System on behalf of participating employers. The District has estimated the amounts contributed to the System by the State of Oklahoma on its behalf by multiplying the ratio of its covered salaries to total covered salaries for the System for the year by the applicable percentage of taxes collected during the year. For the year ended June 30, 2012, the total amount contributed to the System by the State of Oklahoma on behalf of the District was approximately \$11.5 million. These on behalf payments have been recorded as both revenue and expenses/expenditures in the government-wide and fund financial statements.

Other Post-Employment Benefits (OPEB)

During 2011 and 2012, the Oklahoma Teachers Retirement System paid between \$100 and \$105 per month, depending on the members' years of service, to the Oklahoma State and Education Employees Group Insurance Board (OSEEGIB), for each retiree who elected to obtain health insurance coverage through OSEEGIB. The District retains no obligation for this benefit and performs no administrative functions related to the health insurance coverage provided through OSEEGIB.

Note 12. COMPENSATED ABSENCES

Sick Pay Benefits

The District provides sick pay benefits for all of its permanent employees, and all employees entitled to sick leave are permitted to accrue unlimited unused leave. Upon termination, employees who have been employed by the District for at least ten years are paid for any unused sick leave on a graduated scale. After twenty years of service, both certified and support employees are paid \$30 per day for any unused service.

Vacation Benefits

Permanent employees on twelve-month contracts accrue vacation entitlement on a graduated scale from 10 to 20 days per year based on their years of service. Employees may accrue a maximum of twice their annual vacation entitlement and are paid for any unused vacation at their current salary rate upon termination.

The activity related to these benefits during the year ended June 30, 2012 is as follows (000's):

	Balance June 30, 2011	Accruals	Payments	Balance June 30, 2012
Vacation	\$ 3,136	\$ 1,961	\$ 2,585	\$ 2,512
Sick	4,149	6,364	6,499	4,014
Total	<u>\$ 7,285</u>	<u>\$ 8,325</u>	<u>\$ 9,084</u>	<u>\$ 6,526</u>

In past years, General, Building, and Child Nutrition Funds have been used to liquidate this liability. Of the total, \$0.4 million is expected to be paid out in the next fiscal year.

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Note 13. NEW PRONOUNCEMENTS

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

Fiscal Year Ended June 30, 2013

- **Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements**

GASB No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met. The District will only be required to adopt the provisions of GASB No. 60 if it enters into an SCA, and it currently has not entered into any such arrangements.

- **Statement No. 61, The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34**

GASB No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity and also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Earlier application is encouraged. The District does not believe that the adoption of GASB No. 61 will have a significant impact on its financial statement presentation.

- **Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements**

GASB No. 62 is intended to enhance the usefulness of its Codification by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The District does not believe that the adoption GASB No. 62 will have a significant impact on its financial position, activities or cash flows, or its financial statement presentation.

- **Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position**

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Adoption of this statement will require the District to make changes in its financial statement presentation.

Fiscal Year Ended June 30, 2014

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

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

FINANCIAL SECTION: BASIC FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

Note 13. NEW PRONOUNCEMENTS (continued)

Fiscal Year Ended June 30, 2015

- **Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27**

GASB No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses. GASB No. 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. Defined benefit pensions are further classified by GASB No. 68 as single employer plans, agent employer plans and cost-sharing plans, and recognition and disclosure requirements are addressed for each classification. GASB No. 68 was issued in June 2012, and the District is in the process of determining what impact the implementation of GASB No. 68 will have on its net position.

Required Supplementary Information

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**Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2012
(Thousands)**

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Final Budget</u>
REVENUES				
Local and intermediate sources	\$ 102,765	\$ 102,765	\$ 97,904	\$ (4,861)
State program revenues	149,817	149,817	152,678	2,861
Federal program revenues	<u>66,168</u>	<u>66,168</u>	<u>61,928</u>	<u>(4,240)</u>
Total revenues	<u>318,750</u>	<u>318,750</u>	<u>312,510</u>	<u>(6,240)</u>
EXPENDITURES				
Current:				
Salaries	198,077	198,077	190,968	7,109
Benefits	52,464	52,464	59,941	(7,477)
Purchased Services	33,960	33,960	28,927	5,033
Supplies	24,388	24,388	19,088	5,300
Property	554	554	1,013	(459)
Other Expenditures	4,028	4,028	936	3,092
Other Outlays	5,279	5,279	3,412	1,867
				-
				-
				-
Total expenditures	<u>318,750</u>	<u>318,750</u>	<u>304,285</u>	<u>14,465</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>8,225</u>	<u>8,225</u>
OTHER FINANCING SOURCES				
Lapsed appropriations from prior year and fund transfer	<u>800</u>	<u>800</u>	<u>10</u>	<u>(790)</u>
Net change in fund balances	800	800	8,235	7,435
Fund balances -- June 30, 2011	<u>6,399</u>	<u>6,399</u>	<u>8,020</u>	<u>1,620</u>
Fund balance -- June 30, 2012	<u>\$ 7,199</u>	<u>\$ 7,199</u>	<u>\$ 16,254</u>	<u>\$ 9,055</u>

See Notes to Required Supplementary Information

**Reconciliation of Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Budgetary Comparison
Schedule - General Fund (Unaudited)
For the Year Ended June 30, 2012
(Thousands)**

Change in fund balance of governmental activities - General Fund	\$ 12,450
Revenues are recognized when earned in the governmental funds but are recognized when received for budgetary purposes. During the year, \$14,781 was received that was attributable to prior year activities and \$10,691 of revenue was realized but not received by the close of the year.	4,090
Expenditures for supplies and materials and prepaids are shown when they are used in the governmental funds but reported as expenses when they are purchased for budgetary purposes. The district purchased less supplies and materials than it used during the year, resulting in an increase in inventories from \$608 to \$744 and prepaids decreased by \$71.	(65)
Obligations are accrued when incurred and measurable in the governmental funds but reported when expended for budgetary purposes. An additional \$50 in insurance deductibles was accrued in the general fund for the year and there was a decrease of \$267 in the accounts payable accrual.	(217)
Encumbrances are included in expenditures for budgetary purposes but not for the governmental fund financial statements.	(14,918)
Expenditures in the governmental fund financial statements include those paid with prior year encumbrances, which are excluded on the budgetary basis.	6,991
Expenditures for worker's compensation claims are shown in a separate fund for budgetary purposes but combined with the general fund in the governmental funds.	<u>(106)</u>
Excess (deficiency) of revenues over expenditures - budgetary basis	\$ <u><u>8,225</u></u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

Note 1. BUDGETS AND BUDGETARY ACCOUNTING

BUDGETARY COMPARISON SCHEDULE

A cash basis of accounting is used to prepare the Budgetary Comparison Schedule. A reconciliation from the cash basis to the modified accrual basis of accounting, which is Generally Accepted Accounting Principles (GAAP), is presented on the face of the schedule.

BUDGET LAW AND PRACTICE

The Board of the District has elected to prepare and present budgets under the Oklahoma School District Budget Act. The District Superintendent directs the preparation of the budget proposal and submits it to the Board. The Board holds a public hearing on the proposed budget within 45 days preceding the start of the budget year. Notice of the date, time and place of the hearing, together with the proposed budget summary, is published in the Tulsa Daily Commerce and Legal News at least 5 days before the public hearing. The budget is also available upon request from the District's Chief Financial Officer. At the public hearing on the budget, any person may present to the Board comments, recommendations or information on any part of the proposed budget.

Once adopted, the budget must be in effect no later than the first day of the fiscal year to which it applies. The budget as adopted and filed with the Oklahoma State Auditor and Inspector constitutes an appropriation for each fund which may not be used for any other purpose except as provided by law.

The District presents the budget in four funds: the General Fund, Capital Projects Fund, Debt Service Fund and the Special Revenue Fund which includes the Child Nutrition and Building Funds. Budgetary control for accounts without a project is generally at the full account level. For accounts within a project the budgetary control is generally maintained by fund, project and site. The District Superintendent or designee may transfer an unexpended and unencumbered appropriation from one account to another within the same fund. Line item transfers that are not original budget items in excess of \$25,000 require Board approval. Whenever the necessity for maintaining any special fund of a school district has ceased to exist and a balance remains in the fund, the governing body may authorize the transfer of the balance to the General Fund. Applicable law governs the use or transfer of any remaining balance in the Debt Service or Capital Projects Fund.

The District Board amends the original budget after the prior fiscal year financial activity has been finalized, the annual State Aid allocation has been released, federal fund allocations are identified, and the property tax valuations have been certified for all affected counties within the District; generally between December and February of the fiscal year.

ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are included in the "actual" amounts shown 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 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.

