

**ANNUAL FINANCIAL REPORT
MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
JULY 1, 2017 TO JUNE 30, 2018**

**AUDITED BY
KERRY JOHN PATTEN, C.P.A.**

MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018

Board of Education

| | |
|----------------|-----------------|
| President | Keith Biglow |
| Vice-President | Danny Shiew |
| Clerk | Bobby Jefferson |
| Vice Clerk | Larry Stewart |
| Member | Tommy Anderson |

Superintendent of Schools

Michael Garde

School District Treasurer

Mika Barton

Chief Financial Officer

John R. Little, Jr.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018**

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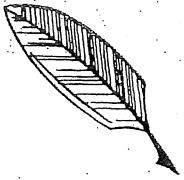
**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

The Board of Education
Muskogee School District No. I-20
Muskogee, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Muskogee School District I-20, Muskogee County, Oklahoma, as of and for the year ended June 30, 2018, which collectively comprise the 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Muskogee School District as of June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Auditing Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

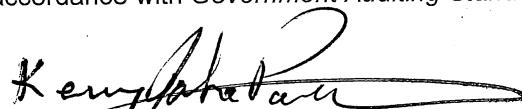
Other Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basis financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial and other additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information including the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 22, 2019, on my consideration of Muskogee School District No. I-20, Muskogee County, Oklahoma's, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Kerry John Patten, C.P.A.
Broken Arrow, OK
January 22, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2018**

The discussion and analysis of Muskogee Public Schools (the District) financial performance provides an overall review of the District financial activities for the fiscal year ended June 30, 2018. The intent of this discussion is to convey relevant facts and commentary regarding the financial performance of the organization for the reporting period. A thorough examination of the financial statements and thoughtful reading of the related notes to those statements will aid in evaluating the financial position of the District.

The financial highlights of Fiscal Years 2017 and 2018 and a comparative analysis of financial information from those years is presented to aid the reader and in a more meaningful understanding of the District's financial performance for Fiscal Year 2018.

Financial Highlights

Fiscal Year 2018 operations generated significant budget activity for the General Fund. Current information is presented alongside that of Fiscal Year 2017 to illustrate changes in General Fund balance. Both years are presented on the accrual basis of accounting for district-wide statements and modified accrual basis of accounting for the fund financial statements.

| | Beg Fund <u>Balance</u> | Revenue | Expenditures | End Fund <u>Balance</u> |
|---------|----------------------------|--------------|--------------|----------------------------|
| FY 2018 | \$1,972,346 | \$40,474,371 | \$39,091,808 | \$ 3,354,909 |
| FY 2017 | \$ 200,273 | \$40,898,065 | \$39,125,992 | \$ 1,972,346 |

On a district-wide basis the district's liabilities exceeded its assets by \$ 9,750,332 as of June 30, 2018. This was an increase of \$17,289,289 over the June 30, 2017 ending net assets.

The District's bond fund has made a huge impact in numerous areas. Much needed renovations and repairs on old buildings, building new buildings, new buses, replacement of old technology and addition of technology where lacking.

Enrollment decreased by 80 in FY 2018 versus FY 2017. This downward trend looks to continue for FY 2019; live births are decreasing in the county as a whole, and thus, the District's enrollment.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and a statistical section. The basic financial statements include two kinds of statements that present views of the district:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the district's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the district, reporting the district's operations in more detail than the district-wide statements.

See Auditor's Disclaimer of Opinion

**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2018**

Overview of the Financial Statements (continued)

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the district acts sole as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the district's budget for the year. The statistical section is a compilation of data for a ten-year period in summary form for informational purposes only.

District-wide Statements

The district-wide statements report information about the district as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the district's *net assets* and how they have changed. Net assets – the difference between the district's assets and liabilities – are one way to measure the district's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base (which is averaging a 4% per year increase with little loss in home values) and the conditions of schools buildings and other facilities.

In the district-wide financial statements, most of the district's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities, but MPS does receive more federal funding than most school districts due to the large number of impoverished students it has.

Fund Financial Statements

The fund financial statements provide more detailed information about the district's funds, focusing on its significant or "major" funds – not the district as a whole. Funds are accounting devices the district uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The district establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2018**

Fund Financial Statements (continued)

The district has two kinds of funds:

- *Governmental funds:* Most of the district's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the district's programs. Because this information does not encompass the additional long-term focus of the governmental funds statements, it explains the relationship (or differences) between them.
- *Fiduciary funds:* The district is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the students' activities fund and the sanctioned parent and/or booster club funds. The district is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The district excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Position: Net assets serve over time as a useful indicator of a government's financial position. The change in net position is important because it identifies whether the financial position of the District has improved or diminished. The District's combined net position was higher on June 30, 2018, than it was the year before, increasing to \$(9,750,332). This was an increase of \$17,289,289 over the close of the FY 2017 net position.

