

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

Financial Statements
June 30, 2018

Contents

Introductory Section

Table of contents	i-ii
District profile	iii

Financial Section

Independent auditor's report	1-2
Management's discussion and analysis	3-15
Basic financial statements:	
Statement of net position	16
Statement of activities	17
Balance sheet – governmental funds	18
Reconciliation of total governmental fund balances to net position of governmental activities	19
Statement of revenues, expenditures and changes in fund balances - governmental funds	20
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	21
Statement of net assets and liabilities – fiduciary fund	22
Notes to financial statements	23-51
Required supplementary information:	
Oklahoma Teachers Retirement System	
Schedule of the District's proportionate share of the net pension liability	52
Notes to schedule of the District's proportionate share of the net pension liability	53-54
Schedule of District contributions	55
Schedule of the District's proportionate share of the net OPEB liability (asset)	56
Schedule of the District contributions to the OPEB plan	57
Budgetary comparison schedule (budgetary basis) – general fund	58
Notes to budgetary comparison schedule	59-60
Other supplementary information:	
Combining balance sheet – nonmajor governmental funds	61
Combining statement of revenues, expenditures and changes in fund balances - nonmajor governmental funds	62
Statement of changes in assets and liabilities – fiduciary fund	63
Budgetary comparison schedule (budgetary basis) – 2007 bond funds	64
Budgetary comparison schedule (budgetary basis) – debt service fund	65
Budgetary comparison schedule (budgetary basis) – building fund	66
Budgetary comparison schedule (budgetary basis) – school nutrition services fund	67
Budgetary comparison schedule (budgetary basis) – 2001 bond funds	68
Budgetary comparison schedule (budgetary basis) – casualty flood insurance recovery fund	69
Budgetary comparison schedule (budgetary basis) – 2016 bond funds	70

Contents

Other Information Section (unaudited)

Schedule of surety bonds	71
Charter school membership	72
Enterprise school membership	73
Schedule of MAPS sales tax funded transfers and classification	74

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

District Profile

Board of Education

<i>Name</i>	<i>Office</i>	<i>District</i>	<i>Term of Office</i>	<i>End of Term</i>
Paula Lewis	Board Chairperson		4 yrs	2021
Charles Henry	Member	1	4 yrs	2021
Rebecca Budd	Member	2	4 yrs	2021
Carrie Jacobs	Member	3	4 yrs	2020
Mark Mann	Member	4	4 yrs	2022
Ruth Veales	Member	5	4 yrs	2022
Gloria Torres	Vice Chairperson	6	4 yrs	2019
Jace Kirk	Member	7	4 yrs	2022

Superintendent

Sean McDaniel

Chief Financial Officer

Jean Bostwick, CPA

FINANCIAL SECTION



Independent Auditor's Report

RSM US LLP

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Oklahoma County School District No. I-89, (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 9, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter. In addition, as discussed in Note 14, the District reclassified the School Nutrition Services Fund from an Enterprise Fund to a Special Revenue Fund. This reclassification required the District to restate beginning net position of the governmental activities, business-type activities and the aggregate remaining fund information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

RSM US LLP

Oklahoma City, Oklahoma
February 8, 2019

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Within the management's discussion and analysis of the Oklahoma County School District No. I-89 (the District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements following this section. The reports are prepared using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, which also requires that certain comparative information between the current year and the prior year be presented.

Unless specifically stated otherwise, all dollar amounts in this management's discussion and analysis are expressed in thousands.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2018 were:

- The District's Statement of Net Position (accrual basis) reported that assets and deferred outflows exceeded liabilities and deferred inflows by \$429.7 million (net position) an increase of \$23 million, or 5.7 percent over the previous year end net position of \$406.3 million.
- General fund expenditures (budgetary basis) of \$313.4 million were less than total revenues (revenues plus lapsed appropriations) of \$323.4 million by \$10 million, or 3.1 percent of total revenues. The fund balance increased to \$26.7 million, or 8.5 percent of total expenditures.
- The District's Bond Ratings were upgraded by Standard & Poor's from a bond rating of AA Negative to a bond rating of AA Stable.
- Student membership totaled 38,762, a decrease of 1,217 students, or 3 percent, from last year's membership of 39,979. Membership and attendance are the critical components in the calculation of the District's revenue allocations.

Overview of the Financial Statements

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

District-Wide Financial Statements

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

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

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

The district-wide financial statements distinguish functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities).

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

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

Fund Financial Statements

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

The District has two kinds of funds:

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

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

The Governmental Funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are presented on pages 18 and 20. Major funds are presented separately, and non-major governmental funds are combined into a single column. Individual fund data for each of these non-major governmental funds are provided in a combining statement on pages 61 and 62.

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

The basic fiduciary fund financial statement can be found on page 22.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. Notes to the financial statements can be found on pages 23 through 51.

Required Supplementary Information

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

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

Pension and OPEB information is also included in required supplementary information.

Other Supplementary Information

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

District-Wide Financial Analysis

The following financial analysis discussion reports the District's comparative results for Governmental Activities. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

Net Position

The District's total net position at June 30, 2018 and 2017 was \$429.7 million and \$406.3 million, respectively. During the fiscal year ended June 30, 2018, net position increased \$23.4 million or 5.8 percent. As a result of GASB Statement No. 68, the District is unable to report positive unrestricted net position.

The largest portion of the District's net position, \$592 million (137.7 percent of total net position), reflects its net investment in capital assets. The District uses these capital assets to provide instruction, support and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Detailed financial information is available on page 16.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

The following table provides a comparative summary of the District's statements of net position as of June 30, 2018 and 2017:

	Statements of Net Position	
	Governmental Activities	
	2018	2017
Current assets	\$ 363,774	\$ 353,794
Capital and other	697,495	679,611
Total assets	1,061,269	1,033,405
Deferred outflows of resources	66,869	124,627
Current liabilities	76,892	76,312
Long-term liabilities	439,914	540,043
Total liabilities	516,806	616,355
Deferred inflows of resources	181,660	135,387
Net position:		
Net investment in capital assets	591,760	575,989
Restricted	70,469	71,016
Unrestricted	(232,557)	(240,715)
Total net position	\$ 429,672	\$ 406,290

The District's total assets at June 30, 2018 were \$1,061 million, an increase of \$28 million, or 2.7 percent, over last year's assets of \$1,033 million.

	Total Assets	
	Governmental Activities	
	2018	2017
Cash and cash equivalents	\$ 144,722	\$ 171,103
Investments	31,000	7,000
Deposits held by a third party	41,826	31,198
Accounts receivables, net of allowances	145,604	144,139
Inventories	622	354
Total current assets	363,774	353,794
Land and construction	15,870	18,251
Other capital assets, net of accumulated depreciation	679,577	661,360
Other noncurrent assets	2,048	-
Total noncurrent assets	697,495	679,611
Total assets	\$ 1,061,269	\$ 1,033,405

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Current Assets

The District's current assets consist primarily of cash and cash equivalents, investments, deposits held by a third party, receivables, and inventories. Current assets at June 30, 2018 were \$363.8 million, an increase of \$10.0 million, or 2.8 percent, over last year's current assets of \$353.8. Major transactions/factors were:

- Decrease of cash and cash equivalents of \$26.4 million over prior year is primarily related to increasing investments by \$24 million.
- Increase of deposits held by a third party of \$10.6 million is related to an increase of bond principal and interest payments due July 1st.

Noncurrent Assets

The District's investment in capital assets includes: land; assets under construction; buildings and improvements; technology, appliances, and musical instruments; machinery, equipment, furniture and fixtures; and vehicles. Capital assets, net of accumulated depreciation, at June 30, 2018 were \$697.5 million, an increase of \$17.9 million, or 2.6 percent, over last year's total net capital assets of \$679.6 million. Major transactions/factors were:

- Increase for capital grants transfers of \$6 million for buildings, improvements, and technology.
- Increase for assets under construction activity of \$15.6 million.
- Increase for vehicle purchases of \$6.7 million.
- Decrease for depreciation expense of \$22.2 million.

The following table provides a comparative summary of the District's capital assets as of June 30, 2018 and 2017:

	Capital Assets, Net Governmental Activities	
	2018	2017
Land	\$ 5,482	\$ 3,597
Assets under construction	10,388	14,654
Buildings and improvements	660,124	649,544
Technology, appliances, and musical instruments	6,413	5,750
Machinery, equipment, furniture and fixtures	4,418	2,587
Vehicles	8,622	3,479
Total capital assets	\$ 695,447	\$ 679,611

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Total Liabilities

The District's total liabilities at June 30, 2018 were \$516.8 million, a decrease of \$99.6 million, or 16.2 percent, over last year's total liabilities of \$616.4 million. The following table provides a comparative summary of the District's liabilities as of June 30, 2018 and 2017:

	Total Liabilities Governmental Activities	
	2018	2017
Current liabilities	\$ 34,525	\$ 43,893
Current portion of long-term liabilities	42,367	32,419
Total current liabilities	76,892	76,312
Long-term portion of GO bonds	126,855	122,860
Premium on bonds	4,612	4,581
Capital lease obligation	309	729
Accrued compensated absences	4,530	4,407
Net pension liability	303,608	407,466
Total noncurrent liabilities	439,914	540,043
Total liabilities	\$ 516,806	\$ 616,355

Current Liabilities

The District's total current liabilities at June 30, 2018 were \$76.9 million, an increase of \$0.6 million, or 0.8 percent, over last year's total current liabilities of \$76.3 million. Current liabilities include accounts payables and the current portion of long-term obligations.

Noncurrent Liabilities

The District's total noncurrent liabilities at June 30, 2018 were \$439.9 million, a decrease of \$100.1 million or 18.5 percent, over last year's total noncurrent liabilities of \$540 million. Major transactions/factors were:

- Decrease of net pension liability as a result of GASB 68 reporting requirements of \$104 million.
- Increase of the total long-term portion of General Obligation Bonds of \$4 million.

Additional information concerning the District's noncurrent liabilities is contained in Note 6 - Long-Term Liabilities and Note 8 - Employee Retirement Plans.

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

**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Outstanding Debt

General Obligation Bond debt at June 30, 2018 was \$166.9 million, an increase of \$13.9 million or 9.1 percent, over last year’s total bond debt of \$153 million. Changes in the outstanding debt balance reflect the net impact of any increases of debt for new bond sales and any reductions of debt for bond principal payments. Major transactions/factors were:

- Increase for debt associated with the 2016 Bond Sales of \$44 million.
- Decrease for general obligation bond principal payments totaling \$30.1 million.