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Other Supplementary Information

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**Budgetary Comparison Schedule - Debt Service
For the Year Ended June 30, 2012
(Thousands)**

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Final Budget</u>
REVENUES				
Local and intermediate sources	\$ 49,152	\$ 49,152	\$ 51,097	\$ 1,945
State program revenues	-	-	-	-
Federal program revenues	-	-	-	-
Total revenues	<u>49,152</u>	<u>49,152</u>	<u>51,097</u>	<u>1,945</u>
EXPENDITURES				
Current:				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased Services	-	-	-	-
Supplies	-	-	-	-
Property	-	-	-	-
Other Expenditures	98,911	98,911	53,000	45,911
Other Outlays	-	-	-	-
Total expenditures	<u>98,911</u>	<u>98,911</u>	<u>53,000</u>	<u>45,911</u>
Excess (deficiency) of revenues over expenditures	<u>(49,759)</u>	<u>(49,759)</u>	<u>(1,903)</u>	<u>47,856</u>
OTHER FINANCING SOURCES				
Premium on bonds sold	214	214	411	198
Lapsed appropriations from prior year	-	-	-	-
Net change in fund balances	<u>(49,545)</u>	<u>(49,545)</u>	<u>(1,492)</u>	<u>48,054</u>
Fund balances -- June 30, 2011	49,545	49,545	49,716	(171)
Fund balances -- June 30, 2012	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 48,224</u></u>	<u><u>\$ 47,883</u></u>

**Budgetary Comparison Schedule - Capital Improvements
For the Year Ended June 30, 2012
(Thousands)**

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Final Budget</u>
REVENUES				
Local and intermediate sources	\$ 42,002	\$ 42,002	\$ 47,005	\$ 5,003
State program revenues	-	-	-	-
Federal program revenues	-	-	-	-
Total revenues	<u>42,002</u>	<u>42,002</u>	<u>47,005</u>	<u>5,003</u>
EXPENDITURES				
Current:				
Salaries	-	-	-	-
Benefits	-	-	-	-
Purchased Services	40,853	40,853	37,850	3,003
Supplies	13,081	13,081	5,220	7,861
Property	2,568	2,568	3,505	(937)
Other Expenditures	-	-	-	-
Other Outlays	-	-	-	-
Total expenditures	<u>56,502</u>	<u>56,502</u>	<u>46,575</u>	<u>9,927</u>
Excess (deficiency) of revenues over expenditures	<u>(14,500)</u>	<u>(14,500)</u>	<u>430</u>	<u>14,931</u>
OTHER FINANCING SOURCES				
Lapsed appropriations from prior year	<u>1,000</u>	<u>1,000</u>	<u>1,756</u>	<u>756</u>
Fund Net change in fund balances	<u>(13,500)</u>	<u>(13,500)</u>	<u>2,186</u>	<u>15,687</u>
Fund balance -- June 30, 2011	<u>13,500</u>	<u>13,500</u>	<u>5,607</u>	<u>7,893</u>
Fund balances -- June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,793</u>	<u>\$ 23,580</u>

FINANCIAL SECTION: OTHER SUPPLEMENTARY INFORMATION

**Budgetary Comparison Schedule -Special Revenue Funds
For the Year Ended June 30, 2012
(Thousands)**

	BUILDING FUND				CHILD NUTRITION FUND			
	Original	Final	Actual (Budgetary Basis)	Variance Final Budget	Original	Final	Actual (Budgetary Basis)	Variance Final Budget
REVENUES								
Local and intermediate sources	\$ 11,673	\$ 11,673	\$ 13,525	1,852	\$ 4,096	\$ 4,096	\$ 4,495	399
State program revenues	550	550	550	-	320	320	350	30
Federal program revenues	-	-	-	-	19,499	19,499	18,545	(954)
Total revenues	<u>12,223</u>	<u>12,223</u>	<u>14,075</u>	<u>\$ 1,852</u>	<u>23,915</u>	<u>23,915</u>	<u>23,390</u>	<u>\$ (525)</u>
EXPENDITURES								
Current:								
Salaries	5,857	5,857	5,285	(572)	8,050	8,050	8,042	(8)
Benefits	1,254	1,254	1,210	(44)	2,102	2,102	2,382	280
Purchased Services	4,750	4,750	4,392	(358)	2,691	2,691	2,137	(554)
Supplies	162	162	147	(15)	10,261	10,261	10,750	489
Property	72	72	-	(72)	605	605	217	(388)
Other Expenditures	525	525	1	(524)	214	214	219	5
Total expenditures	<u>12,620</u>	<u>12,620</u>	<u>11,035</u>	<u>(1,585)</u>	<u>23,923</u>	<u>23,923</u>	<u>23,747</u>	<u>(176)</u>
Excess (deficiency) of revenues over expenditures	<u>(397)</u>	<u>(397)</u>	<u>3,040</u>	<u>3,437</u>	<u>(8)</u>	<u>(8)</u>	<u>(357)</u>	<u>(349)</u>
OTHER FINANCING SOURCES								
Lapsed appropriations from prior year	200	200	-	(200)	-	-	-	-
Net change in fund balances	(197)	(197)	3,040	3,237	(8)	(8)	(357)	(349)
Fund balances -- June 30, 2011	697	697	795	98	808	808	1,364	556
Fund balance -- June 30, 2012	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ 3,835</u>	<u>\$ 3,335</u>	<u>\$ 800</u>	<u>\$ 800</u>	<u>\$ 1,007</u>	<u>\$ 207</u>

**Statement of Changes in Fiduciary Assets and Liabilities
 Student Activity Funds
 For the Year Ended June 30, 2012
 (Thousands)**

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
ASSETS				
Cash and temporary investments	\$ 3,705	\$ 4,822	\$ 4,852	\$ 3,675
TOTAL ASSETS	<u>3,705</u>	<u>4,822</u>	<u>4,852</u>	<u>3,675</u>
LIABILITIES				
Due to student groups	3,705	4,822	4,852	3,675
TOTAL LIABILITIES	<u>\$ 3,705</u>	<u>\$ 4,822</u>	<u>\$ 4,852</u>	<u>\$ 3,675</u>

FINANCIAL SECTION: OTHER SUPPLEMENTARY INFORMATION

**Combining Balance Sheet
Other Funds
June 30, 2012
(Thousands)**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Arbitrage Rebate Fund</u>	<u>Gifts and Endowments Fund</u>	<u>Flexible Benefit Fund</u>	<u>Total Other Funds</u>
ASSETS						
Cash and cash equivalents	\$ 4,879	\$ 1,712	\$ -	\$ 462	\$ 18	\$ 7,071
Investments	-	-	-	1,500	-	1,500
Due from other governments	60	283	-	-	-	343
Other receivables	-	-	-	-	-	-
Inventories and prepaid items	14	542	-	-	-	556
Total Assets	<u>4,953</u>	<u>2,537</u>	<u>-</u>	<u>1,962</u>	<u>18</u>	<u>9,470</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	452	578	-	352	-	1,382
Deferred revenue	-	-	-	-	-	-
Total liabilities	<u>452</u>	<u>578</u>	<u>-</u>	<u>352</u>	<u>-</u>	<u>1,382</u>
Fund balances:						
Non-spendable						
Inventories and prepaids	14	542	-	-	-	556
Endowments	-	-	-	30	-	30
Restricted	4,487	-	-	1,580	-	6,067
Committed	-	-	-	-	-	-
Assigned	-	1,417	-	-	18	1,435
Unassigned	-	-	-	-	-	-
Total fund balances	<u>4,501</u>	<u>1,959</u>	<u>-</u>	<u>1,610</u>	<u>18</u>	<u>8,088</u>
Total liabilities and fund balances	<u>\$ 4,953</u>	<u>\$ 2,537</u>	<u>\$ -</u>	<u>\$ 1,962</u>	<u>\$ 18</u>	<u>\$ 9,470</u>

FINANCIAL SECTION: OTHER SUPPLEMENTARY INFORMATION

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Funds
For the Year Ended June 30, 2012
(Thousands)**