Changes in net position: Net changes may be the result of many factors, including, but not limited to, state and federal funding, changes in the property tax base, investment rates of return, bond activity and current legislation affecting school funding or education mandates.

In the Statement of Net Assets and the Statement of Activities, all district activities are considered to be of the governmental type. This includes instruction, supports services, operation and maintenance of plane, pupil transportation, and extracurricular activities.

Significant fluctuations occurred in specific government activity categories. Operating grants and contributions increased due to receiving more federal funds than the District received in the previous year. All other sources of revenue were up slightly. Instructions services was almost flat, while transportation and debt services were up significantly.

**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2018**

Governmental Activities

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

Governmental funds. The general fund is the chief operating fund of the District. At June 30, 2018, the general fund balance was \$3,354,909 with \$82,352 nonspendable, leaving an unassigned fund balance of \$3,272,557.

As shown in the "Statement of Net Position" on page 8 of the financial statements the increase in net position is a result of \$9,703,582 reduction in long term debt; \$2,692,230 increase in District Net Fixed Assets; \$836,934 increase in governmental fund total fund balances; \$2,926 reduction in deferred revenues and a \$4,059,469 reduction of Deferred Outflows and Inflows related to pensions. Deferred outflows of resources are consumptions of net assets that are applicable to a future period. It includes pensions resulting from school district contributions, subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Deferred inflows of resources related to pensions are amounts which will be recognized as pension expense in subsequent fiscal years.

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2018, the district has invested \$58,808,363 in capital assets. This represents a net increase of \$2,692,230 from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$1,981,897.

Long-term Debt

At year-end, the district had \$33,498,609 in long-term debt, a decrease of 7.19 percent. (More detailed information about the district's long-term liabilities is presented in Note 6 to the financial statements).

- The district retired \$5,105,000 of outstanding bonds.
- Leases payable decreased \$4,541,060.
- Other long-term debt decreased \$57,523.

**Muskogee School District I-020
Management Discussion and Analysis
June 30, 2018**

Factors Bearing on the District's Future

There are a couple of factors that could significantly affect the district's health in the future:

- With live births being down and the City starting a period of economic redevelopment and as a part of that redevelopment they intend to reduce the amount of government assisted housing and replacing with market value housing, it looks to be a period of five to eight years of population decline and then new growth.
- The resurging price of oil reflect better times for the state as oil is a major source of income.
- The District is planning on voting on \$80,000,000 in bonds in October, 2019 to start repairing and catching up on deferred maintenance.

Contacting the District's Financial Management

This financial report is designed to provide the district's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, Muskogee Public Schools, 202 West Broadway, Muskogee, OK 74401 (918-684-3700 ex 1623).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF NET POSITION
JUNE 30, 2018

| | Governmental Activities |
|---|----------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 1,518,123 |
| Property tax receivable | 1,880,836 |
| Due from other governments | 2,474,550 |
| Miscellaneous receivables | 279,667 |
| Inventories | 205,952 |
| Prepaid subscription | 41,873 |
| Capital assets | |
| Land | 2,143,150 |
| Other capital assets, net of accumulated depreciation | 56,665,213 |
| Net OPEB asset | <u>297,068</u> |
| Total Assets | <u>\$ 65,506,432</u> |
| <u>DEFERRED OUTFLOW OF RESOURCES</u> | |
| Deferred amounts of resources related to pensions | \$ 9,660,891 |
| Deferred amounts of resources related to OPEB | <u>36,132</u> |
| Total deferred outflows of resources | <u>9,697,023</u> |
| <u>LIABILITIES</u> | |
| Accounts payable | \$ 19,583 |
| Wages payable | 929,958 |
| Long-term liabilities | |
| Due within one year | 9,742,610 |
| Due in more than one year | 23,756,000 |
| Net pension liability | <u>44,108,443</u> |
| Total Liabilities | <u>\$ 78,556,594</u> |
| <u>DEFERRED INFLOW OF RESOURCES</u> | |
| Deferred inflows of resources related to pensions | \$ 6,146,374 |
| Deferred inflows of resources related to OPEB | <u>250,819</u> |
| Total deferred inflows of resources | <u>6,397,193</u> |
| <u>NET POSITION</u> | |
| Net investment in capital assets | \$ 25,733,670 |
| Reserved for: | |
| Debt service | 344,237 |
| Capital projects | 384,665 |
| Building | 88,160 |
| Child Nutrition | 591,869 |
| Unrestricted | <u>(36,892,933)</u> |
| Total Net Position | <u>\$ (9,750,332)</u> |