The following table provides a comparative summary of the District’s outstanding debt as of June 30, 2018 and 2017:

	Outstanding Debt Governmental Activities	
	2018	2017
General obligation bonds	\$ 166,860	\$ 152,985
Premium on bonds	4,612	4,581
Total	\$ 171,472	\$ 157,566

Deferred Outflows of \$65.9 million consist of unrecognized items not yet charged to pension expense and contributions from the employer to the pension and OPEB plans after the measurement date but before the end of the employer’s reporting period. Deferred outflows of \$1.0 million relates to debt refunding and equals the difference between the re-acquisition price and the net carrying amount of old debt. The deferred outflows will be recognized as a component of interest expense over the life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of \$121 million were recorded related to future property tax collections as projected based on the Oklahoma County lien date of January 1, 2018 as these will not be recognized as revenue until the year for which it is budgeted. Deferred inflows of \$60.7 million were recorded related to unrecognized items not yet charged to pension expense and OPEB expense.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Financial Analysis of the District's Activities

The District's statement of activities is reported on the accrual basis. Detailed financial information is available on page 17. The following table provides a comparative summary of the District's statements of activities for the years ended June 30, 2018 and 2017:

	Statements of Activities	
	Governmental Activities	
	2018	2017
Program revenues:		
Charges for services	\$ 2,479	\$ 2,814
Operating grants and contributions	74,262	79,777
Capital grants and contributions	6,062	2,483
General revenues:		
Property and other taxes	154,378	153,397
State aid, charter schools	35,611	32,834
State aid	130,503	129,580
Support from other governments	6,919	7,331
Interest and dividends	1,966	335
Other	2,106	577
Total revenues	414,286	409,128
Expenses:		
Instruction	173,552	190,546
Support services	133,310	130,797
Operation of noninstructional services	27,982	27,459
Facilities, acquisitions, and construction	16,457	17,165
Charter schools	35,611	32,834
Other outlays	320	282
Interest	3,672	3,484
Total expenses	390,904	402,567
Increase (decrease) in net position	23,382	6,561
Net position, beginning	406,290	399,729
Net position, ending	\$ 429,672	\$ 406,290

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

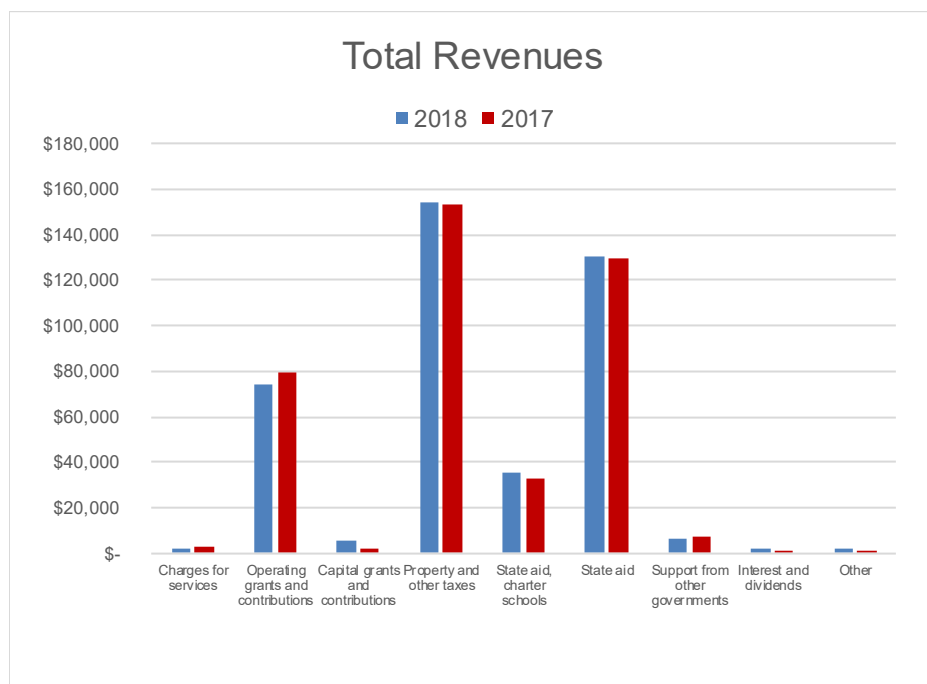
**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Revenues

The District’s total accrual basis revenues at June 30, 2018 were \$414.3 million, an increase of \$5.2 million, or 1.3 percent, over last year’s total revenues of \$409.1 million. Major transactions/ factors were:

- Revenue from operating grants and property transfers from capital grants projects was \$80.3 million, a decrease of \$2 million or 2.4 percent, over prior year revenues of \$82.3 million.
- Pass through state funding revenue for charter schools was \$35.6 million, an increase of \$2.8 million or 8.5 percent, over prior year revenues of \$32.8 million.
- Revenue from other sources, primarily TIF proceeds, was \$2.1 million, an increase of \$1.5 million or 260 percent, over prior year revenues of \$577.
- Revenue from interest was \$2 million, an increase of \$1.6 million or 478 percent, over prior year revenues of \$335.

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



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

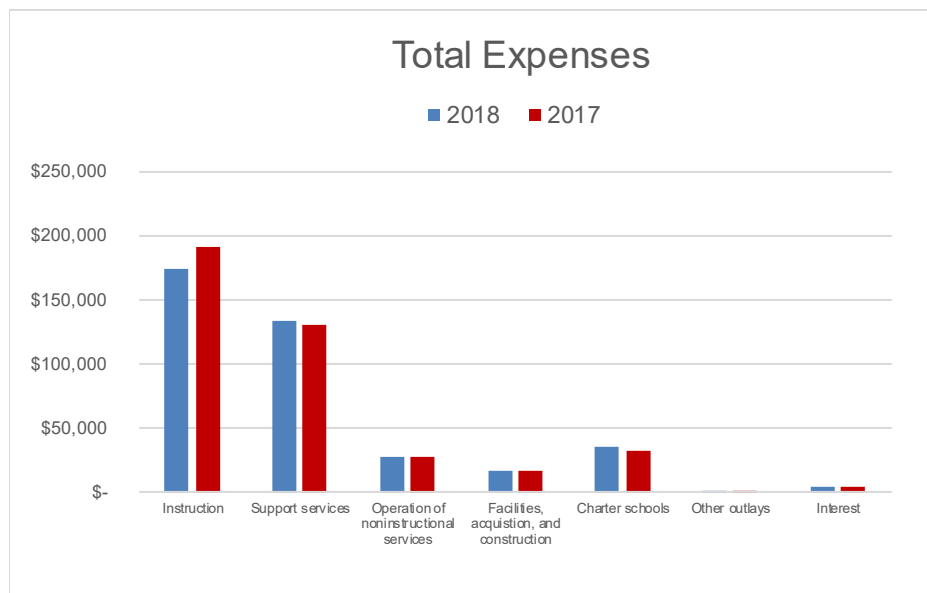
**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Expenses

The District's total accrual basis expenses at June 30, 2018 were \$390.9 million, a decrease of \$11.7 million, or 2.9 percent, over last year's total expenses of \$402.6 million.

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

- Instructional costs were \$173.6 million, a decrease of \$16.9 million or 8.9 percent over last year's expenses of \$190.5 million.
- Support costs were \$133.3 million, an increase of \$2.5 million or 1.9 percent below last year's expenses of \$130.8 million.
- Pass through expense for charter schools was \$35.6 million, an increase of \$2.8 million or 8.5 percent, over prior year revenues of \$32.8 million.



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

**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Financial Analysis of the District’s Funds

Governmental funds: The focus of the District’s governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Long-term financial reporting, such as fixed assets and long-term debt, are adjusted back to revenue and expenditures to reflect only short-term activity. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. See pages 18 and 20 for detailed reporting.

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

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

Other financing sources of governmental funds include bond sales, revenue transfers between funds, and insurance recoveries.

Total Revenues by Source		
	2018	2017
Local sources	\$ 135,154	\$ 128,124
Intermediate sources	13,157	12,924
State sources	173,809	170,410
Federal sources	60,593	57,413
Charter schools	35,611	32,834
Other	288	360
Total sources of revenue	\$ 418,612	\$ 402,065

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Total Expenditures by Function		
	2018	2017
Instruction	\$ 174,756	\$ 180,556
Support services	127,888	120,539
Noninstructional services	28,595	27,198
Facilities acquisition and construction	5,298	1,921
Charter schools	35,611	32,833
Other outlays	320	664
Debt service	33,303	47,094
Capital outlay	32,065	30,342
Total cost of service	\$ 437,836	\$ 441,147

General Fund Budget Discussion

Under the required supplementary information section (pages 58 through 60); the General Fund is presented on a budgetary basis. Annually, the District files a budget overview in accordance with the School District Budget Act (Section 5-150 et. Seq. of Title 70) adopted June 4, 2001.

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

Revenue

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

Federal sources of revenue are budgeted each year to allow an appropriation authorization to expend the full potential allocation of all federal programs. Any unspent allocations are carried forward into the next fiscal year for use. The budgeted amount is based on estimated FY2018 spending and historical program appropriations trends at the time of the budget preparation.

Expenditures

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

Economic Outlook

During April 2018, the Oklahoma state legislature passed bills 1010xx, 1023xx and 1026xx approving tax initiatives to generate approximately \$505 million in additional revenue dedicated for salary increases for teachers and support staff. With this influx of new revenues, the District's state formula funding increased by over \$20 million for the subsequent school year beginning July 1, 2018. The District successfully implemented the legislative salary increases for all eligible certified and support staff.

The State of Oklahoma is continuing to experience encouraging economic news. As reported by State Treasurer, Randy McDaniel, gross receipts were nearly \$13 billion during calendar year 2018 and grew at a double-digit pace; increasing by more than \$1.5 billion or 13.2 percent compared to calendar year 2017 collections. The state economic improvement is also reflected in a decrease in unemployment. Oklahoma's unemployment rate is 3.3 percent in November 2018 as compared to the U.S. jobless rate of 3.7 percent.

Looking forward, the Oklahoma State Board of Education approved a Fiscal Year 2020 budget request of \$3.35 billion for common education, which includes an increase of more than \$440.6 million. The request, among the largest ever for common education, seeks to reduce class sizes and boost critical funding for instruction to support Oklahoma teachers and students after years of severe budget cuts.

School state funding is highly dependent on student enrollment and district enrollment continues to decline. District leadership will continue to carefully evaluate legislative activity and monitor revenues and expenditures to ensure that the financial resources are aligned to meet our student's academic and emotional needs.

Contacting the District's Financial Management

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

Oklahoma County School District I-89
Oklahoma City Public Schools
Financial Services Department
PO Box 36609
Oklahoma City, Oklahoma 73136

BASIC FINANCIAL STATEMENTS

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

Statement of Net Position
June 30, 2018
(in thousands)

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 144,722
Investments	31,000
Deposits held by third party	41,826
Receivables:	
Delinquent/protected property taxes, net of allowance	9,027
Property taxes - succeeding year, net of allowance	120,995
Due from other governments	15,310
Other, net of allowance	272
Inventories	622
Total current assets	363,774
Noncurrent assets:	
Capital assets:	
Land and assets under construction	15,870
Other capital assets, net of accumulated depreciation	679,577
Net other post-employment benefits	2,048
Total noncurrent assets	697,495
Total assets	1,061,269
Deferred outflows of resources	
Debt refunding related amounts	991
Net other post-employment benefits	299
Pension related amounts	65,579
Total deferred outflows of resources	66,869
Liabilities	
Current liabilities:	
Warrants payable	6,658
Accounts payable and accrued liabilities	25,105
Accrued interest payable	2,762
Current portion of long-term obligations	42,367
Total current liabilities	76,892
Noncurrent liabilities:	
General obligation bonds	126,855
Premium on bonds	4,612
Capital lease obligation	309
Accrued compensated absences	4,530
Net pension liability	303,608
Total noncurrent liabilities	439,914
Total liabilities	516,806
Deferred inflows of resources	
Property taxes - succeeding year	120,994
Pension related amounts	58,996
Net other post-employment benefits	1,670
Total deferred inflows of resources	181,660
Net position	
Net investment in capital assets	591,760
Restricted for:	
Debt service	54,674
Capital projects	38
Building	9,367
School nutrition	4,117
Other	2,273
Unrestricted	(232,557)
Total net position	\$ 429,672

See notes to financial statements.