	<u>Building Fund</u>	<u>Child Nutrition Fund</u>	<u>Arbitrage Rebate Fund</u>	<u>Gifts and Endowments Fund</u>	<u>Flexible Benefit Fund</u>	<u>Total Other Funds</u>
REVENUES						
Property taxes	\$ 11,257	\$ 17	\$ -	\$ 2,526	\$ 4	\$ 13,804
Fees and charges	43	4,401	-	-	-	4,444
State aid	550	350	-	-	-	900
Federal aid	-	19,602	-	-	-	19,602
Earnings on investments	284	12	(9)	9	-	296
Total revenues	<u>12,134</u>	<u>24,382</u>	<u>(9)</u>	<u>2,535</u>	<u>4</u>	<u>39,046</u>
EXPENDITURES						
Current:						
Instruction and instruction-related services	26	-	-	173	-	199
Support services - student and staff	-	-	-	56	-	56
Instructional and school leadership	-	-	-	4	-	4
Administrative support services	20	-	-	36	-	56
Operation of non-instructional services	-	24,886	-	-	-	24,886
Operation and maintenance of plant services	10,177	-	-	-	-	10,177
Student transportation services	-	-	-	9	-	9
Facilities acquisition and construction services	449	-	-	1,904	-	2,353
Other	-	-	-	553	9	562
Total expenditures	<u>10,672</u>	<u>24,886</u>	<u>-</u>	<u>2,735</u>	<u>9</u>	<u>38,302</u>
Excess (deficiency) of revenues over expenditures	<u>1,462</u>	<u>(504)</u>	<u>(9)</u>	<u>(200)</u>	<u>(5)</u>	<u>744</u>
OTHER FINANCING SOURCES						
Proceeds from sale of real estate	<u>1,931</u>	-	-	-	-	1,931
Net changes in fund balances	3,393	(504)	(9)	(200)	(5)	2,675
Fund balances -- June 30, 2011	<u>1,108</u>	<u>2,463</u>	<u>9</u>	<u>1,810</u>	<u>23</u>	<u>5,413</u>
Fund balances -- June 30, 2012	\$ <u>4,501</u>	\$ <u>1,959</u>	\$ <u>-</u>	\$ <u>1,610</u>	\$ <u>18</u>	\$ <u>8,088</u>

STATISTICAL SECTION



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
STATISTICAL SECTION (Unaudited)**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial position.

<u>Contents</u>	<u>Page</u>
<i>Financial Trends</i>	84
These schedules contain trend information to help the reader understand how the District's financial performance has changed over time.	
<i>Revenue Capacity</i>	90
These schedules present information to help the reader assess the District's major revenue sources.	
<i>Debt Capacity</i>	94
These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	
<i>Demographic and Economic Information</i>	99
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	
<i>Operating Information</i>	101
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	

Sources

Unless otherwise noted, the information contained herein is derived from the comprehensive annual financial reports for the relevant year. The District implemented GASB 34 in the fiscal year ended June 30, 2002; schedules presenting government-wide information include information beginning in that year.

STATISTICAL SECTION: FINANCIAL TRENDS

**Changes In Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Thousands)**

	Fiscal Year Ended June 30,			
	2012	2011	2010	2009
Expenses				
Governmental activities:				
Instruction and instruction-related services	\$ 186,108	\$ 193,410	\$ 201,598	\$ 189,657
Support services - student and staff	46,858	51,731	49,917	46,783
Instructional and school leadership	16,986	17,192	17,781	17,104
Administrative support services	28,765	27,092	27,641	24,990
Operation of non-instructional services	29,300	26,117	27,375	25,053
Operation and maintenance of plant services	36,426	36,498	36,733	38,964
Student transportation services	13,753	12,969	13,927	13,176
Facilities acquisition and construction services	2,008	2,396	-	-
Charter schools	1,310	1,468	3,461	3,328
Other	5,253	7,400	-	805
QSCB interest	1,063	-	-	-
Interest on long-term debt	3,735	4,490	4,544	6,039
Total primary governmental activities expense	<u>371,565</u>	<u>380,763</u>	<u>382,977</u>	<u>365,899</u>
Program Revenues				
Governmental activities:				
Charges for services				
Operation of non-instructional services	5,754	5,429	6,039	6,411
Student transportation services	1,079	1,855	1,736	1,370
Other	378	1,270	699	907
Operating grants and contributions	86,420	97,373	85,309	84,977
Capital grants and contributions	90	167	150	-
Total primary governmental activities program revenues	<u>93,721</u>	<u>106,094</u>	<u>93,933</u>	<u>93,665</u>
Net Expense				
Total primary governmental activities net expenses	<u>(277,844)</u>	<u>(274,669)</u>	<u>(289,044)</u>	<u>(272,234)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Property taxes	141,061	139,515	140,357	132,731
Unrestricted investment earnings	575	890	396	1,396
Other local revenue	529	508	722	614
County revenue	9,581	9,446	9,061	8,653
State aid - formula grants	97,945	94,405	96,698	117,458
Dedicated state revenue	61,413	47,055	44,411	44,033
Contribution on behalf of QSCB interest payments	1,063	-	-	-
Gain on sale of real estate	417	-	-	-
Gain on early lease payoff	359	-	-	-
Insurance recovery	-	-	-	-
Total primary governmental activities	<u>312,943</u>	<u>291,819</u>	<u>291,645</u>	<u>304,885</u>
Change in Net Assets				
Total primary government	<u>\$ 35,099</u>	<u>\$ 17,150</u>	<u>\$ 2,601</u>	<u>\$ 32,651</u>

STATISTICAL SECTION: FINANCIAL TRENDS

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	188,736	\$ 181,576	\$ 168,043	\$ 156,042	\$ 143,655	\$ 138,651
	41,738	42,005	41,472	35,467	30,257	30,773
	17,195	17,260	16,780	15,120	14,440	14,892
	18,849	18,929	16,800	17,194	18,325	14,282
	23,994	22,909	19,466	18,626	17,578	20,515
	38,959	40,655	37,433	35,324	35,652	34,298
	14,743	14,232	12,128	12,993	11,240	10,489
	-	2,161	1,825	2,846	2,653	2,417
	4,514	4,251	4,072	3,950	3,746	3,780
	5,725	8,412	5,462	3,306	4,476	934
	-	-	-	-	-	-
	4,542	4,842	4,597	4,420	4,771	6,022
	<u>358,995</u>	<u>357,232</u>	<u>328,078</u>	<u>305,288</u>	<u>286,793</u>	<u>277,053</u>
	6,368	5,002	5,540	5,019	5,208	5,154
	760	1,338	1,149	1,097	1,183	1,213
	899	883	1,037	1,110	1,187	1,240
	71,787	68,093	61,751	70,793	62,653	64,855
	868	231	86	12	1,967	412
	<u>80,682</u>	<u>75,547</u>	<u>69,563</u>	<u>78,031</u>	<u>72,198</u>	<u>72,874</u>
	<u>(278,313)</u>	<u>(281,685)</u>	<u>(258,515)</u>	<u>(227,257)</u>	<u>(214,595)</u>	<u>(204,179)</u>
	128,508	120,729	114,968	113,697	114,954	110,160
	4,544	5,610	5,395	3,082	1,196	906
	370	430	393	359	168	4,471
	9,120	9,970	9,668	9,620	8,199	7,792
	116,347	113,516	104,843	85,386	88,155	80,983
	42,495	41,140	38,897	40,294	33,154	28,879
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	101	113	1,333	-	-
	<u>301,384</u>	<u>291,496</u>	<u>274,277</u>	<u>253,771</u>	<u>245,826</u>	<u>233,191</u>
\$	<u>23,071</u>	\$ <u>9,811</u>	\$ <u>15,762</u>	\$ <u>26,514</u>	\$ <u>31,231</u>	\$ <u>29,012</u>

STATISTICAL SECTION: FINANCIAL TRENDS

**Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Thousands)**

	Fiscal Year Ended June 30,			
	2012	2011	2010	2009
Revenues				
Property taxes	\$ 149,150	\$ 149,208	\$ 150,748	\$ 140,856
Intermediate sources	9,581	9,446	9,061	8,873
Fees and charges	6,222	7,566	7,199	7,069
State aid	165,789	151,118	151,481	170,505
Federal aid	78,602	83,271	78,227	71,656
Earnings on investments	597	972	757	1,569
Miscellaneous	1,938	1,734	1,547	1,591
Total revenues	<u>411,879</u>	<u>403,315</u>	<u>399,020</u>	<u>402,119</u>
Expenditures				
Instruction and instruction-related services	176,677	184,121	189,495	181,595
Support services - student and staff	46,196	50,758	49,112	46,018
Instructional and school leadership	16,986	17,197	17,781	17,104
Administrative support services	26,208	26,258	24,845	22,258
Operation of non-instructional services	26,350	25,759	26,303	23,862
Operation and maintenance of plant services	35,588	36,309	37,813	40,088
Student transportation services	13,948	17,482	15,582	11,647
Facilities acquisition and construction services	83,689	42,026	23,348	34,685
Charter schools	1,310	1,468	3,461	3,328
Other	10,228	7,536	10,610	6,670
Debt service:				
Principal	49,593	43,490	44,615	39,615
Interest	4,470	5,280	6,320	5,813
Total expenditures	<u>491,243</u>	<u>457,684</u>	<u>449,285</u>	<u>432,683</u>
Excess of expenses over revenues	<u>(79,364)</u>	<u>(54,369)</u>	<u>(50,265)</u>	<u>(30,564)</u>
Other financing sources				
Bond issuances	47,412	40,213	79,011	42,824
Capital Leases	17,562	3,848	-	-
Proceeds from sale of Capital Assets	1,948	-	-	-
Contributions on behalf of QSCB interest payment	1,063	-	-	-
Net change in fund balances	<u>\$ (11,379)</u>	<u>\$ (10,308)</u>	<u>\$ 28,746</u>	<u>\$ 12,260</u>
Debt service as a percentage of noncapital expenditures	12.70%	11.75%	11.73%	11.34%