The accompanying notes are an integral part of these basic financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | Program Revenues | | | | | Net (Expenses) Revenue and Changes in Net Position |
|-------------------------------|------------------|-------------------------|-------------------------------------|-----------------------------------|----------------------------|---|
| | Expenses | Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | |
| | \$ | \$ | \$ | \$ | \$ | |
| Governmental Activities | | | | | | |
| Instruction | \$ (15,635,997) | \$ 1,986 | \$ 4,963,686 | \$ - | \$ (10,670,325) | |
| Support Services | | | | | | |
| Students | (2,448,063) | - | - | - | (2,448,063) | |
| Instr. Staff | (2,248,804) | - | - | - | (2,248,804) | |
| Gen. Adm. | (1,441,039) | - | - | - | (1,441,039) | |
| School Adm. | (2,819,093) | - | - | - | (2,819,093) | |
| Business | (2,032,147) | - | - | - | (2,032,147) | |
| Op. & Maint. | (4,569,312) | 65,094 | - | - | (4,504,218) | |
| Student Trans. | (1,591,224) | - | - | - | (1,591,224) | |
| Non-Instructional | (3,828,229) | 174,356 | 2,885,738 | - | (768,135) | |
| Capital Outlay | (1,191,558) | - | - | - | (1,191,558) | |
| Other Outlays | (60,134) | - | - | - | (60,134) | |
| Repayments | 4,674,127 | - | - | - | 4,674,127 | |
| Debt service interest | (329,161) | - | - | - | (329,161) | |
| Total Governmental Activities | \$ (33,520,634) | \$ 241,436 | \$ 7,849,424 | \$ - | \$ (25,429,774) | |

| | | |
|--|-----------------------|--|
| General revenues | | |
| Taxes: | | |
| Property taxes, levied for general purposes | \$ 12,783,648 | |
| Property taxes, levied for debt service | 5,009,235 | |
| Other Taxes | 2,433,726 | |
| Federal and State aid not restricted to specific purposes: | | |
| General | 20,457,404 | |
| Other | 901,804 | |
| Interest and investment earnings | 87,566 | |
| Miscellaneous | 1,045,680 | |
| Total general revenues | <u>42,719,063</u> | |
| Changes in net position | 17,289,289 | |
| Net-position - beginning | <u>(27,039,621)</u> | |
| Net position - ending | \$ <u>(9,750,332)</u> | |

The accompanying notes are an integral part of these basic financial statements.