Oklahoma City Public Schools

Statement of Activities
Year Ended June 30, 2018
(in thousands)

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Functions/Programs					
Governmental activities:					
Instruction	\$ 173,552	\$ 685	\$ 26,338	\$ -	\$ (146,529)
Support services	133,310	966	21,528	-	(110,816)
Noninstructional services	27,982	828	24,353	-	(2,801)
Facilities, acquisitions, and construction	16,457	-	-	6,062	(10,395)
Charter schools	35,611	-	327	-	(35,284)
Other outlays	320	-	1,716	-	1,396
Interest on long-term debt	3,672	-	-	-	(3,672)
Total governmental activities	\$ 390,904	\$ 2,479	\$ 74,262	\$ 6,062	(308,101)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					84,160
Property taxes, levied for debt service					37,413
Other					32,805
State aid not restricted to specific purposes - charter schools					35,611
State aid not restricted to specific purposes					130,503
Support from other local governments, not restricted to specific purposes					6,919
Interest, dividends and investment earnings					1,966
Other					2,106
Total general revenues					331,483
Change in net position					23,382
Net position at beginning of year, as originally presented					410,733
Reclassification of school nutrition services from business-type activities to governmental activities					(4,443)
Net position at beginning of year, as adjusted					406,290
Net position at end of year					\$ 429,672

See notes to financial statements.

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

Balance Sheet - Governmental Funds
June 30, 2018
(in thousands)

	General Fund	2007 Bond Funds	Debt Service Fund	2016 Bond Funds	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 61,160	\$ 29,843	\$ 15,347	\$ 23,580	\$ 14,793	\$ 144,723
Investments	-	10,000	-	14,000	7,000	31,000
Deposits held by third party	-	-	41,826	-	-	41,826
Receivables:						
Delinquent/protested property taxes, net of allowance	5,711	-	2,549	-	767	9,027
Property taxes - succeeding year, net of allowance	73,941	-	36,485	-	10,569	120,995
Due from other governments	11,753	-	263	-	3,294	15,310
Other, net of allowance	135	26	-	57	54	272
Inventories	311	-	-	-	311	622
Total assets	\$ 153,011	\$ 39,869	\$ 96,470	\$ 37,637	\$ 36,788	\$ 363,775
Liabilities						
Warrants payable	5,590	-	-	-	1,068	\$ 6,658
Accounts payable and accrued liabilities	19,733	2,053	-	1,174	2,145	25,105
Total liabilities	25,323	2,053	-	1,174	3,213	31,763
Deferred inflows of resources						
Unavailable revenue - delinquent/protested property taxes	5,711	-	2,549	-	767	9,027
Unavailable revenue - property taxes - succeeding year	73,941	-	36,485	-	10,569	120,995
Unavailable revenue - due from other governments	18	-	-	-	-	18
Total deferred inflows of resources	79,670	-	39,034	-	11,336	130,040
Fund balances						
Nonspendable	311	-	-	-	336	647
Restricted	485	37,816	57,436	36,463	16,909	149,109
Committed	-	-	-	-	4,751	4,751
Assigned	6,133	-	-	-	243	6,376
Unassigned	41,089	-	-	-	-	41,089
Total fund balances	48,018	37,816	57,436	36,463	22,239	201,972
Total liabilities, deferred inflows of resources and fund balances	\$ 153,011	\$ 39,869	\$ 96,470	\$ 37,637	\$ 36,788	\$ 363,775

See notes to financial statements.

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

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

June 30, 2018
(in thousands)

Total governmental fund balances	\$	201,972
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		
Cost of capital assets	\$ 972,576	
Accumulated depreciation	<u>(277,129)</u>	695,447
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent/protested property taxes, net of allowance	9,027	
Due from other governments	18	
Net other post-employment benefits	<u>2,048</u>	11,093
Deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources, debt refunding related amounts	991	
Deferred outflows of resources, pension related amounts	65,579	
Deferred outflows of resources, net other post-employment benefits	299	
Deferred inflows of resources, net other post-employment benefits	(1,670)	
Deferred inflows of resources, pension related amounts	<u>(58,996)</u>	6,203
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities consist of:		
General obligation bonds payable	(166,860)	
Premium on bonds	(4,612)	
Capital lease obligation	(729)	
Compensated absences	(6,472)	
Net pension liability	(303,608)	
Accrued interest	<u>(2,762)</u>	(485,043)
Net position of governmental activities	\$	<u><u>429,672</u></u>

See notes to financial statements.

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

Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
Year Ended June 30, 2018
(in thousands)

	General Fund	2007 Bond Funds	Debt Service Fund	2016 Bond Funds	Other Governmental Funds	Total Governmental Funds
Revenues:						
Local sources	\$ 79,766	\$ 475	\$ 38,568	\$ 430	\$ 15,915	\$ 135,154
Intermediate sources	13,157	-	-	-	-	13,157
State sources	169,458	-	-	-	4,351	173,809
Federal sources	37,872	-	-	-	22,721	60,593
Charter schools	35,611	-	-	-	-	35,611
Other	288	-	-	-	-	288
Total revenues	336,152	475	38,568	430	42,987	418,612
Expenditures:						
Current:						
Instruction	174,756	-	-	-	-	174,756
Support services	114,980	-	-	-	12,908	127,888
Noninstructional services	726	-	-	-	27,869	28,595
Facilities, acquisitions, and construction	130	-	-	-	5,168	5,298
Charter schools	35,611	-	-	-	-	35,611
Other outlays	320	-	-	-	-	320
Debt service:						
Principal payments	406	-	30,125	-	-	30,531
Interest and fiscal charges	37	-	2,735	-	-	2,772
Capital outlay:						
Instruction	-	6	-	371	-	377
Support services	-	3,894	-	12,343	219	16,456
Facilities, acquisitions, and construction	-	10,477	-	4,143	612	15,232
Total expenditures	326,966	14,377	32,860	16,857	46,776	437,836
Excess (deficiency) of revenues over (under) expenditures	9,186	(13,902)	5,708	(16,427)	(3,789)	(19,224)
Other financing sources (uses):						
Bond issuances	-	-	-	44,000	-	44,000
Premium on bond issuances	-	-	865	-	-	865
Insurance recoveries	-	-	-	-	51	51
Total other financing sources	-	-	865	44,000	51	44,916
Net change in fund balances	9,186	(13,902)	6,573	27,573	(3,738)	25,692
Fund balances, beginning of year, restated	38,832	51,718	50,863	8,890	25,977	176,280
Fund balances, end of year	\$ 48,018	\$ 37,816	\$ 57,436	\$ 36,463	\$ 22,239	\$ 201,972

See notes to financial statements.

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities**
Year Ended June 30, 2018
(in thousands)

Net changes in fund balances - total governmental funds	\$	25,692
Amounts reported for governmental activities and the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement activities. This is the amount by which the capital outlays exceeded depreciation and retirements in the period.		
Capital outlay expenditures capitalized	\$	35,711
Depreciation expense		(22,223)
Contributed capital		2,865
Loss on sale of capital assets		(517)
		15,836
Repayments of principal on long-term debt are expenditures in governmental funds but reduce long-term liabilities in the statement of net position and do not affect the statement of activities. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Proceeds from the sale of new bonds are other financing sources in the governmental funds but have no impact on the statements of activities.		
Principal payments and amortization of bond premium		30,959
Proceeds from the sale of bonds and premium on the issuance of bonds		(44,865)
Capital lease payments		406
		(13,500)
Because some revenues (property taxes and certain other income) will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are instead deferred inflows of resources. They are, however, recorded as revenues in the statement of activities.		
		(5,083)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(182)
Interest expense recognized in the statement of activities		(1,736)
Net other post-employment benefit expense		677
Pension expense, net of state on-behalf payments of \$14.4 million		1,678
		1,678
Change in net position of governmental activities	\$	23,382

See notes to financial statements.

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

Statement of Net Assets and Liabilities - Fiduciary Fund
June 30, 2018
(in thousands)

	Agency Fund School Activity Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 3,051
Capital assets, net	<u>73</u>
Total assets	<u><u>\$ 3,124</u></u>
Liabilities	
Due to student groups	\$ 2,879
Warrants payable	103
Accounts payable and other accrued liabilities	69
Capital assets held for the benefit of student groups	<u>73</u>
Total liabilities	<u><u>\$ 3,124</u></u>

See notes to financial statements.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: Oklahoma County School District No. I-89, Oklahoma City Public Schools (the District), is a corporate body for public purposes created under Title 70 of Oklahoma Statutes and, accordingly, is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the Oklahoma State Department of Education. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes. The District is a primary government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. The governing body of the District, the Board of Education, is composed of elected members. The Superintendent is appointed by the Board and is the chief executive officer of the District.

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

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

Reporting entity: As required by accounting principles generally accepted in the United States of America, the basic financial statements present the reporting entity, which consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the District's basic financial statements to be misleading. The District has not identified any organizations that should be included in the District's reporting entity.

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

A nonprofit organization associated with the District is Fields & Futures established in 2012 to "help OKCPS put more students on a better path to graduation by growing sports participation at the middle school and high school levels". The District's Board of Education does not exercise any oversight authority over Fields & Futures and there are no financial interdependencies. The Fields & Futures' financial statements are not included in the financial statements of the District because the resources held by Fields & Futures for the benefit of the District are not significant to the financial position or activities of the District as a whole.

District-wide and fund financial statements: The district-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. Essentially all interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not report any business-type activities.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

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

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

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

The District reports the following major governmental funds:

- **General Fund:** The General Fund is established as the District's primary operating fund and is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the foundation and incentive aid program, and federal and state restricted monies that must be expended for specific programs.
- **2007 Bond Funds:** The 2007 Bond Funds, capital projects funds, are established to account for the various general obligation bond sale proceeds and expenditures as authorized by the voters on October 9, 2007. These resources are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, enhancing safety and security, and acquiring technology and transportation equipment. The total bond issue authorized by the voters was \$248.3 million, and consisted of the following separately approved propositions:
 - Proposition 1: \$212 million for capital improvements for elementary school gymnasiums, 54 new classrooms, and routine maintenance;
 - Proposition 2: \$21 million to provide network system upgrades to better track and evaluate students and update and add library materials;
 - Proposition 3: \$7.3 million to replace school buses more than 10 years old and update the support vehicle fleet; and
 - Proposition 4: \$8 million to improve safety and security equipment throughout the District.
- **Debt Service Fund:** The Debt Service Fund (the Sinking Fund) is established to account for the local property tax proceeds levied specifically for debt service retirement and related investment interest earnings and the general obligation bond debt obligations and payments.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

- **2016 Bond Funds:** The 2016 Bond Funds, capital projects funds, are established to account for the various general obligation bond sale proceeds and expenditures as authorized by the voters on November 8, 2016. These resources are used exclusively for maintaining, renovating, and equipping school facilities, enhancing safety and security, and acquiring technology and transportation equipment. The total bond issue authorized by the voters was \$180 million, and consisted of the following separately approved propositions:
 - Proposition 1: \$106.34 million for school building maintenance, including roofing, heating, air conditioning, safety improvements, and general equipment;
 - Proposition 2: \$54.46 million for technology infrastructure upgrades, student and testing labs, and computers;
 - Proposition 3: \$19.20 million to replace school buses and update the support vehicle fleet.

The District reports the following non-major governmental funds:

- **Building Fund:** The Building Fund, a special revenue fund, is established to account for the proceeds of the local property taxes levied specifically for the Building Fund. These resources may be used for building operations and maintenance including supplies, services and personnel.
- **School Nutrition Services:** The School Nutrition Services program, a special revenue fund, is established to account for revenues collected, including federal and state, for meals served, and for associated costs of the program.
- **MAPS Sales Tax Fund:** The MAPS Sales Tax Fund, a special revenue fund, was established to account for capital assets and other tangible property funded from the Oklahoma City limited purpose sales tax levied January 2002 through January 2009. As the District receives transfers from the City of Oklahoma City and/or property is placed into service, the District records an asset or expenditure with the related in-kind revenue entry to comply with generally accepted accounting principles.
- **Gifts and Endowments Fund:** The Gifts and Endowments Fund, a special revenue fund, is established to account for any receipt of assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. Income derived from such funds may be expended, but the principal must remain intact.
- **2001 Bond Funds:** The 2001 Bond Funds, capital projects funds, are established to account for the various general obligation bond sale proceeds and expenditures as authorized by the voters on November 13, 2001. These resources are used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring equipment. The total bond issue of \$180 million was for the approved proposition of \$163.3 million for the construction of new and/or renovation of 16 school buildings and \$16.7 million for computer and other technology, equipment, software renovations and improvements.
- **Casualty Flood Insurance Recovery Fund:** The Casualty Flood Insurance Recovery Fund, a capital projects fund, was established July 2, 2007 by Board of Education Resolution in order to establish a reserve for repairs or replacement of District property that has been destroyed or damaged or lost by a hazard or cause which is either excluded from coverage in the policy of the insurance procured by the District or which falls within the self-insured retention (deductible) of the policy.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

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

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

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

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

All revenues are considered available if they are collected within 60 days of the end of the current fiscal period. Property tax and other revenues collected within the time frame noted are therefore susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent the availability criteria discussed above was met.