STATISTICAL SECTION: FINANCIAL TRENDS

	2008	2007	2006	2005	2004	2003
\$	135,964	\$ 128,419	\$ 123,694	\$ 121,494	\$ 123,600	\$ 121,747
	9,063	9,886	9,990	9,620	8,199	7,791
	6,518	6,467	6,415	5,978	6,199	6,299
	172,858	164,064	149,152	141,995	137,048	127,976
	56,873	57,298	54,387	50,153	44,407	37,113
	4,693	5,794	5,477	3,146	1,259	1,881
	2,045	1,711	1,669	1,772	3,229	2,038
	<u>388,014</u>	<u>373,639</u>	<u>350,784</u>	<u>334,158</u>	<u>323,941</u>	<u>304,845</u>
	181,011	175,160	162,753	150,674	139,437	133,949
	40,981	41,287	40,876	34,955	30,664	29,501
	17,195	17,260	16,798	15,098	14,439	14,892
	20,144	23,209	18,231	16,350	16,548	13,449
	22,744	21,904	18,928	18,015	16,593	20,438
	40,443	41,870	39,117	36,679	35,359	35,386
	13,158	14,866	14,870	12,662	11,427	13,011
	32,912	33,832	44,099	25,369	14,160	27,942
	4,514	4,251	4,072	3,950	3,746	3,780
	5,315	6,126	6,135	7,185	7,050	2,758
	36,615	38,850	38,800	37,550	34,800	31,625
	4,118	5,005	4,452	4,156	6,061	6,569
	<u>419,150</u>	<u>423,620</u>	<u>409,131</u>	<u>362,643</u>	<u>330,284</u>	<u>333,300</u>
	<u>(31,136)</u>	<u>(49,981)</u>	<u>(58,347)</u>	<u>(28,485)</u>	<u>(6,343)</u>	<u>(28,455)</u>
	40,390	32,545	59,944	47,263	20,000	20,000
	-	101	113	1,333	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
\$	<u>9,254</u>	<u>(17,335)</u>	<u>1,710</u>	<u>20,111</u>	<u>13,657</u>	<u>(8,455)</u>
	10.47%	11.09%	11.86%	12.27%	12.58%	12.52%

STATISTICAL SECTION: FINANCIAL TRENDS

**Net Assets By Component
Last Ten Fiscal Years
(accrual basis of accounting)
(Thousands)**

	Fiscal Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	\$ 280,478	\$ 262,429	\$ 255,543	\$ 236,025	\$ 215,331	\$ 197,939	\$ 182,975	\$ 160,410	\$ 138,748	\$ 120,829
Restricted for:										
Debt service	48,500	49,781	48,708	47,453	43,660	38,361	41,302	41,484	41,282	39,124
Building	4,487	1,108	1,191	-	-	-	-	-	-	-
Gifts	1,580	1,810	1,239	-	-	-	-	-	-	-
Unrestricted	<u>36,357</u>	<u>21,175</u>	<u>12,472</u>	<u>33,074</u>	<u>24,910</u>	<u>24,530</u>	<u>26,742</u>	<u>33,363</u>	<u>28,713</u>	<u>17,558</u>
Total primary governmental activities net assets	<u>\$ 371,402</u>	<u>\$ 336,303</u>	<u>\$ 319,153</u>	<u>\$ 316,552</u>	<u>\$ 283,901</u>	<u>\$ 260,830</u>	<u>\$ 251,019</u>	<u>\$ 235,257</u>	<u>\$ 208,743</u>	<u>\$ 177,511</u>

Note: The District adopted GASB No. 54 for financial reporting purposes beginning with the fiscal year ended June 30, 2011.
For comparative purposes, fiscal year ended June 30, 2010 has been restated.

STATISTICAL SECTION: FINANCIAL TRENDS

**Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Thousands)**

	Fiscal Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ 6,284	\$ 3,485	\$ 2,876	\$ 4,605	\$ 8,222	\$ 7,111	\$ 7,464
Unreserved	-	-	-	26,654	22,484	18,803	17,168	19,260	18,147	11,089
Non-spendable										
Inventories and prepaids	781	717	842	-	-	-	-	-	-	-
Restricted										
Federal allocation carryover	168	387	4,137	-	-	-	-	-	-	-
Committed	4,566	3,976	710	-	-	-	-	-	-	-
Assigned	10,766	4,822	6,016	-	-	-	-	-	-	-
Unassigned	27,501	21,430	5,124	-	-	-	-	-	-	-
Total general fund	<u>\$ 43,782</u>	<u>\$ 31,332</u>	<u>\$ 16,829</u>	<u>\$ 32,938</u>	<u>\$ 25,969</u>	<u>\$ 21,679</u>	<u>\$ 21,773</u>	<u>\$ 27,482</u>	<u>\$ 25,258</u>	<u>\$ 18,553</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ 69,562	\$ 63,725	\$ 56,911	\$ 69,847	\$ 63,018	\$ 47,881	\$ 44,296
Unreserved, reported in:										
Capital projects funds	-	-	-	874	1,268	1,012	5,562	2,959	690	2,221
Special revenue funds	-	-	-	5,582	5,734	7,840	7,595	9,608	9,128	4,230
Non-spendable										
Inventories and prepaids	622	970	640	-	-	-	-	-	-	-
Endowments	30	30	30	-	-	-	-	-	-	-
Restricted										
Capital projects	22,432	47,563	66,692	-	-	-	-	-	-	-
Debt service	48,500	49,781	48,708	-	-	-	-	-	-	-
Building	4,487	1,091	1,145	-	-	-	-	-	-	-
Gifts	1,580	1,780	1,209	-	-	-	-	-	-	-
Assigned										
Child nutrition	1,417	1,668	2,431	-	-	-	-	-	-	-
Arbitrage	-	9	3	-	-	-	-	-	-	-
Flexible benefits	18	23	15	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 79,086</u>	<u>\$ 102,915</u>	<u>\$ 120,873</u>	<u>\$ 76,018</u>	<u>\$ 70,727</u>	<u>\$ 65,763</u>	<u>\$ 83,004</u>	<u>\$ 75,585</u>	<u>\$ 57,699</u>	<u>\$ 50,747</u>

Note: The District adopted GASB No. 54 for financial reporting purposes beginning with the fiscal year ended June 30, 2011.
For comparative purposes, fiscal year ended June 30, 2010 has been restated.

STATISTICAL SECTION: REVENUE CAPACITY

**Property Tax Rates, Direct and Overlapping Governments
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Total Taxable Assessed Value (000's)				Direct Tax Rate*				Total Direct Tax Rate*
	Tulsa County	Creek County	Osage County	Wagoner County	Tulsa County	Creek County	Osage County	Wagoner County	
2012	\$ 2,136,830	\$ 13,071	\$ 32,988	\$ 237	64.79	63.64	65.34	64.30	64.79
2011	2,149,629	16,974	35,032	224	63.90	62.75	62.70	63.41	63.87
2010	2,130,553	15,056	34,369	205	64.95	63.80	63.75	64.46	64.92
2009	2,050,504	13,296	31,315	161	65.30	64.15	64.10	64.81	65.27
2008	1,949,996	11,907	29,048	160	63.77	62.62	62.57	63.28	63.75
2007	1,889,198	10,969	26,632	134	62.93	61.78	61.73	62.44	62.91
2006	1,814,232	10,675	24,848	62	64.62	63.46	63.42	64.13	64.60
2005	1,769,286	10,466	22,809	114	64.91	63.75	63.71	64.42	64.90
2004	1,738,274	11,274	21,398	135	65.79	64.63	64.59	65.30	65.77
2003	1,750,265	10,444	20,610	116	63.54	62.38	62.34	63.05	63.52

*Mills per \$1,000.00 assessed valuation.

Source: Tulsa County Excise Board, County Assessor's Office.

**Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 taxable assessed value)**

	Fiscal Year Ended June 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tulsa Public Schools Rates										
General Fund	\$ 36.05	\$ 36.05	\$ 36.05	\$ 36.05	\$ 36.05	\$ 36.05	\$ 36.05	\$ 36.05	\$ 36.05	\$ 36.05
Building Fund	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15
Sinking Fund	23.59	22.70	23.75	24.10	22.57	21.73	23.42	23.71	24.59	22.34
Total Direct Rate	\$ 64.79	\$ 63.90	\$ 64.95	\$ 65.30	\$ 63.77	\$ 62.93	\$ 64.62	\$ 64.91	\$ 65.79	\$ 63.54
Tulsa Community College	7.21	7.21	7.21	7.21	7.21	7.21	7.21	7.21	8.28	8.31
Tulsa County Vo-Tech	13.33	13.33	13.33	13.33	13.33	13.33	13.33	13.33	13.33	13.33
Tulsa County	22.24	22.21	22.21	22.21	22.21	22.21	22.59	22.61	22.89	23.83
City of Tulsa	20.01	16.98	14.15	14.08	13.48	12.67	9.97	10.11	11.16	11.23
Total For All Governments	\$ 127.58	\$ 123.63	\$ 121.85	\$ 122.13	\$ 120.00	\$ 118.35	\$ 117.72	\$ 118.17	\$ 121.45	\$ 120.24

Source: Tulsa County Assessor's Office.