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, pensions and other post-employment benefit obligations, are only recorded when the payment is due.

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

Cash and cash equivalents and investments: The District considers all cash on hand, demand deposits, interest-bearing checking accounts, high yield savings accounts, and highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. As of June 30, 2018, the District's investments were in sweep accounts which meet the definition of cash equivalents and certificates of deposit which are classified as investments. Investments are recorded at amortized cost.

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

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

Interfund transactions: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. There were no amounts due to/from other funds as of June 30, 2018. Transfers move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. Transfers within governmental activities are eliminated upon consolidation. During the year ended June 30, 2018, there were no interfund transactions.

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

Capital assets: Capital assets, which include land, buildings, and improvements; machinery and equipment; vehicles; and computers and technology, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial unit cost or an estimated acquisition value at the date of donation equal to or greater than \$5,000 (not in thousands).

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The District incurred no interest expense for construction of capital assets for business-type activities during the year ended June 30, 2018.

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

Type of Asset	Years
Buildings	50
Land improvements	15
Machinery, equipment, furniture and fixtures	10
Vehicles	10
Technology, appliances, and musical instruments	5

Deferred outflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s). It will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources include the debt refunding loss equal to the difference between the reacquisition price and the net carrying amount of the old debt. The deferred outflow will be recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows of resources also consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period. See Note 8 for additional discussion regarding pension deferred outflows of resources. In addition, the District has reported deferred outflows of resources for contributions made subsequent to the measurement date for its other post-employment benefit liability. See Note 9 for additional discussion.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

Deferred inflows of resources: In addition to liabilities, the statement of net position and fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s). It will not be recognized as an inflow of resources (revenue) until then. The governmental fund balance sheet includes unavailable revenues from delinquent property taxes, succeeding year property taxes, and intergovernmental revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the District's district-wide statement of net position, the property tax revenues for the succeeding year remain a deferred inflow and will be recognized as revenue in the year for which they are budgeted. The district-wide statement of net position also consists of deferred inflows related to unrecognized items not yet charged to pension expense. See Note 8 for additional discussion regarding pension deferred inflows of resources. In addition, the District has reported deferred inflows of resources related to unrecognized items not yet charged to expense related to its other post-employment benefits. See Note 9 for additional discussion.

Long-term liabilities: In the governmental fund financial statements, principal and interest on long-term debt and other long-term obligations are recognized as liabilities only when payment has matured or become due. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are also reported as other financing sources. Discounts are reported as other financing uses. Principal payments and bond issuance costs are reported as debt service expenditures.

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, and proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the debt using a method which approximates the effective interest method. Bond issue costs are recorded as an expense when incurred.

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

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

Compensated absences: The liability for compensated absences attributable to the District's governmental funds is recorded in the district-wide financial statements. Vested compensated absence balances are reported as a long-term liability with an estimated short-term portion recorded as due within one year.

Equalized pay: Oklahoma City Public Schools utilizes equalized pay to provide equal base pay amounts each pay period to employees throughout the year including intercession periods.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

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

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

- **Net investment in capital assets:** This component of net position reports capital assets less both accumulated depreciation and the outstanding balance of debt (excluding unexpended proceeds) that is directly attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position, if any.
- **Restricted net position:** This component of net position 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. The restricted net position for other purposes is made up of the following: student services \$31; and state allocation carryover \$2,242.

Net position totaling \$11,609 is restricted by enabling legislation. The remaining \$58,860 is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

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

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

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

- **Nonspendable fund balance:** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories, long-term receivables, and prepaid amounts. It may also include long-term loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.
- **Restricted fund balance:** The restricted fund balance classification should be reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

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

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

- **Assigned fund balance:** The assigned fund balance classification reflects amounts that are constrained by the government's intent to be used for specific purposes but meet neither the restricted nor committed forms of constraint. Assigned funds cannot cause a deficit in unassigned fund balance. For the purposes of assigned fund balance, the District has given authority to its Chief Financial Officer as the Board approved Encumbrance Clerk to assign funds for specific purposes.
- **Unassigned fund balance:** The unassigned fund balance classification is the residual classification for the General Fund only. It is also where negative residual amounts for all other governmental funds must be reported. Unassigned fund balance essentially consists of excess funds that have not been classified in the other four fund balance categories mentioned above.

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

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

The following table shows the fund balance classifications as shown on the governmental funds balance sheet:

	Major Funds				Non Major	Total Governmental Funds
	General Fund	2007 Bond Funds	Debt Service Fund	2016 Bond Funds	Other Governmental Funds	
Nonspendable:						
Inventories	\$ 311	\$ -	\$ -	\$ -	\$ 311	\$ 622
Gifts	-	-	-	-	25	25
	<u>311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>336</u>	<u>647</u>
Restricted for:						
Capital projects	38	37,816	-	36,463	1,623	75,940
Debt service	-	-	57,436	-	-	57,436
Building	-	-	-	-	9,367	9,367
Student services	6	-	-	-	1	7
School nutrition services	-	-	-	-	4,117	4,117
State allocation carryover	441	-	-	-	1,801	2,242
	<u>485</u>	<u>37,816</u>	<u>57,436</u>	<u>36,463</u>	<u>16,909</u>	<u>149,109</u>
Committed for,						
Capital projects	-	-	-	-	4,751	4,751
Assigned for:						
Compensated absences	5,671	-	-	-	-	5,671
Capital projects	-	-	-	-	243	243
Purchase orders	462	-	-	-	-	462
	<u>6,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243</u>	<u>6,376</u>
Unassigned						
	41,089	-	-	-	-	41,089
Total fund balance	<u>\$ 48,018</u>	<u>\$ 37,816</u>	<u>\$ 57,436</u>	<u>\$ 36,463</u>	<u>\$ 22,239</u>	<u>\$ 201,972</u>

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

After review and verification of reports and supporting documentation, the Oklahoma State Department of Education may adjust subsequent fiscal period allocations of money due to changes in state revenue actual collections versus appropriated funds.

The District receives revenues from the state to administer certain categorical educational programs. Oklahoma State Department of Education rules require that revenues earmarked for these programs are expended only for the program for which the money is provided and require that money not expended as of the close of the fiscal year be carried forward into the following fiscal year to be expended for the same categorical programs. Approximately \$441 of state categorical revenue was carried forward to fiscal year 2019. The Oklahoma State Department of Education requires that categorical educational program revenue be accounted for in the general fund.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

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

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

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

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

New accounting pronouncements adopted in fiscal year 2018: The District adopted the following new accounting pronouncements during the year ended June 30, 2018:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) was issued in June 2015 and was effective for the District in the fiscal year ended June 30, 2018. The Statement requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost-sharing OPEB plan administered through a trust, and OPEB not provided through a trust. The Statement also requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. See Note 9 for additional information regarding the District's OPEB.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

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

New accounting pronouncement issued not yet adopted: The GASB has issued several new accounting pronouncements that will be effective in future years. Only the following issued pronouncements are believed to impact the District:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, issued December 2016, will be effective for the District, beginning with its fiscal year ending June 30, 2019. Under Statement No. 83, a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets is required to recognize a liability and a corresponding deferred outflow of resources. The statement identifies the circumstances that trigger the recognition of these transactions. The statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information.

GASB Statement No. 84, *Fiduciary Activities*, issued February 2017, will be effective for the District beginning with its fiscal year ending June 30, 2020. The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the District must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

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

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 2. Deposits and Investments

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of failure of the counterparty, the District may not be able to recover the value of its deposits. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. The District's policy requires all deposits in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits. As of June 30, 2018, all of the District's deposits were either covered by federal deposit insurance or were collateralized with securities held by the pledging financial institution's trust department in the District's name. In addition, the District's investments in certificates of deposit, totaling \$31 million, are held by its agent in the District's name and fully insured or collateralized and are therefore not exposed to custodial credit risk.

Custodial credit risk – investments: For an investment, custodial credit risk is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the District, and are held by a counterparty or the counterparty's trust department but not in the name of the District. The District's investments in sweep accounts, totaling \$144.7 million, are not deposits or obligations of any bank, are not guaranteed by any bank and are not insured or guaranteed by the FDIC, the Federal Reserve Board, or any other government agency, and are therefore exposed to custodial credit risk. The District mitigates this risk by investing in sweep accounts that invest primarily in short-term U.S. Treasury and government securities, in accordance with State Statutes.

Concentration of credit risk: The District's investment policy requires that, except for direct obligations of the U.S. government, its agencies, or instrumentalities or certificates of deposit secured by diversified pledges of collateral, the District's investment portfolio will be diversified to avoid incurring undue concentration in securities of one type. As of June 30, 2018, the District's investment portfolio was invested in sweep accounts (83 percent) and certificates of deposit (17 percent).

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy does limit investment maturities for purposes of liquidity management. District sources of funding limit investments to be very short-term in nature. Funds are strategically placed for meeting cash flow needs for all areas of cash management. As of June 30, 2018, the District's investments were in sweep accounts that mature daily or six and twelve month certificates of deposit.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 3. Receivables

Receivables and allowances at June 30, 2018, for the District's governmental and proprietary funds are as follows:

	Governmental Activities					Total Governmental Activities
	General Fund	Debt Service Fund	2007 Bond Funds	2016 Bond Funds	Other Governmental Funds	
Delinquent/proteted property taxes	\$ 6,810	\$ 3,049	\$ -	\$ -	\$ 916	\$ 10,775
Property taxes receivable - succeeding year	77,990	38,480	-	-	11,147	127,617
Due from other governments	11,753	263	-	-	3,294	15,310
Other	488	-	26	57	172	743
Total	\$ 97,041	\$ 41,792	\$ 26	\$ 57	\$ 15,529	\$ 154,445

Allowances for uncollectible accounts are as follows:

	Governmental Activities					Total Governmental Activities
	General Fund	Debt Service Fund	2007 Bond Funds	2016 Bond Funds	Other Governmental Funds	
Allowances for uncollectible accounts attributable to: Delinquent/proteted property taxes	\$ 1,099	\$ 500	\$ -	\$ -	\$ 149	\$ 1,748
Property taxes - succeeding year	4,049	1,995	-	-	578	6,622
Other	352	-	-	-	119	471
Total	\$ 5,500	\$ 2,495	\$ -	\$ -	\$ 846	\$ 8,841

Receivables, net of allowances for uncollectible accounts, are as follows:

	Governmental Activities					Total Governmental Activities
	General Fund	Debt Service Fund	2007 Bond Funds	2016 Bond Funds	Other Governmental Funds	
Delinquent/proteted property taxes	\$ 5,711	\$ 2,549	\$ -	\$ -	\$ 767	\$ 9,027
Property taxes receivable - succeeding year	73,941	36,485	-	-	10,569	120,995
Due from other governments	11,753	263	-	-	3,294	15,310
Other	136	-	26	57	53	272
Total	\$ 91,541	\$ 39,297	\$ 26	\$ 57	\$ 14,683	\$ 145,604

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 4. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reclassifications	Disposals	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 3,597	\$ 1,888	\$ -	\$ (3)	\$ 5,482
Assets under construction	14,654	15,586	(19,852)	-	10,388
Total capital assets not being depreciated	18,251	17,474	(19,852)	(3)	15,870
Capital assets being depreciated:					
Buildings and improvements	823,454	8,439	19,852	(927)	850,818
Technology, appliances, and musical instruments	74,225	3,434	-	(171)	77,488
Machinery, equipment, furniture and fixtures	7,530	2,570	-	(81)	10,019
Vehicles	18,702	6,659	-	(6,980)	18,381
Total assets being depreciated	923,911	21,102	19,852	(8,159)	956,706
Accumulated depreciation for:					
Buildings and improvements	(173,910)	(17,373)	-	589	(190,694)
Technology, appliances, and musical instruments	(68,475)	(2,760)	-	160	(71,075)
Machinery, equipment, furniture and fixtures	(4,943)	(700)	-	42	(5,601)
Vehicles	(15,223)	(1,390)	-	6,854	(9,759)
Total accumulated depreciation	(262,551)	(22,223)	-	7,645	(277,129)
Total capital assets being depreciated, net	661,360	(1,121)	19,852	(514)	679,577
Governmental activities capital assets, net	\$ 679,611	\$ 16,353	\$ -	\$ (517)	\$ 695,447

Depreciation expense for the year ended June 30, 2018, was charged to functions/programs of the District as follows:

Governmental activities:	
Instruction	\$ 484
Support services	4,223
Noninstruction services	142
Facilities, acquisitions, and construction	17,374
Total governmental activities	\$ 22,223

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 5. Compensated Absences

Upon retirement or resignation in good standing, the District pays eligible employees for unused sick leave at a set daily rate as determined by classification and/or length of service. The length of service required to receive the sick leave payout is determined by the employee's applicable collective bargaining agreement for the District's school administrators, support, and certified staff and District policy for all other pro-tech/administrative staff. The number of allowed sick leave carry forward days for support, professional/technical and principals is 200 days. Certified employees (teachers) may carryover 201 days.

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

Personal days not used by employees by June 30 become sick days subject to the accrual calculation and limitations above. As of June 30, 2018, the District had an outstanding liability for unused sick, vacation, and personal leave totaling approximately \$4.94 million and a related liability for payroll taxes associated with the unused sick, vacation, and personal leave totaling approximately \$1.53 million.

This liability is typically liquidated from the fund balance of the General, Building, and School Nutrition Funds.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 6. Long-Term Liabilities

Oklahoma statutes prohibit the District from becoming indebted in an amount exceeding revenues to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue.

As of June 30, 2018, the District had the following long-term liabilities:

Governmental Activities:

\$35.0 million general obligation bonds of 2013, dated January 1, 2013, due in annual installments of \$8.75 million beginning July 1, 2015 through July 1, 2018, plus interest ranging from 1.00% to 2.00%.	\$ 8,750
\$60.0 million general obligation bonds of 2014, dated January 1, 2014, due in annual installments of \$12 million beginning July 1, 2016 through July 1, 2020, plus interest of 2.00%.	36,000
\$37.5 million general obligation bonds of 2015, dated June 1, 2015, due in annual installments of \$9.375 million beginning July 1, 2017 through July 1, 2020, plus interest ranging from 0.05% to 3.00%	28,125
\$10.0 million general obligation bonds of 2016, dated June 16, 2016, due in annual installments of \$2.5 million beginning in July 1, 2018 through July 1, 2021, plus interest ranging from 1.50% to 2.00%	10,000
\$9.0 million general obligation bonds of 2017, dated April 20, 2017, due in annual installments of \$2.25 million beginning in July 1, 2019 through July 1, 2022, plus interest ranging from 2.00% to 3.00%	9,000
\$30.985 million general obligation bonds of 2017, dated June 9, 2017, due in varying annual installments beginning July 1, 2018 with an installment of \$7.38 million and a final installment of \$3.775 million due July 1, 2024, plus interest ranging from 4.00% to 5.00%	30,985
\$44.0 million general obligation bonds of 2018, dated July 05, 2017, due in annual installments of \$11 million beginning in July 1, 2020 through July 1, 2023, plus interest ranging from 1.50% to 2.00%	<u>44,000</u>
Total general obligation bonds outstanding – at face value	166,860
Premium on bonds outstanding	4,612
Total general obligation bonds outstanding	<u>171,472</u>
Capital lease obligation	729
Compensated absences and related taxes	6,472
Net pension liability	303,608
Total long-term liabilities for governmental activities	<u><u>\$ 482,281</u></u>

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 6. Long-Term Liabilities (Continued)

During the year ended June 30, 2018, long-term liability transactions were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	One Year
Governmental Activities:					
General obligation bonds:					
2013 general	\$ 17,500	\$ -	\$ 8,750	\$ 8,750	\$ 8,750
2014 general	48,000	-	12,000	36,000	12,000
2015 general	37,500	-	9,375	28,125	9,375
2016 general	10,000	-	-	10,000	2,500
2017 general	9,000	-	-	9,000	-
2017 general	30,985	-	-	30,985	7,380
2018 general	-	44,000	-	44,000	-
Total general obligation bonds	152,985	44,000	30,125	166,860	40,005
Premium on bonds	4,581	865	834	4,612	-
Capital lease obligation	1,135	-	406	729	420
Compensated absences	6,295	3,514	3,337	6,472	1,942
Total Governmental Activities	\$ 164,996	\$ 48,379	\$ 34,702	178,673	42,367
Reconciliation to Statement of Net Position:					
Plus: Net pension liability				303,608	-
				\$ 482,281	\$ 42,367

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

Year ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 40,005	\$ 4,488
2020	31,280	3,022
2021	40,750	2,050
2022	19,405	1,367
2023	16,935	946
2024-2028	18,485	484
Total long-term liabilities	\$ 166,860	\$ 12,357

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 6. Long-Term Liabilities (Continued)

Interest expense on general obligation bonds during the year ended June 30, 2018 totaling approximately \$3.63 million is recorded in the debt service fund.

Bonds sold at discounts decrease the carrying value of the bond, and bonds sold at a premium increase the carrying value. The discount or premium is then amortized, using the effective interest method, as an increase or decrease, respectively, to the coupon interest payment in reporting interest expense. Amortization expense on bond premiums for the year ended June 30, 2018 is approximately \$834 thousand. The net amount of unamortized premium at June 30, 2018 is approximately \$4.6 million.

Debt refunding:

On June 9, 2017, OKCPS issued \$30,985 General Obligation Refunding Bonds, Series 2017B (the "2017B Refunding Bonds") for the purpose of refunding the outstanding balance of the District's General Obligation Bonds of 2004, 2005, and 2009 (the "Old Debt"). The 2017B Refunding Bonds were issued in accordance with the provisions of the Oklahoma Constitution and laws of the State of Oklahoma supplementary and amendatory thereto. The 2017B Refunding Bonds constitute direct and general obligations of the District, payable from ad valorem taxes levied against all taxable property.

The net proceeds of the 2017B Refunding Bonds, totaling \$33,981 (after premium of \$3,378 and payment of issuance cost of \$382) plus an additional \$8,709 of debt service fund monies, were used to refund the old debt and pay interest due at the time of the refunding of \$839. Funds of \$9,891 were used to immediately pay off the General Obligation Bonds of 2004 and 2005 (current refundings) and pay interest due. The remaining \$32,799 was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the General Obligation Bonds of 2009 (advance refunding). These obligations are considered to be defeased and the liability for those bonds have been removed from the district-wide statement of net position. At June 30, 2018, the remaining balance of the defeased debt held in escrow was \$26,985.

These refundings resulted in a difference between the reacquisition price and the net carrying amount of the Old Debt of \$1,181. This difference, reported in the district-wide statements of net position as deferred outflow of resources, is being charged to operations through 2025 using the effective interest method. The remaining balance at June 30, 2018 is \$991.

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

In November 2014, the District entered into a sixty month equipment lease purchase agreement with Dell totaling approximately \$833. At the end of the lease, the District can exercise the option to purchase the equipment for one dollar. Principal is due in annual installments of approximately \$179.

In December 2015, the District entered into a sixty month equipment lease purchase agreement with Dell totaling approximately \$988. At the end of the lease, the District can exercise the option to purchase the equipment for one dollar. Principal is due in annual installments of approximately \$211.

In December 2016, the District entered into a sixty month equipment lease purchase agreement with Dell totaling approximately \$259. At the end of the lease, the District can exercise the option to purchase the equipment for one dollar. Principal is due in annual installments of approximately \$54.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 6. Long-Term Liabilities (Continued)

The future lease payments as of June 30, 2018, are as follows:

Year ending June 30,		
2019	\$	444
2020		265
2021		54
2022		-
Total minimum lease payments		<u>763</u>
Less amount representing interest		<u>(34)</u>
Present value of minimum lease payments	\$	<u><u>729</u></u>

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

Technology, appliances, and musical instruments	\$	2,080
Accumulated depreciation		<u>(1,134)</u>
Net book value	\$	<u><u>946</u></u>

Note 7. Risk Management

The District purchases commercial insurance for all types of risk including, but not limited to, property, casualty, worker's compensation, vehicle, and employee life. The deductibles for property claims is \$500 per occurrence. The deductible for vehicle and general/professional liability claims is \$200 per occurrence. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 8. Employee Retirement Plans

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

Oklahoma Teachers Retirement System

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

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

Benefit provisions include:

- Members who joined OTRS prior to November 1, 2017 become 100 percent vested in retirement benefits earned to date after five years of credited Oklahoma service. Members who joined after November 1, 2017 will become 100 percent vested after seven years. Members who joined OTRS on June 30, 1992 or prior are eligible to retire at maximum benefits when age and years of creditable service total 80. Members joining OTRS after June 30, 1992 are eligible for maximum benefits when their age and years of creditable service total 90. Members whose age and service do not equal the eligible limit may receive reduced benefits as early as age 55, and at age 62 receive unreduced benefits based on their years of service. The maximum retirement benefit is equal to 2 percent of final compensation for each year of credited service.
- Final compensation for members who joined OTRS prior to July 1, 1992 is defined as the average salary for the three highest years of compensation. Final compensation for members joining OTRS after June 30, 1992 is defined as the average of the highest five consecutive years of annual compensation in which contributions have been made. The final average compensation is limited for service credit accumulated prior to July 1, 1995 to \$40,000 or \$25,000 (not in thousands), depending on the member's election. Monthly benefits are 1/12 of this amount. Service credits accumulated after June 30, 1995 are calculated based on each member's final average compensation, except for certain employees of the State's two comprehensive universities. Upon the death of a member who has not yet retired, the designated beneficiary shall receive the member's total contributions plus 100 percent of interest earned through the end of the fiscal year, with interest rates varying based on time of service. A surviving spouse of a qualified member may elect to receive, in lieu of the aforementioned benefits, the retirement benefit the member was entitled to at the time of death as provided under the joint survivor benefit option.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 8. Employee Retirement Plans (Continued)

- Upon the death of a retired member, OTRS will pay \$5,000 (not in thousands) to the designated beneficiary, in addition to the benefits provided for the retirement option selected by the member.
- A member is eligible for disability benefits after ten years of credited Oklahoma service. The disability benefit is equal to 2 percent of final average compensation for the applicable years of credited service.
- Upon separation from OTRS, members' contributions are refundable with interest based on certain restrictions provided in the plan, or by the Internal Revenue Code (IRC).
- Members may elect to make additional contributions to a tax-sheltered annuity program up to the exclusion allowance provided under the IRC under Code Section 403(b).