STATISTICAL SECTION: REVENUE CAPACITY

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Total Taxable Assessed Value (000's)			Total Direct Tax Rate*	Estimated Actual Value (000's)	Assessed Value as a Percentage of Actual Value
	Real Property	Personal Property	Public Service			
2012	\$ 1,643,445	\$ 354,142	\$ 185,539	64.79	\$ 19,325,190	11.30%
2011	1,627,450	370,050	204,359	63.87	19,424,410	11.34%
2010	1,562,217	379,621	188,715	64.92	19,299,072	11.04%
2009	1,541,415	378,479	175,382	65.27	18,594,837	11.27%
2008	1,467,926	340,065	183,119	63.75	17,577,797	11.33%
2007	1,404,704	317,543	204,687	62.91	16,875,863	11.42%
2006	1,351,255	281,662	216,900	64.60	16,086,664	11.50%
2005	1,278,451	296,869	227,354	64.90	15,624,403	11.54%
2004	1,227,605	296,152	247,323	65.77	15,245,768	11.62%
2003	1,180,840	301,196	299,398	63.52	15,107,773	11.79%

*Mills per \$1,000.00 assessed valuation.

Source: Tulsa County Assessor's Office.

STATISTICAL SECTION: REVENUE CAPACITY

Principal Property Taxpayers

Taxpayer	Year Ended June 30,					
	2012			2003		
	Taxable Assessed Value (000's)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value (000's)	Rank	Percentage of Total Taxable Assessed Value
AT&T Companies*	\$ 68,154	1	3.1%	\$ 71,727	2	4.0%
Holly Refining & Marketing	41,121	2	1.9%	n/a	n/a	n/a
Public Service Company of Oklahoma	40,245	3	1.8%	50,989	3	2.9%
Hillcrest & Tulsa Regional	28,125	4	1.3%	n/a	n/a	n/a
Oklahoma Natural Gas Company	26,301	5	1.2%	24,744	4	1.4%
Williams Companies	14,659	6	0.7%	100,005	1	5.6%
Warren Foundation	12,225	7	0.6%	12,022	8	0.7%
Cellco Partnership	10,783	8	0.5%	n/a	n/a	n/a
Cox Communications	10,456	9	0.5%	n/a	n/a	n/a
Kanbar Property Mgmt LLC	8,543	10	0.4%	n/a	n/a	n/a
AT&T Companies	n/a	n/a	n/a	24,348	5	1.4%
Albertson's	n/a	n/a	n/a	10,925	9	0.6%
MCI	n/a	n/a	n/a	18,145	6	1.0%
EDS Information	n/a	n/a	n/a	10,704	10	0.6%
Sun Oil Company	n/a	n/a	n/a	12,094	7	0.7%
Total	\$ 260,612		11.9%	\$ 335,703		18.8%

*Formerly Southwestern Bell

Source: Tulsa County Assessor's Office.

**Property Tax Levies and Collections
Last Ten Fiscal Years
(Thousands)**

Fiscal Year Ended June 30,	Gross Tax Levy*	Collected within Fiscal Year of the Levy		Collected in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	141,448	134,758	95.27%	-	134,758	95.27%
2011	140,637	133,314	94.79%	4,345	137,659	97.88%
2010	141,544	134,517	95.04%	5,827	140,344	99.15%
2009	136,769	129,564	94.73%	6,527	136,091	99.50%
2008	126,925	121,880	96.03%	3,852	125,732	99.06%
2007	121,217	113,781	93.87%	4,783	118,564	97.81%
2006	119,495	111,124	92.99%	6,159	117,283	98.15%
2005	116,988	109,994	94.02%	4,600	114,594	97.95%
2004	116,485	110,951	95.25%	3,822	114,773	98.53%
2003	113,155	106,713	94.31%	4,069	110,782	97.90%

*Tulsa County Excise Board, County Assessor's Office.

**Schedule of Debt Service Requirements to Maturity
June 30, 2012
(in thousands of dollars)**

Fiscal Year Ended June 30,	Existing Bonds		Total Debt Service Requirements
	Principal*	Interest	
2013	\$ 50,175	\$ 3,679	\$ 53,854
2014	51,925	2,209	54,134
2015	41,445	1,308	42,753
2016	21,750	502	22,252
2017	11,750	130	11,880
Total	\$ 177,045	\$ 7,828	\$ 184,873

*Excluding premium.

Source: District records.

**General Obligation Bonded Debt Outstanding
June 30, 2012
(Thousands)**

<u>Description</u>	<u>Date of Bonds</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Combined Purpose Bonds, Series 2007B	8/1/2007	22,000	8/1/2012	5,500
Combined Purpose Bonds, Series 2008A	1/1/2008	18,000	1/1/2013	4,500
Combined Purpose Bonds, Series 2008B	8/1/2008	28,000	8/1/2013	14,000
Combined Purpose Bonds, Series 2009A	2/1/2009	14,500	2/1/2014	7,250
Combined Purpose Bonds, Series 2009B	8/1/2009	21,345	8/1/2014	16,045
Combined Purpose Bonds, Series 2010A	6/1/2010	57,000	6/1/2015	42,750
Combined Purpose Bonds, Series 2010B	11/1/2010	40,000	11/1/2015	40,000
Combined Purpose Bonds, Series 2011	9/1/2011	42,000	9/1/2016	42,000
Combined Purpose Bonds, Series 2012A	4/1/2012	5,000	4/1/2017	5,000
Total		\$ <u>247,845</u>		\$ <u>177,045</u>

Source: District records.

STATISTICAL SECTION: DEBT CAPACITY

**Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Total General Obligation Bonded Debt (thousands)	Sinking Fund Balance (thousands)	Net General Obligation Bonded Debt (thousands)	Capital Leases (thousands)	Total Debt (thousands)	Ratio of Net General Obligation Bonded Debt to Estimated Actual Value	Net General Obligation Bonded Debt Per Capita(1)	Total Debt Per Capita(1)	Ratio of Total Debt to Personal Income(2)
2012	\$ 177,045	\$ 47,812	\$ 129,233	\$ 17,722	\$ 146,955	0.67%	\$ 430.78	\$ 489.85	N/A
2011	178,575	49,288	129,287	3,823	133,110	0.67%	430.96	443.70	N/A
2010	182,065	47,738	134,327	2,122	136,449	0.70%	447.76	454.83	0.53%
2009	148,335	47,069	101,266	797	102,063	0.54%	337.55	340.21	0.41%
2008	145,450	43,090	102,360	1,802	104,162	0.58%	341.20	347.21	0.35%
2007	142,065	37,971	104,094	2,789	106,883	0.62%	346.98	356.28	0.41%
2006	148,560	40,207	108,353	4,044	112,397	0.67%	361.18	374.66	0.44%
2005	127,900	40,967	86,933	4,926	91,859	0.56%	289.78	306.20	0.41%
2004	118,450	41,094	77,356	5,982	83,338	0.51%	257.85	277.79	0.40%
2003	133,250	38,880	94,370	6,993	101,363	0.62%	314.57	337.88	0.53%

Source: District records.

Notes

(1) Based on 300,000 estimated population.

(2) Tulsa area personal income. Source: Bureau of Economic Analysis, U. S. Department of Commerce.

STATISTICAL SECTION: DEBT CAPACITY

**Legal Debt Margin Information
Last Ten Fiscal Years
(Thousands)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt Limit	\$ 218,313	\$ 220,186	\$ 218,018	\$ 209,528	\$ 199,111	\$ 192,693	\$ 184,982	\$ 180,267	\$ 177,108	\$ 178,143
Net Debt Applicable to Limit	129,233	129,287	134,327	101,266	102,360	104,094	108,353	86,933	77,356	94,370
Legal Debt Margin	<u>\$ 89,080</u>	<u>\$ 90,899</u>	<u>\$ 83,691</u>	<u>\$ 108,262</u>	<u>\$ 96,751</u>	<u>\$ 88,599</u>	<u>\$ 76,629</u>	<u>\$ 93,334</u>	<u>\$ 99,752</u>	<u>\$ 83,773</u>
Total net debt applicable to the limit as a percentage of debt limit	59.20%	58.72%	61.61%	48.33%	51.41%	54.02%	58.57%	48.22%	43.68%	52.97%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	\$ 2,183,126
Debt Limit (10% of assessed value)	218,313
Total Bonded Indebtedness	177,045
Sinking Fund Balance	<u>47,812</u>
Net Bonded Indebtedness	129,233
Legal Debt Margin	<u>\$ 89,080</u>

Source: District records.