Contributions: The contribution requirements of OTRS are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees who are non-retired members of OTRS are required to contribute 7 percent of their annual compensation. Annual compensation is defined as the salary plus fringe benefits (excluding flexible benefit allowance). For employees who are covered by the American Federation of Teachers (AFT) Certified Collective Bargaining Agreement (CBA), the District paid 7 percent of the employee's annual compensation minus the OTRS service credit. For building administrators who are covered by the Oklahoma City Business Administrator (OCBA) CBA and Central Office/professional and technical staff, the District paid 100 percent of the 7 percent up to \$60,000 (not in thousands) of annual compensation, then the District paid 90 percent and the employee paid 10 percent of the 7 percent of annual compensation for the rest of the fiscal year. For support employees who are covered by the Oklahoma City Federation of Classified Employees (OCFCE) CBA, the District paid 90 percent of the 7 percent and the employee paid 10 percent of the 7 percent up to \$40,000 (not in thousands) of annual compensation, then the employee contributed the full 7 percent of annual compensation for the rest of the fiscal year. For all retired OTRS members employed by the District, the District paid 16.5 percent (the employee and District/employer portions) of the employee's annual compensation.

The amount paid by the District for employees totaled approximately \$10.91 million for the year ended June 30, 2018. The District's contribution rate is 7 percent for the year ended June 30, 2018. In addition, the District is required to match the State of Oklahoma's contribution rate on salaries that are paid with grant funds. The District's contributions to OTRS in 2018 were \$17.71 million, equal to the annual required contributions. The District's matching contributions to OTRS in 2018 were \$1.7 million.

The State of Oklahoma makes a contribution on behalf of each teacher meeting minimum salary requirements (known as the OTRS years of service credit). The credit amount is determined based on years of service recognized by the District and ranges from \$60.15 actual dollars per year for 0 years of service to \$1,410.53 actual dollars per year for 25 years or more of service. For the fiscal year ended June 30, 2018, the State paid approximately \$1.63 million on behalf of teachers employed at the District. In accordance with generally accepted accounting principles, the District recognized the on-behalf-of payments as revenue and expense/expenditure in the district wide and fund financial statements.

The State of Oklahoma is also required to contribute to the System on behalf of the participating employers. For 2018, the State of Oklahoma contributed 5 percent of state revenues from sales and use taxes and individual income taxes, to the System on behalf of participating employers. The District has estimated the amounts contributed to the System by the State of Oklahoma on its behalf based on a contribution rate provided to the District. For the year ended June 30, 2018, the total amount contributed to the System by the State of Oklahoma on behalf of the District was approximately \$14.35 million. In accordance with generally accepted accounting principles, District recognized the on-behalf-of payments as revenue and expenditure in the governmental fund financial statements.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 8. Employee Retirement Plans (Continued)

These on-behalf payments do not meet the definition of a special funding situation.

Pension liabilities, pension expense, and deferred inflows/outflows of resources related to pensions: At June 30, 2018, the District reported a liability of \$303.61 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's contributions to OTRS relative to total contributions of OTRS for all participating employers for the year ended June 30, 2017. Based upon this information, the District's proportion was 4.58531210 percent. The change in proportion from June 30, 2016 was a decrease of 0.29711455 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$31.92 million. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 20,728
Changes of assumptions	36,030	18,149
Net difference between projected and actual earnings on pension plan investments	4,315	-
Changes in proportion and differences between District contributions and proportionate share of contributions	5,845	20,119
Total deferred amounts to be recognized in pension expense in future periods	46,190	58,996
District contributions subsequent to the measurement date	19,389	-
Total deferred amounts related to pension	<u>\$ 65,579</u>	<u>\$ 58,996</u>

Deferred pension outflows totaling \$19.4 million resulting from the district's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Net deferred outflows resulting from the difference between projected and actual earnings on pension plan investments will be recognized in pension expense over five years as of the beginning of each measurement period. Other deferred inflows and outflows are being amortized over a closed period equal to the average of the expected service lives of all employees as of the beginning of the measurement period.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 8. Employee Retirement Plans (Continued)

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	(5,426)
2020		9,499
2021		3,547
2022		(14,241)
2023		(6,185)
	\$	<u>(12,806)</u>

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared using the following actuarial assumptions:

- Actuarial Cost Method—Entry Age Normal
- Inflation—2.50 percent
- Future Ad Hoc Cost-of-Living Increases—None
- Salary Increases—Composed of 3.25 percent wage inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service
- Investment Return—7.50 percent
- Retirement Age—Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ended June 30, 2014
- Mortality Rates after Retirement—Males: RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105 percent. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012
- Mortality Rates for Active Members—RP-2000 Employee Mortality tables, with male rates multiplied by 60 percent and female rates multiplied by 50 percent

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

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 8. Employee Retirement Plans (Continued)

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Expected Real Rate of Return
Domestic Equity	38.50%	7.50%
International Equity	19.00	8.50
Fixed Income	23.50	2.50
Real Estate*	9.00	4.50
Alternative Assets	10.00	6.10
Total	100.00%	

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

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.5 percent. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payroll. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions. Based on the stated assumptions and the projection of cash flows, OTRS' fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following table presents the net pension liability of the District calculated using the discount rate of 7.5 percent, as well as what the District's net pension liability would be if OTRS calculated the total pension liability using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's net pension liability	\$ 419,054	\$ 303,608	\$ 208,154

Defined Contribution Plan

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

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 8. Employee Retirement Plans (Continued)

Funding policy: Eligible administrators, professional/technical staff members, and building administrators receive a contribution of seven hundred dollars per year. Upon termination or retirement, each of these employees can receive the money paid for them in either a lump sum or in any other benefit option available. This plan is administered by Variable Annuity Life Insurance Company (VALIC). The District contributed \$228 to the plan during the year ended June 30, 2018.

Note 9. Other Post-Employment Insurance Benefits

Oklahoma Teachers Retirement System – OPEB Subsidy

Plan description: The District as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/TRS.

Benefits provided: OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions: Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70 employers and employees contribute a single amount based on a single contribution rate as described in Note 8; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program. The cost of the supplemental health insurance program averages 0.15 percent of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the System were \$299.

OPEB liabilities (assets), OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB: At June 30, 2018, the District reported an asset of \$2,048 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net OPEB asset was based on the District's contributions received by the OPEB plan relative to the total contributions received by the OPEB plan for all participating employers as of June 30, 2017. Based upon this information, the District's proportion was 4.5853121 percent.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 9. Other Post-Employment Insurance Benefits (Continued)

For the year ended June 30, 2018, the District recognized OPEB benefit expense of (\$76). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 549
Net difference between projected and actual earnings on OPEB plan investments	-	1,121
District contributions subsequent to the measurement date	299	-
Total	<u>\$ 299</u>	<u>\$ 1,670</u>

The \$299 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (382)
2020	(382)
2021	(382)
2022	(382)
2023	(102)
Thereafter	(40)
Total	<u>\$ (1,670)</u>

Actuarial assumptions: The total OPEB liability (asset) as of June 30, 2018, was determined based on an actuarial valuation prepared as of June 30, 2017 using the following actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50 percent
- Future Ad Hoc Cost-of-Living Increases – None
- Salary Increases – Composed of 3.25 percent inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8 percent based on years of service.
- Investment Rate of Return – 7.50 percent
- Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five-year experience study for the period ending June 30, 2014.
- Mortality Rates after Retirement – Males: RP-2000 Combined Mortality Table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from table's base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105 percent. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.
- Mortality Rates for Active Members – RP – 2000 Employer Mortality tables, with male rates multiplied by 60 percent and female rates multiplied by 50 percent.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 9. Other Post-Employment Insurance Benefits (Continued)

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	38.5%	7.5%
International Equity	19.0%	8.5%
Fixed Income	23.5%	2.5%
Real Estate*	9.0%	4.5%
Alternative Assets	10.0%	6.1%
Total	100.0%	

*The Real Estate total expected return is a combination of U.S. Direct Real Estate (unlevered) and U.S. Value added Real Estate (unlevered)

Discount rate: A single discount rate of 7.50 percent was used to measure the total OPEB liability (asset) as of June 30, 2017. This single discount rate was based on solely on the expected rate of return on OPEB plan investments of 7.50 percent. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability (asset). The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain a level percentage of payrolls. The projection of cash flows also assumed that the State's contribution plus the matching contributions will remain a constant percent of projected member payroll based on the past five years of actual contributions.

Sensitivity of the District's proportionate share of the net OPEB liability (asset) to changes in the discount rate: The following presents the net OPEB liability (asset) of the employer calculated using the discount rate of 7.5 percent, as well as what the Plan's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease -6.5%	Current Discount Rate (7.5%)	1% Increase -8.5%
Employer's net OPEB liability (asset)	\$ (87)	\$ (2,048)	\$ (3,720)

Sensitivity of the District's proportionate share of the net OPEB liability (asset) to changes in the healthcare cost trend rate: The benefits paid by the OTRS OPEB Plan are not impacted by healthcare cost trend rates. As a result, changes in the healthcare cost trend rate assumption will have no impact on the net OPEB liability.

OPEB plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report of the OTRS; which can be located at www.ok.gov/TRS.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 10. Commitment and Contingencies

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

General Fund	\$	462
2007 Bond Funds		3,016
2016 Bond Funds		3,163
Other governmental funds		2,306
	\$	<u>8,947</u>

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

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

Note 11. Charter Schools

The District is the pass-through agency of state funds for eight charter schools, which are considered to be operationally independent of the District. State funding sources are received by the District and distributed to the charter schools monthly. In addition, certain payments are made and costs incurred by the District to benefit various charter schools through such programs as the School Nutrition Services program, alternative education, at risk sites for adequate yearly progress, and certain contractually obligated costs for custodial care and supplies. The District charges each charter school an administrative fee of 3.00 percent (of state funding sources) for the services it provides. In addition to the eight charter schools for which the District is a pass-through agency of state funds, there is one charter school within the District that receives state funds directly from the state and does not pay the District an administrative fee.

Note 12. Enterprise Schools

The District has six enterprise schools. An enterprise school is a District school that has established its own governing board. This governing board has contracted with the District to allow for more authority to make certain independent decisions impacting that school. All employees and operating costs are budgeted and processed within the District's regular financial operations. However, the enterprise school can direct their dollars with regard to curriculum and admission standards within the legal laws governing public schools as well as within the specifics of their contract.

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

Notes to Financial Statements (dollars in thousands unless specifically noted otherwise)

Note 13. Tax Abatements

The Oklahoma City Economic Development Trust (Trust) was established by Oklahoma City Council resolution on October 9, 2007 to support the City's economic and community development goals. The City has designated the Trust to manage economic development, including incentives. The Trust provides economic development incentives in the form of development financing or performance based incentives that reduce ad valorem increment allocated to the City, and therefore the District. These economic development project plans have been adopted by the Trust pursuant to the Local Development Act, Title 60 of the Oklahoma Statutes, Sections 850, et seq. It is noted that the incentives do not meet the criteria of tax abatement defined in the Oklahoma Local Development Act. The City of Oklahoma City's active TIF agreements resulted in a reduction of reported property tax revenues of approximately \$3,239. The district's share of that tax revenue abatement is 55.03 percent, for a reduction of \$1,782 of property tax revenues to the District. In all cases of the active agreements, the District receives ad valorem taxes at the assessed valuation of the property prior to the TIF agreement.

The State of Oklahoma grants a 5 year exemption of Ad Valorem taxes for certain new manufacturing or research and development equipment and facilities. Pursuant to Section 193 of Title 62 of the Oklahoma Statutes, the State will reimburse the District for foregone property taxes as a result of this exemption. During the year ended June 30, 2018, the amount of foregone tax revenues as a result of this exemption were \$1,885, all of which was reimbursed by the State during the year ended June 30, 2018 in connection with the abated tax revenues.

Note 14. Restatement of Net Position / Fund Balance

During the year, the District re-evaluated certain fund classifications and determined that the School Nutrition Services Fund should be reclassified from an enterprise fund to special revenue funds. As a result of this change, net position/fund balance as of July 1, 2017 was restated as follows:

	Governmental Activities	Business-Type Activities	Governmental Funds	Enterprise Fund
Beginning net position, as originally presented	\$ 410,733	\$ (4,443)	\$ 168,972	\$ (4,443)
Reclassification of School Nutrition Services fund	(4,443)	4,443	7,308	4,443
	<u>\$ 406,290</u>	<u>\$ -</u>	<u>\$ 176,280</u>	<u>\$ -</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

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

	As of June 30,			
	2018	2017	2016	2015
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	4.58531210%	4.88242665%	4.98137440%	4.81459900%
District's proportionate share of the net pension liability	\$ 303,608	\$ 407,466	\$ 302,507	\$ 259,019
District's covered payroll	\$ 181,767	\$ 195,534	\$ 195,499	\$ 184,945
District's proportionate share of the net pension liability as a percentage of its covered payroll	167.03%	208.39%	154.74%	140.05%
Plan fiduciary net position as a percentage of the total pension liability	69.32%	62.24%	70.31%	72.43%

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

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

**Required Supplementary Information
Notes to Schedule of the District's Proportionate Share of the Net Pension Liability**

Note 1. Changes in benefit terms: There were no significant changes of benefit terms.

Note 2. Changes of assumptions:

The following information is as of the measurement date:

Assumptions for salary increases have changed for the measurement dates as follows:

June 30, 2017	No changes from prior year.
June 30, 2016	Increases are composed of 3.25 percent wages inflation, including 2.50 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of service.
June 30, 2015	Increases are composed of 3.75 percent wage inflation, including 3.00 percent price inflation, plus a service-related component ranging from 0.00 percent to 8.00 percent based on years of services.
June 30, 2014	Increases were composed of 3.00 percent inflation, plus 1.00 percent productivity increase rate, plus step-rate promotional increases for members with less than 25 years of service.

Assumptions for retirement age determination have changed for the measurement dates as follows:

June 30, 2017	No changes from prior year.
June 30, 2016	No changes from prior year.
June 30, 2015	The retirement age was determined using the experience-based table developed from a five-year experience study for the period ended June 30, 2014. This table was adopted by the OTRS Board in May 2015.
June 30, 2014	Determined using the experience-based table developed from a five-year experience study for the period ended June 30, 2009. This table was adopted by the OTRS Board in September 2010.

Assumptions for mortality rates have changed for the measurement dates as follows:

June 30, 2017	No changes from prior year.
June 30, 2016	No changes from prior year.
June 30, 2015	Rates for active employees were determined using the RP-200 Employee Mortality Tables, with male rates multiplied by 60 percent and female rates multiplied by 50 percent. The mortality rates for males after retirement were determined using the RP-2000 combined health Mortality Table for males with white collar adjustments. Generational mortality improvements in accordance with Scale BB from the table's base year of 2000 were used. The mortality rates for females after retirement were determined using the GRS Southwest Region Teacher Mortality Table, scaled at 105 percent. Generational mortality improvements in accordance with Scale BB from the tables' base year of 2012 were used.
June 30, 2014	Rates were determined using the RP-2000 Combined Mortality Table, projected to 2016 using Scale AA, multiplied by 90 percent for males and 80 percent for females.

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

**Required Supplementary Information
Notes to Schedule of the District's Proportionate Share of the Net Pension Liability**

Assumptions for investment return have changed for the measurement dates as follows:

June 30, 2017	No changes from prior year.
June 30, 2016	Return was 7.50 percent per year, net of investment-related expenses and compounded annually, composed of an assumed 2.50 percent inflation rate and a 5.00 percent net real rate of return.
June 30, 2015	Return was 8.00 percent per year, net of investment-related expenses and compounded annually, composed of an assumed 3.00 percent inflation rate and a 5.00 percent net real rate of return.
June 30, 2014	Return was 8.00 percent per year, net of investment-related expenses and compounded annually, composed of an assumed 3.00 percent inflation rate and a 5.00 percent net real rate of return.

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

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

Fiscal year ending:	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 17,714	\$ 17,714	\$ -	\$ 183,373	9.66%
2017	19,156	19,156	-	181,767	10.54
2016	20,764	20,764	-	195,534	10.62
2015	20,780	20,780	-	195,499	10.63
2014	19,677	19,677	-	184,945	10.64
2013	18,914	18,914	-	177,916	10.63
2012	18,506	18,506	-	173,534	10.66
2011	17,079	17,079	-	164,455	10.39
2010	17,095	17,095	-	170,051	10.05
2009	15,504	15,504	-	165,178	9.39

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

1. July 1, 2008 to December 31, 2008 8.50%
2. January 1, 2009 to December 31, 2009 9.00%
3. January 1, 2010 to present 9.50%

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

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability (Asset)
Oklahoma Teachers Retirement System
Last Ten Fiscal Years*
(in thousands)

	As of June 30, 2018
Measurement date	June 30, 2017
District's proportion of the net OPEB liability (asset)	4.58531210%
District's proportionate share of the net OPEB liability (asset)	\$ (2,048)
District's covered payroll	\$ 183,373
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-1.12%
Plan fiduciary net position as a percentage of the total OPEB liability	110.40%

*NOTE - The District is required to present information for 10 years. However, until a full 10 year trend is available, the District will present information for those years which information is available.

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

Required Supplementary Information
Schedule of District Contributions to the OPEB Plan
Oklahoma Teachers Retirement System
(in thousands)

Fiscal year ending:	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contributions Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 299	\$ 299	\$ -	\$ 183,373	0.16%
2017	299	299	-	181,767	0.16%

NOTE - The District is required to present information for 10 years. However, until a full 10 year trend is available, the District will present information for those years which information is available.

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

Budgetary Comparison Schedule (Budgetary Basis) - General Fund
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 80,843	\$ 80,843	\$ 79,673	\$ (1,170)
Intermediate sources	13,388	13,388	13,157	(231)
State sources	184,456	184,456	154,534	(29,922)
Federal sources	42,147	42,147	34,208	(7,939)
Nonrevenue receipts	400	400	35,895	35,495
Total revenues	321,234	321,234	317,467	(3,767)
Expenditures:				
Instruction	172,458	172,458	165,232	(7,226)
Support services	117,432	117,432	111,390	(6,042)
Operation of noninstruction services	548	548	726	178
Facilities acquisition and construction services	-	-	167	167
Repayment	1	1	-	(1)
Other	34,795	34,795	35,937	1,142
Total expenditures	325,234	325,234	313,452	(11,782)
Excess (deficiency) of revenues over (under) expenditures	(4,000)	(4,000)	4,015	8,015
Other financing sources:				
Lapsed appropriations	4,000	4,000	5,956	1,956
Transfers out	-	-	-	-
Insurance recoveries	-	-	-	-
Total other financing sources	4,000	4,000	5,956	1,956
Net change in fund balances	-	-	9,971	9,971
Fund balances, beginning of year	20,058	20,058	16,715	(3,343)
Fund balances, end of year	\$ 20,058	\$ 20,058	\$ 26,686	\$ 6,628

See notes to required supplementary information.

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

Notes to Budgetary Comparison Schedule

Budgetary comparison schedule - general fund: The budgetary comparison schedule is prepared using the cash plus encumbrances basis of accounting. A reconciliation from this basis to the modified accrual basis of accounting, which is generally accepted accounting principles (GAAP), is included below.

Budgetary reconciliation - general fund: Items required to adjust actual revenues, expenditures, and fund balance reported on the budgetary basis to those reported within the fund financial statements as of and for the year ended June 30, 2018, are as follows (in thousands):

Fund balance - budgetary basis	\$ 26,686
Current year revenue accrual less portion deferred in fund statements	11,870
Grant revenue received, but not expended (deferred for budgetary purposes)	1,716
Inventory	311
Encumbrances outstanding	1,764
Compensated absences	5,671
	<hr/>
Fund balance - fund financial statements	<u><u>\$ 48,018</u></u>
Revenues - budgetary basis	\$ 317,467
Current year revenue accrual	91,540
Prior year revenue accrual	(92,664)
Current year revenue deferred in fund statements	(79,670)
Prior year deferred revenue recognized in fund statements in current year	83,873
Current year grant revenue received, but not expended (deferred for budgetary purposes)	1,716
Other	2
Prior year grant revenue recognized in the current year	(1,233)
On-behalf payments	15,121
	<hr/>
Revenues - fund financial statements	<u><u>\$ 336,152</u></u>
Expenditures - budgetary basis	\$ 313,452
Change in encumbrance payable	(1,359)
Change in compensated absences	(120)
Change in inventory	(128)
Other	1
On-behalf payments	15,121
	<hr/>
Expenditures - fund financial statements	<u><u>\$ 326,967</u></u>

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

Notes to Budgetary Comparison Schedule

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

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

The following is the budget development process for all funds operated on an overall budget basis (Bond Funds, and Casualty Flood Insurance Recovery Fund). Based on available bonding capacity, the superintendent and staff prepare a list of projects determined by the needs within the District and with available monies. This list, once approved by the Board of Education, becomes the resolution that is then presented to the voters in the District. Oklahoma laws allow schools to be indebted to a maximum of 110 percent of the net assessed valuation of the district.

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

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

There are not approved budgets for the MAPS Sales Tax Fund, Gifts and Endowments Fund, or the 2016 Bond Funds.

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

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

OTHER SUPPLEMENTARY INFORMATION

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

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2018
(in thousands)

	Special Revenue Funds				Capital Project Funds		Total
	Building Fund	MAPS Sales Tax Fund	Gifts and Endowments Fund	School Nutrition Services	2001 Bond Funds	Casualty Flood Insurance Recovery Fund	
Assets							
Cash and cash equivalents	\$ 7,506	\$ -	\$ 26	\$ 4,645	\$ 1,632	\$ 984	\$ 14,793
Investments	3,000	-	-	-	-	4,000	7,000
Receivables:							
Delinquent/protected property taxes, net of allowance	767	-	-	-	-	-	767
Property taxes receivable - succeeding year net of allowance	10,569	-	-	-	-	-	10,569
Due from other governments	74	-	-	3,220	-	-	3,294
Other, net of allowance	19	-	-	12	-	23	54
Inventories	-	-	-	311	-	-	311
Total assets	\$ 21,935	\$ -	\$ 26	\$ 8,188	\$ 1,632	\$ 5,007	\$ 36,788
Liabilities							
Warrants payable	394	-	-	674	-	-	1,068
Accounts payable and accrued liabilities	838	-	-	1,285	9	13	2,145
Total liabilities	1,232	-	-	1,959	9	13	3,213
Deferred inflows of resources							
Unavailable revenue - delinquent/protected property taxes	767	-	-	-	-	-	767
Unavailable revenue - property taxes - succeeding year	10,569	-	-	-	-	-	10,569
Total deferred inflows of resources	11,336	-	-	-	-	-	11,336
Fund balances							
Nonspendable	-	-	25	311	-	-	336
Restricted	9,367	-	1	5,918	1,623	-	16,909
Committed	-	-	-	-	-	4,751	4,751
Assigned	-	-	-	-	-	243	243
Total fund balances	9,367	-	26	6,229	1,623	4,994	22,239
Total liabilities, deferred inflows of resources, and fund balances	\$ 21,935	\$ -	\$ 26	\$ 8,188	\$ 1,632	\$ 5,007	\$ 36,788

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2018
(in thousands)