**Direct and Overlapping Governmental Debt
June 30, 2012
(Thousands)**

Governmental Unit	Net Indebtedness	Estimated % Applicable to the District	Estimated Share of Overlapping Debt
City of Tulsa	\$ 407,848 *	69.65%	\$ 284,054
Tulsa Community College	-	43.60%	-
Tulsa County	516 *	43.60%	225
Tulsa Vo-Tech #18	-	40.19%	-
Creek County	947 *	3.26%	31
Osage County	-	12.29%	-
Wagoner County	-	0.05%	-
Subtotal, overlapping debt			\$ 284,310
Tulsa School District Direct Debt			146,955
Total Direct and Overlapping Debt			\$ 431,265

*As of June 30, 2011

Source: Tulsa County Assessor's Office and District records.

Note: The Estimated % Applicable to the District is calculated as a % of the net assessed valuation of the District that overlaps other taxing districts to the total net assessed valuation for other taxing governmental units.

Tulsa Area Principal Employers

Employer	2011			2002		
	Employees	Rank	Percentage of Total Employment *	Employees	Rank	Percentage of Total Employment *
Wal-Mart/Sam's Club	7,500	1	1.84%	-		-
Tulsa Public Schools	7,000	2	1.72%	6,063	3	1.43%
American Airlines	7,000	3	1.72%	9,000	1	2.13%
Saint Francis Hospital, Inc.	6,500	4	1.60%	6,956	2	1.64%
St. John Medical Center, Inc.	6,500	5	1.60%	4,900	5	1.16%
Hillcrest Medical Center	5,000	6	1.23%	6,000	4	1.42%
City of Tulsa	4,000	7	0.98%	4,008	6	0.95%
Sprint AeroSystems	3,000	8	0.74%	-		-
Cherokee Hard Rock Hotel and Casino	3,000	9	0.74%	-		-
Reasor's (all Tulsa Area)	2,500	10	0.61%	-		-
U.S. Postal Service	-		-	2,200	10	0.52%
Williams Communications	-		-	2,300	9	0.54%
Williams Companies	-		-	3,119	7	0.74%
MCI/WorldCom	-		-	2,700	8	0.64%
	<u>52,000</u>		<u>12.77%</u>	<u>47,246</u>		<u>11.16%</u>

*Tulsa MSA

Sources: Oklahoma Department of Commerce and Tulsa Metropolitan Chamber of Commerce

Note: Information is not available for fiscal year 2012.

**Demographic and Economic Information
Population, Per Capita Income and Employment**

Fiscal Year Ended	Tulsa County					
	Population	Personal Income (000's)	Per Capita Personal Income	Labor Force	Number Employed	Unemployment Rate
June 30, 2012	(N/A)	\$ (N/A)	\$ (N/A)	296,731	280,321	5.5%
2011	(N/A)	(N/A)	(N/A)	288,296	269,714	6.4%
2010	605,413	25,710,797	42,468	295,330	272,740	7.7%
2009	601,961	27,035,375	44,912	304,990	285,110	6.5%
2008	592,406	28,122,403	47,472	292,130	280,520	4.0%
2007	585,407	25,922,322	44,281	303,900	290,860	4.3%
2006	577,271	25,321,413	43,864	311,700	299,550	3.9%
2005	570,051	22,560,933	39,577	300,970	288,430	4.2%
2004	567,695	20,989,144	36,973	303,307	288,779	4.8%
2003	569,584	19,297,398	33,880	304,688	286,236	6.0%

Sources:
Bureau of Economic Analysis, U.S. Department of Commerce,
Oklahoma Employment Security Commission.

STATISTICAL SECTION: OPERATING INFORMATION

**Net Current Expenditures Per Pupil
Last Ten Fiscal Years**

Fiscal Year	Regular Education											Total - Net Current Expenditures Per Pupil	Average Daily Membership
	Instruction	Support Services & Staff	Administrative Support Services	Instructional and School Leadership	Central Services	Operation & Maintenance of Plant Facilities	Child Nutrition	Total	Facility Acquisition and Construction	Student Transportation	Other		
2011-12	\$ 4,256	\$ 1,172	\$ 240	\$ 423	\$ 433	\$ 1,001	\$ 592	\$ 8,117	\$ 1,005	\$ 380	\$ 277	\$ 9,566	40,133.1
2010-11	4,424	1,229	222	427	434	897	576	8,209	1,944	304	264	10,580	40,540.5
2009-10	4,724	1,240	252	450	372	957	578	8,573	543	293	399	9,592	39,893.4
2008-09	4,466	1,140	166	425	400	1,007	527	8,131	818	362	295	9,469	40,632.3
2007-08	4,422	1,026	142	424	350	1,013	489	7,866	866	310	306	9,191	40,707.0
2006-07	4,181	996	128	416	444	919	483	7,566	730	285	300	8,736	41,379.0
2005-06	3,889	931	105	408	342	1,006	431	7,112	1,104	436	272	8,775	41,475.0
2004-05	3,603	910	97	366	317	939	403	6,635	967	315	270	8,025	41,351.0
2003-04	3,389	748	78	345	330	864	381	6,135	400	285	304	6,957	41,777.0
2002-03	3,166	687	92	305	356	821	349	5,776	317	319	474	6,741	42,459.8

Source: District records.

STATISTICAL SECTION: OPERATING INFORMATION

**School Food Service Program
Last Ten Fiscal Years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Number of operating cafeterias	85	87	89	89	89	87	88	87	87	88
Number of schools participating in Federal lunch program	85	87	89	89	89	87	88	87	87	88
Student lunches served:										
Free lunches	3,753,767	3,796,583	3,792,050	3,581,503	3,460,550	3,503,609	3,488,501	3,294,952	3,108,878	2,949,187
Reduced price lunches	420,617	397,012	473,123	478,911	526,753	532,689	528,325	504,865	479,217	466,603
Paid lunches	589,680	626,107	672,277	718,211	754,244	759,301	814,036	818,501	786,405	879,319
Total student lunches served	<u>4,764,064</u>	<u>4,819,702</u>	<u>4,937,450</u>	<u>4,778,625</u>	<u>4,741,547</u>	<u>4,795,599</u>	<u>4,830,862</u>	<u>4,618,318</u>	<u>4,374,500</u>	<u>4,295,109</u>
Adult lunches served	63,945	83,735	101,467	225,713	233,530	234,222	248,125	271,264	273,888	287,708
Ala Carte lunches:										
Student daily equivalent meals	766	980	1,644	1,883	1,813	1,972	2,155	2,886	3,042	3,153
Adult daily equivalent meals	99	103	152	159	160	195	220	211	208	219
Daily average lunches served (including ala carte lunches):										
Student	29,124	29,499	29,698	28,881	28,908	28,035	29,760	28,123	26,435	26,883
Adult	480	599	729	1,434	1,494	1,468	1,638	1,693	859	1,809
Average Daily Membership (ADM)	40,133	40,540	39,893	40,632	40,707	41,379	41,475	41,351	41,777	42,460
Percent of student lunches served to ADM	72.6%	72.8%	74.4%	71.1%	71.0%	67.8%	71.8%	68.0%	63.3%	63.3%

Source: District records.

STATISTICAL SECTION: OPERATING INFORMATION

**High School Graduates
Last Ten Fiscal Years**

School Year	Central	East Central	Edison	Hale	Memorial	Rogers	McClain	Washington	Webster	Total
2011-12	109	176	251	255	194	- (1)	84	316	72	1,457
2010-11	106	223	246	125	203	148	107	295	80	1,533
2009-10	122	211	259	125	225	137	104	296	59	1,538
2008-09	123	218	220	116	204	148	88	287	64	1,468
2007-08	136	217	266	150	266	148	112	318	68	1,681
2006-07	167	214	244	160	275	173	128	289	109	1,759
2005-06	205	196	255	147	274	184	123	306	104	1,794
2004-05	122	164	196	135	255	168	150	257	95	1,542
2003-04	173	217	196	139	259	169	122	281	88	1,644
2002-03	158	202	178	166	269	173	86	293	90	1,615

(1) Effective FY 2011-12 Rogers was re-structured and the next graduating class will not occur until FY 2013-14.