	Special Revenue Funds			Capital Project Funds			Total
	Building Fund	MAPS Sales Tax Fund	Gifts and Endowments Fund	School Nutrition Services	2001 Bond Funds	Casualty Flood Insurance Recovery Fund	
Revenues:							
Local sources	\$ 12,278	\$ 2,662	\$ -	\$ 904	\$ 19	\$ 52	\$ 15,915
State sources	928	-	-	3,423	-	-	4,351
Federal sources	-	-	-	22,721	-	-	22,721
Total revenues	13,206	2,662	-	27,048	19	52	42,987
Expenditures:							
Current:							
Instruction	-	-	-	-	-	-	-
Support services	12,896	-	-	12	-	-	12,908
Noninstructional	-	-	-	27,869	-	-	27,869
Facilities acquisition and constructions	2,257	2,662	-	249	-	-	5,168
Capital outlay							
Support services	-	-	-	-	6	213	219
Facilities acquisition and constructions	-	-	-	-	324	288	612
Total expenditures	15,153	2,662	-	28,130	330	501	46,776
Excess (deficiency) of revenues over (under) expenditures	(1,947)	-	-	(1,082)	(311)	(449)	(3,789)
Other financing sources:							
Issuance of bonds	-	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	51	51
Total other financing sources	-	-	-	-	-	51	51
Net change in fund balances	(1,947)	-	-	(1,082)	(311)	(398)	(3,738)
Fund balances, beginning of year	11,314	-	26	7,311	1,934	5,392	25,977
Fund balances, end of year	\$ 9,367	\$ -	\$ 26	\$ 6,229	\$ 1,623	\$ 4,994	\$ 22,239

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

Statement of Changes in Assets and Liabilities - Fiduciary Fund
Year Ended June 30, 2018
(in thousands)

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Cash and cash equivalents,				
by location:				
Elementary schools	\$ 1,052	\$ 1,305	\$ (1,183)	\$ 1,174
Middle schools	187	284	(240)	231
High schools	977	1,812	(1,575)	1,214
Other sites	405	156	(129)	432
Total funds held for student activities	\$ 2,621	\$ 3,557	\$ (3,127)	\$ 3,051
Summary Activity Funds				
Assets:				
Cash and cash equivalents	\$ 2,621	\$ 3,557	\$ (3,127)	\$ 3,051
Capital assets, net	59	14	-	73
Total assets	\$ 2,680	\$ 3,571	\$ (3,127)	\$ 3,124
Liabilities:				
Due to student groups	\$ 2,621	\$ 3,557	\$ (3,299)	\$ 2,879
Warrants payable	-	103	-	103
Accounts payable and other liabilities	-	3,196	(3,127)	69
Capital assets held for the benefit of student groups	59	14	-	73
Total liabilities	\$ 2,680	\$ 6,870	\$ (6,426)	\$ 3,124

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

Budgetary Comparison Schedule (Budgetary Basis) - 2007 Bond Funds
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 85	\$ 85	\$ 450	\$ 365
Nonrevenue receipts	-	-	-	-
Total revenues	85	85	450	365
Expenditures:				
Instruction	294	294	6	(288)
Support services	5,628	5,628	2,879	(2,749)
Facilities acquisition and construction services	42,198	42,198	9,892	(32,306)
Other	-	-	-	-
Total expenditures	48,120	48,120	12,777	(35,343)
Excess (deficiency) of revenues over (under) expenditures	(48,035)	(48,035)	(12,327)	35,708
Other financing sources, prior year lapsed appropriations	2,000	2,000	401	(1,599)
Net change in fund balances	(46,035)	(46,035)	(11,926)	34,109
Fund balances, beginning of year	46,035	46,035	44,074	(1,961)
Fund balances, end of year	\$ -	\$ -	\$ 32,148	\$ 32,148

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

Budgetary Comparison Schedule (Budgetary Basis) - Debt Service Fund
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 38,485	\$ 38,485	\$ 38,465	\$ (20)
Nonrevenue receipts	1,178	1,178	865	(313)
Total revenues	39,663	39,663	39,330	(333)
Expenditures:				
Other	43,733	43,733	32,858	(10,875)
	43,733	43,733	32,858	(10,875)
Excess (deficiency) of revenues over (under) expenditures	(4,070)	(4,070)	6,472	10,542
Other financing sources, prior year lapsed appropriations	-	-	-	-
Net change in fund balances	(4,070)	(4,070)	6,472	10,542
Fund balances, beginning of year	50,689	50,689	50,701	12
Fund balances, end of year	\$ 46,619	\$ 46,619	\$ 57,173	\$ 10,554

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

Budgetary Comparison Schedule (Budgetary Basis) - Building Fund
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 11,748	\$ 11,748	\$ 12,130	\$ 382
State sources	590	590	641	51
Total revenues	12,338	12,338	12,771	433
Expenditures:				
Support services	11,253	11,253	12,639	1,386
Facilities acquisition and construction services	1,535	1,535	2,665	1,130
Total expenditures	12,788	12,788	15,304	2,516
Excess (deficiency) of revenues over (under) expenditures	(450)	(450)	(2,533)	(2,083)
Other financing sources, prior year lapsed appropriations	450	450	623	173
Net change in fund balances	-	-	(1,910)	(1,910)
Fund balances, beginning of year	10,583	10,583	8,927	(1,656)
Fund balances, end of year	\$ 10,583	\$ 10,583	\$ 7,017	\$ (3,566)

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

Budgetary Comparison Schedule (Budgetary Basis) - School Nutrition Services Fund
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 1,003	\$ 1,003	\$ 859	\$ (144)
State sources	2,600	2,600	2,849	249
Federal sources	23,140	23,140	18,128	(5,012)
Total revenues	26,743	26,743	21,836	(4,907)
Expenditures:				
Noninstructional	27,143	27,143	26,475	(668)
Facilities, acquisition, and construction services	-	-	382	382
	27,143	27,143	26,857	(286)
Excess (deficiency) of revenues over (under) expenditures	(400)	(400)	(5,021)	(4,621)
Other financing sources, prior year lapsed appropriations	400	400	539	139
Net change in fund balances	-	-	(4,482)	(4,482)
Fund balances, beginning of year	5,884	5,884	5,824	(60)
Fund balances, end of year	\$ 5,884	\$ 5,884	\$ 1,342	\$ (4,542)

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

Budgetary Comparison Schedule (Budgetary Basis) - 2001 Bond Funds
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 2	\$ 2	\$ 19	\$ 17
Total revenues	2	2	19	17
Expenditures:				
Support services	1,362	1,362	6	(1,356)
Facilities, acquisition, and construction services	565	565	324	(241)
	1,927	1,927	330	(1,597)
Excess (deficiency) of revenues over (under) expenditures	(1,925)	(1,925)	(311)	1,614
Other financing sources, prior year lapsed appropriations	-	-	-	-
Net change in fund balances	(1,925)	(1,925)	(311)	1,614
Fund balances, beginning of year	1,925	1,925	1,934	9
Fund balances, end of year	\$ -	\$ -	\$ 1,623	\$ 1,623

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

Budgetary Comparison Schedule (Budgetary Basis) - Casualty Flood Insurance Recovery Fund
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 108	\$ 108	\$ 29	\$ (79)
Nonrevenue receipts	-	-	61	61
Total revenues	108	108	90	(18)
Expenditures:				
Support services	2,574	2,574	234	(2,340)
Facilities acquisition and construction services	2,574	2,574	64	(2,510)
	5,148	5,148	298	(4,850)
Excess (deficiency) of revenues over (under) expenditures	(5,040)	(5,040)	(208)	4,832
Other financing sources, prior year lapsed appropriations	5	5	35	30
Net change in fund balances	(5,035)	(5,035)	(173)	4,862
Fund balances, beginning of year	5,035	5,035	5,078	43
Fund balances, end of year	\$ -	\$ -	\$ 4,905	\$ 4,905

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

Budgetary Comparison Schedule (Budgetary Basis) - 2016 Bond Funds
Year Ended June 30, 2018
(in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Local sources	\$ 400	\$ 400	\$ 372	\$ (28)
Nonrevenue receipts	44,000	44,000	44,000	-
Total revenues	44,400	44,400	44,372	(28)
Expenditures:				
Instruction	8,000	8,000	500	(7,500)
Support services	13,201	13,201	12,017	(1,184)
Facilities, acquisition, and construction services	29,300	29,300	6,654	(22,646)
	50,501	50,501	19,171	(31,330)
Excess (deficiency) of revenues over (under) expenditures	(6,101)	(6,101)	25,201	31,302
Other financing sources, prior year lapsed appropriations	-	-	-	-
Net change in fund balances	(6,101)	(6,101)	25,201	31,302
Fund balances, beginning of year	6,101	6,101	7,925	1,824
Fund balances, end of year	\$ -	\$ -	\$ 33,126	\$ 33,126

OTHER INFORMATION

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

Schedule of Surety Bonds
Year Ended June 30, 2018

The District provides the following surety bonds, compliant with 70 Okla. Stat. §5-116a and §5-129 (E) requirements for any Superintendent or financial officer or other relevant employee of the school district who has supervision of or authority to expend school district funds. The District had the following Surety Bonds for fiscal year 2018:

Effective 07/01/2017 through 06/30/2018
Insurance Carrier: Ohio Casualty

Position/Description	Bond #	Amount
District Officers		
Treasurer	1597454	\$ 1,000,000
Assistant Treasurer	1597454	1,000,000
Assistant Treasurer/Assistant Encumbrance Clerk/Controller	1597454	1,000,000
Director of Purchasing	1597454	750,000
Encumbrance Clerk/Chief Financial Officer	1597454	500,000
Superintendent	1597454	500,000
Assistant Encumbrance Clerk	1597454	300,000
Minute Clerk & Board Clerk	1597454	10,000
Deputy Board Clerk/Deputy Minute Clerk	1597454	10,000
Activity Funds		
Activity Fund Custodian - Administration	1597443	25,000
Activity Fund Custodian - High Schools	1597443	25,000
Activity Fund Custodian - Middle Schools	1597443	10,000
Activity Fund Custodian - Elementary Schools	1597443	2,500
Financial Secretary	1597443	2,500

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

Charter School Membership
Year Ended June 30, 2018

Charter school membership for the year ended June 30, 2018 was as follows:

	Membership
Dove (Elementary School and Science Academy)	782
Harding Charter Preparatory High School	465
John W. Rex Charter Elementary	525
Harding Fine Arts Center	379
Independence Charter Middle School	322
Justice Alma Wilson SeeWorth Academy	378
KIPP Reach College Preparatory	375
Santa Fe South	3,154
Stanley Hupfeld Academy at Western Village	326
Total	<u><u>6,706</u></u>

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

Enterprise School Membership
Year Ended June 30, 2018

Enterprise school membership for the year ended June 30, 2018 was as follows:

Enterprise School	Membership
Belle Isle Enterprise Middle School	450
Mary Golda Ross Enterprise Elementary School	614
John Marshall Enterprise Middle School	220
John Marshall Enterprise High School	459
Northeast Academy Enterprise Middle School	156
Northeast Academy Enterprise High School	179
Total	2,078

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

Schedule of MAPS Sales Tax Funded Transfers and Classification
 Year Ended June 30, 2018

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

Project ID	Description	Value
ES-083	Cesar Chavez Classrooms/Gym	2,662
	Total Transferred in FY 2018	2,662
	Total Retirements FY18	(5,487)
	Total Transferred FY 2005 - FY 2017	376,508
	Total Transferred through June 30, 2018	<u>\$ 373,683</u>
	TOTAL Technology	24,885
	TOTAL Other Construction/FFE etc.	345,704
	TOTAL Transportation	<u>3,094</u>
		<u><u>\$ 373,683</u></u>