STATISTICAL SECTION: OPERATING INFORMATION

**List of School Buildings: Square Footage, Capacity, Age
June 30, 2012**

School Building*	Square Footage	Average Daily Membership*	Capacity**	Capacity Utilized	Acquisition/ Construction Date(1)	Depreciation Effective Date(2)
Academy Central	53,377	460	563	82%	1974	1982
Alternative Sites	185,470	451	1,230	37%	1921-1927	1935-2001
Anderson	73,981	415	598	69%	1961	1972
Bell	100,737	471	563	84%	1953	1972
Burroughs	56,856	355	493	72%	1926	1972
C. Clinton	49,627	560	598	94%	1954	1982
Carnegie	54,580	406	440	92%	1959	1972
Carver	104,202	633	676	94%	1929	1972
Central	165,185	857	1,098	78%	1977	1988
Chouteau	41,000	423	546	77%	1959	1979
Clinton	126,031	326	641	51%	2010	2010
Columbus	71,279	386	458	84%	1972	1985
Cooper	65,260	769	845	91%	1967	1979
Disney	61,835	837	933	90%	1970	1982
East Central	264,818	1,083	1,427	76%	1967	1979
East Central JH	125,812	704	748	94%	1968	1979
ECDC (Bunche, Porter, Reed)	136,838	217	1,091	20%	1929-1959	1972-1979
Edison	346,208	2,103	1,427	147%	1958	1979
Eisenhower	45,575	343	317	108%	1953	1979
Eliot	48,534	458	440	104%	1956	1979
Emerson	54,753	366	440	83%	1967	1979
Eugene Field	44,602	460	598	77%	2006	2006
Gilcrease	104,725	281	704	40%	1965	1979
Greeley	41,829	290	405	72%	1970	1984
Grimes	91,909	295	282	105%	1962	1979
Grissom	51,422	412	493	84%	1970	1979
Hale	239,685	1,240	1,318	94%	1960	1979
Hale JH	128,403	734	926	79%	1961	1974
Hamilton	107,403	526	669	79%	1958	1974
Hawthorne	57,831	554	598	93%	1956	1982
Hoover	69,115	634	651	97%	1955	1979
Jackson	55,974	346	475	73%	1960	1972
Jones	35,398	400	370	108%	1962	1971
Kendall Whittier	115,500	1,134	1,232	92%	1998	1998
Kerr	47,210	585	669	87%	1965	1981
Key	48,106	553	598	92%	1962	1979

STATISTICAL SECTION: OPERATING INFORMATION

**List of School Buildings: Square Footage, Capacity, Age
June 30, 2012**

School Building*	Square Footage	Average Daily Membership*	Capacity**	Capacity Utilized	Acquisition/ Construction Date(1)	Depreciation Effective Date(2)
Kipp - Tulsa Academy	60,000	312	374	83%	1971	1971
Lanier	38,266	314	352	89%	1926	1972
Lee	42,607	357	440	81%	1921	1972
Lewis & Clark	104,453	551	616	89%	1963	1982
Lindbergh	55,459	429	634	68%	1958	1979
MacArthur	53,735	462	510	91%	1958	1979
Mark Twain	54,809	449	546	82%	2003	2003
Marshall	68,185	450	581	77%	1954	1974
Mayo	39,657	212	317	67%	1974	1982
McClure	44,282	613	634	97%	1958	1979
McKinley	44,924	493	616	80%	1957	2000
McLain	209,880	761	1,190	64%	1960	1988
Memorial	218,627	1,089	1,464	74%	1963	1988
Memorial JH	136,651	502	765	66%	1967	1982
Mitchell	44,396	484	563	86%	1961	1979
Monroe	98,155	30	616	5%	1959	1979
Owen	51,247	516	581	89%	1953	1979
Park	34,500	375	422	89%	1921	1979
Patrick Henry	57,840	491	510	96%	1958	1974
Peary	43,017	275	387	71%	1969	1982
Penn	46,791	364	510	71%	1960	1983
Remington	37,799	340	475	72%	1968	1974
Robertson	51,052	468	510	92%	2003	2003
Rogers	344,670	784	1,464	54%	1938	1972
Salk	65,922	612	651	94%	1965	1979
Sequoyah	49,112	540	581	93%	1929	1974
Skelly	142,572	1,062	1,338	79%	1967	1979
Springdale	51,660	525	581	90%	1926	1972
Thoreau	95,333	590	623	95%	1974	1984
Washington	245,000	1,287	1,336	96%	2004	2004
Webster	212,657	565	842	67%	1939	1972
Whitman	46,273	406	458	89%	1962	1980
Wright	99,534	452	634	71%	1960	1974
Zarrow	40,858	333	299	111%	1960	1979

* Excluding programs at sites not owned by Independent School District No. I-1.

** Capacity based on TPS management planned use of the building.

(1) - Date of site acquisition or completion of building construction (fiscal year).

(2) - Beginning date of 50 year depreciation of building (fiscal year).

Source: District records.

STATISTICAL SECTION: OPERATING INFORMATION

**Number of Schools, Student Enrollment and Attendance Information
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Total Number of Schools			Total Student Enrollment	Average Daily Membership (ADM)	Average Daily Attendance (ADA)	Ratio ADA to ADM
	Elementary Schools	Middle Schools	High Schools				
2012	54	12	9	39,178	40,133	37,044	92.30%
2011	59	15	9	39,957	40,540	37,433	92.33%
2010	59	15	9	40,719	39,893	36,664	91.90%
2009	59	15	9	40,242	40,632	37,546	92.41%
2008	59	15	9	40,600	40,707	37,630	92.44%
2007	59	16	9	42,242	41,379	38,406	92.82%
2006	57	16	9	42,281	41,475	38,679	93.26%
2005	57	15	9	41,966	41,351	38,200	92.38%
2004	57	15	9	42,532	41,777	38,423	91.97%
2003	57	15	9	42,764	42,460	39,039	91.94%

Source: District records.

Schedule of Government Employees by Function

Function	Number of Employees at June 30,		
	2012	2011	2010
Instruction and instruction-related services	4,425	4,657	4,456
Support services - student and staff	642	540	563
Instructional and school leadership	204	232	218
Administrative support services	154	160	163
Operation of non-instructional services	529	562	456
Operation and maintenance of plant services	562	529	548
Student transportation services	329	276	258
Total Government Employees	<u>6,845</u>	<u>6,956</u>	<u>6,662</u>

Source: District records.

TULSA PUBLIC SCHOOLS

**Independent School District I-1,
Tulsa County, Oklahoma**

Single Audit Reports

June 30, 2012

TULSA PUBLIC SCHOOLS

INDEPENDENT SCHOOL DISTRICT NO.I-1, TULSA COUNTY

June 30, 2012

SINGLE AUDIT REPORTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1
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 the Schedule of Expenditures of Federal Awards	3
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Independent Auditors' Report on
Internal Control Over Financial Reporting Based and on
Compliance and Other Matters Based on an Audit of the Financial
Statements Performed in Accordance With Government Auditing Standards

To the Board of Education
Tulsa Public Schools
Tulsa, Oklahoma

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tulsa Public Schools (the "District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2012. 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of 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*.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
December 17, 2012

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
Tulsa Public Schools
Tulsa, Oklahoma

Compliance

We have audited the compliance of Tulsa Public Schools (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 the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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 a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2012-01 to be a material weakness.

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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

Cole & Reed P.C.

Oklahoma City, Oklahoma
March 11, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TULSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

For The Year Ended June 30, 2012

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Number	Total Expenditures
<u>U.S. Department of Education:</u>			
<u>Direct Programs:</u>			
* Title VII Indian Education	84.060	B060A050815	\$ 664,644
* Title VII Indian Education - Carryover	84.060	B060A050815	60,610
Gear Up Grant - Tulsa	84.334 A	P334A050115	300,536
Gear Up - Oklahoma State Regents for Higher Education	84.334	P334S050031	10,317
Alternative Ed Reach, Rise & Achieve	84.215 K	U215K090019	84,105
* AP Incentive Program	84.330		600,355
Magnet Schools Assist	84.165 A	U165A070040	203,875
Project BRAVO-REMS	84.184 E	Q1843090027	80,854
Teaching American History	84.215 X	U215X080095	201,581
TPS Campus Police 2011	16.580	2011-DD-BX-0005	152,690
Hazard Mitigation FEMA	97.039	FEMA-1712-DR-OK	28,125
Safe Schools Initiative	16.710	2009-CK-WX-640	137,224
Sub Total			2,524,916
<u>Passed Through State Department of Education:</u>			
Title I	84.010		15,999,236
Title 1 - 3 month money	84.010		2,590,229
Title I Neglected/Delinquent Children	84.010		13,649
Title I School Support	84.010		790,297
Title I School Distinguished Schools	84.010		36,069
Title I ARRA	84.389		1,644,223
* Title I ARRA Supplemental	84.388 A		4,848,435

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

TULSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

For The Year Ended June 30, 2012

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Number	Total Expenditures
<u>Special Education Programs:</u>			
IDEA-B Flowthrough	84.027 A		8,691,823
IDEA-B ARRA Flowthrough	84.391		643,963
IDEA-B Early Intervening	84.027 A		439,415
IDEA-B Private Schools	84.027 A		12,656
IDEA-B Preschool	84.173 A		160,398
IDEA-B System of care	84.027		5,000
IDEA-B Project Echo	84.027		13,150
21st Century	84.287		165,727
McKinney Homeless Youth	84.196		221,309
* Title II Part A Improve Teachers	84.367		3,264,204
* Title II Part A Technical Assistance Grant	84.367 A		28,266
Title II Part B, Mathematics & Science Partnership	84.366		8,028
Title II Part B, Mathematics & Science Partnership	84.366		19,726
Title II Part B, Mathematics & Science Partnership	84.366		74,424
Title III Part A English Language	84.365		644,419
Title II Part D Professional Development	84.318		6,133
Title II Part D Technology	84.318		35,850
Sub Total			40,356,629
<u>Passed Through State Department of Vocational Technical Education:</u>			
Carl Perkins Grant	84.048		875,101
Carl Perkins Grant supplementary	84.048		117,129
Carl Perkins High Schools That Work	84.048		10,962
Sub Total			1,003,192

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

TULSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

For The Year Ended June 30, 2012

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Number	Total Expenditures
<u>U.S. Department of Agriculture:</u>			
<u>Passed Through State Department of Education:</u>			
* School Breakfast Program	10.553		5,245,031
* National School Lunch Programs	10.555		12,171,655
Child & Adult Care Food Programs	10.558		138,688
Fresh Fruit/Vegetable Program	10.582		639,430
* Summer Food Services Program	10.559		350,332
Sub Total			18,545,136
<u>Passed Through Department of Human Services:</u>			
Commodities	10.555		967,075
<u>Other Federal Assistance:</u>			
Creek Nation:			
Johnson O'Malley	15.130		56,972
Johnson O'Malley C/O	15.130		23,911
Cherokee Nation:			
Johnson O'Malley	15.130		18,450
JROTC - Airforce	12.n/a		59,471
JROTC - Army	12.n/a		602,140
JROTC - Navy	12.n/a		81,772
Learn & Serve Grant	94.005		20,632
Medicaid Resources	93.778		135,394
DRS-Voc Ed Rehab	84.126		119,235

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--Continued

TULSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

For The Year Ended June 30, 2012

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Federal Grantor's/ Pass-through Number	Total Expenditures
Title I - CAC	84.010		617,558
* Title II - CAC	84.367		124,964
Title III - CAC	84.365		9,610
Flood Control	12.n/a		192
* ARRA, Education Jobs Fund	84.410A		6,000,424
* ARRA, SEP - CNG Bus Conversion	81.041		3,421,310
Sub Total			<u>11,292,035</u>
Total Federal Assistance			<u>\$ 74,688,983</u>

Note - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of I-1, Tulsa Public Schools, and is presented on the modified accrual basis of accounting, as permitted by the Oklahoma State Department of Education. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

* Major Programs

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TULSA PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

Year Ended June 30, 2012

Section I--Summary of Auditors' Results

Financial statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Unqualified

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

yes no

Identification of major programs:

Program	CFDA Number
Child Nutrition Program	10.553, 10.555 and 10.559
Title I, Supplemental School Improvement Grant	84.388A
ARRA, SEP - CNG Bus Conversion	81.041
Title VII, Indian Education	84.060
AP Incentive Program	84.330
Title II - Improving Teacher Quality & Technology	84.367 and 84.367A
ARRA, Education Jobs Funds	84.410A

Dollar threshold used to distinguish between type A and type B programs: \$2,240,669

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

TULSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

Year Ended June 30, 2012

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

None to report for the June 30, 2012 period.

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

See Finding 2012-01.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

TULSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. I-1, TULSA COUNTY

Year Ended June 30, 2012

FINDING 2012-01

Deficiency:

The District excluded from its initially prepared Schedule of Expenditures of Federal Awards ("SEFA") multiple federal programs including one program related to ARRA funds with Federal expenditures totaling \$3,421,310.

Requirement:

OMB Circular A-133 section .310(b)(5) requires the auditee to prepare a SEFA that provides the total federal awards expended for each individual federal program and the CFDA number or other identifying number when the CFDA information is not available.

Effect of the Condition:

Total expenditures of federal awards as reported on the SEFA were understated by approximately \$4,660,000. It is noted that this amount would be considered significant as it is over the Type A/Type B threshold. As a result the auditee is not fulfilling its responsibility to ensure that the required audits are being properly performed in accordance with OMB Circular A-133 section .300(e).

Note that the District has corrected its SEFA, and the SEFA report included in this reporting package contains all Federal programs.

Cause of the Condition:

Lack of internal control and review over preparation of the SEFA.

Recommendation:

We recommend that management of the District perform a detail review of the Statement of Revenues, Expenses, and Changes in Fund Balances to ensure that all amounts expended in relation to federal awards are identified and properly reported on the SEFA. In addition, when grants and contracts are received management should make appropriate inquiries of the grantor to determine if the amounts are to be reported in accordance with OMB Circular A-133.

District's Response and Corrective Action Plan:

District personnel will determine if grants received are to be reported in accordance with OMB Circular A-133. This information will be documented in the district's internal report of federal programs. In addition, this report will be reconciled to the financial system to ensure that all amounts are included which will then serve as the basis for the preparation of the SEFA.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

TULSA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO.I-1, TULSA COUNTY

Year Ended June 30, 2012

Finding 2011-01: This finding was corrected in the current year.

TULSA PUBLIC SCHOOLS

**Independent School District I-1,
Tulsa County, Oklahoma**

Other Information

June 30, 2012

TULSA PUBLIC SCHOOLS

INDEPENDENT SCHOOL DISTRICT NO.1-1, TULSA COUNTY

June 30, 2012

OTHER INFORMATION

Schedule of Statutory, Fidelity, and Honest Bonds.....	1
Schedule of Accountants' Professional Liability Insurance Affidavit	2

Schedule of Statutory, Fidelity, and Honesty Bonds (Unaudited)

TULSA PUBLIC SCHOOLS, INDEPENDENT SCHOOL DISTRICT I-1
 TULSA COUNTY, OKLAHOMA

For the Year Ending June 30, 2012

Policy Type	Insurance Company	Position	Bond Number	Bond Limit	Effective Dates
Surety	Ohio Casualty	Superintendent	5055529	\$ 100,000.00	07/01/11 - 07/01/12
Surety	Ohio Casualty	Chief Financial Officer	5055525	\$ 100,000.00	06/30/11 - 06/30/12
Surety	Ohio Casualty	Director of Financial Reporting & Treasury	3662505	\$ 300,000.00	07/01/11 - 07/01/12
Surety	Ohio Casualty	Financial Analyst/Assistant Treasurer	5055531	\$ 300,000.00	07/01/11 - 07/01/12
Surety	Ohio Casualty	Deputy Clerk	1597059	\$ 10,000.00	07/01/11 - 07/01/12
Surety	Ohio Casualty	Clerk of The Board	1597059	\$ 10,000.00	07/01/11 - 07/01/12
Surety	Ohio Casualty	Encumbrance Clerk	1597059	\$ 10,000.00	07/01/11 - 07/01/12
Surety	Travelers Insurance Company	All Other Employees Not Covered Above	105470891	\$ 500,000.00	07/01/10 - 07/01/13
Surety	Travelers Insurance Company	School Activity Fund Treasurers H.S.	105646109	\$ 150,000.00	07/01/11 - 07/01/12
Surety	Travelers Insurance Company	School Activity Fund Treasurers M.S.	105646109	\$ 40,000.00	07/01/11 - 07/01/12
Surety	Travelers Insurance Company	School Activity Fund Treasurers E.S.	105646109	\$ 15,000.00	07/01/11 - 07/01/12
Surety	Travelers Insurance Company	School Activity Fund Treasurers All Others	105646109	\$ 10,000.00	07/01/11 - 07/01/12

TULSA PUBLIC SCHOOLS INDEPENDENT SCHOOL DISTRICT NO.I-1
TULSA COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANTS' PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
Year Ended June 30, 2012

STATE OF OKLAHOMA
COUNTY OF OKLAHOMA

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that that said firm did have, in full force and effect, Accountant's Professional Liability Insurance, in accordance with the "Oklahoma Public School Audit Law" at the time of the audit contract and during the entire audit engagement with Tulsa Public Schools Independent School District No. I-1 for the audit year ended June 30, 2012.

Cole & Reed, P.C.



Signature of Authorized Agent

Michael J. Gibson

Printed Name of Authorized Agent

Subscribed and sworn to before me on this

11 Day of March, 2013

Whitney Webb

NOTARY PUBLIC

My commission expires on:

04 Day of April, 2016

Commission No. 12003296