FUND FINANCIAL STATEMENTS

MUSKOGEE SCHOOL DISTRICT NO. I-20

BALANCE SHEET
GOVERNMENTAL FUND TYPES

JUNE 30, 2018

| | Governmental Fund Types | | | | | Child Nutrition Fund | Total Governmental Funds |
|-------------------------------------|-------------------------|---------------|--------------|------------|------------|----------------------------|--------------------------------|
| | General Fund | Building Fund | Sinking Fund | Bond Fund | | | |
| | | | | | | | |
| ASSETS | | | | | | | |
| Cash | \$ 725,438 | \$ (34,275) | \$ (10,507) | \$ 384,665 | \$ 452,802 | | \$ 1,518,123 |
| Receivables: | | | | | | | |
| Property taxes | 1,115,115 | 155,527 | 610,194 | - | - | | 1,880,836 |
| Due from other governments | 2,441,370 | - | - | - | 33,180 | | 2,474,550 |
| Miscellaneous receivables | 279,667 | - | - | - | - | | 279,667 |
| Inventories | 40,479 | 47,476 | - | - | 117,997 | | 205,952 |
| Prepaid | 41,873 | - | - | - | - | | 41,873 |
| Total assets | \$ 4,643,942 | \$ 168,728 | \$ 599,687 | \$ 384,665 | \$ 603,979 | | \$ 6,401,001 |
| LIABILITIES AND FUND EQUITY | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable | \$ 15,619 | \$ 3,964 | \$ - | \$ - | \$ - | | \$ 19,583 |
| Accrued wages payable | 906,130 | 19,992 | - | - | 3,836 | | 929,958 |
| Total liabilities | \$ 921,749 | \$ 23,956 | \$ - | \$ - | \$ 3,836 | | \$ 949,541 |
| Deferred inflow of resources: | | | | | | | |
| Deferred child nutrition revenue | \$ - | \$ - | \$ - | \$ - | 8,274 | | 8,274 |
| Deferred property taxes | 367,284 | 56,612 | 255,450 | - | - | | 679,346 |
| Total deferred inflow of resources | \$ 367,284 | \$ 56,612 | \$ 255,450 | \$ - | 8,274 | | 687,620 |
| Fund Balances: | | | | | | | |
| Nonspendable Fund Balances: | | | | | | | |
| Inventories | \$ 40,479 | \$ 47,476 | \$ - | \$ - | \$ 117,997 | | 205,952 |
| Prepays | 41,873 | - | - | - | - | | 41,873 |
| Restricted Fund Balances: | | | | | | | |
| Retirement of Long-Term Debt | - | - | 344,237 | - | - | | 344,237 |
| Restricted for Construction | - | - | - | 384,665 | - | | 384,665 |
| Restricted by Statute | - | 36,720 | - | - | 473,872 | | 510,592 |
| Committed Fund Balances: | | | | | | | |
| Other Committed Fund Balances | - | - | - | - | - | | - |
| Assigned Fund Balances: | | | | | | | |
| Encumbrances | 16,224 | 3,964 | - | - | - | | 20,188 |
| Other Assigned Fund Balances | 130,354 | - | - | - | - | | 130,354 |
| Unassigned | 3,125,979 | - | - | - | - | | 3,125,979 |
| Total Fund Balances | \$ 3,354,909 | \$ 88,160 | \$ 344,237 | \$ 384,665 | \$ 591,869 | | \$ 4,763,840 |
| Total Liabilities and Fund Balances | \$ 4,643,942 | \$ 168,728 | \$ 599,687 | \$ 384,665 | \$ 603,979 | | \$ 6,401,001 |

The accompanying notes are an integral part of these basic financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL FUND BALANCE-TOTAL GOVERNMENTAL FUNDS \$ 4,763,840

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.

| | |
|--------------------------|---------------------|
| Cost of assets | \$ 79,755,155 |
| Accumulated depreciation | <u>(20,946,792)</u> |
| | 58,808,363 |

Deferred child nutrition revenue is not available to pay for current period's expenditures and, therefore is deferred in the funds 8,274

Some property taxes will not be collected for several months after the fiscal year ends, and are not considered "available" revenues in the governmental funds, but are deferred. 679,346

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 at year-end consist of:

| | |
|----------------------------------|---------------------|
| General obligation bonds payable | \$ (13,955,000) |
| Compensated absences | (252,983) |
| Judgement Payable | (170,933) |
| Capital leases payable | <u>(19,119,694)</u> |
| | (33,498,610) |

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, not reported in funds. 3,299,830

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. (44,108,443)

Net OPEB asset is not a financial resource and is not reported in funds 297,068

TOTAL NET POSITION-GOVERNMENTAL ACTIVITIES \$ (9,750,332)

The accompanying notes are an integral part of these basic financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2018

| | General Fund | Building Fund | Sinking Fund | Bond Fund | Child Nutrition Fund | Total Governmental Funds |
|--|----------------------|---------------------|---------------------|-----------------------|----------------------|--------------------------------|
| Revenues: | | | | | | |
| Local sources | \$ 10,756,256 | \$ 1,486,329 | \$ 5,065,381 | \$ 7,911 | \$ 180,688 | \$ 17,496,565 |
| Intermediate sources | 1,070,577 | - | - | - | - | 1,070,577 |
| State sources | 23,946,375 | - | - | - | 30,810 | 23,977,185 |
| Federal sources | 4,659,513 | - | - | - | 3,151,511 | 7,811,024 |
| Non-revenue sources | 41,650 | - | - | - | - | 41,650 |
| Total revenues | \$ 40,474,371 | \$ 1,486,329 | \$ 5,065,381 | \$ 7,911 | \$ 3,363,009 | \$ 50,397,001 |
| Expenditures: | | | | | | |
| Instructional | \$ 23,251,020 | \$ 16,194 | \$ - | \$ 119,420 | \$ - | \$ 23,386,634 |
| Support services: | | | | | | |
| Students | 2,190,417 | - | - | - | - | 2,190,417 |
| Staff | 2,248,804 | - | - | - | - | 2,248,804 |
| General administration | 1,372,465 | 10,816 | - | 57,758 | - | 1,441,039 |
| School administration | 2,819,093 | - | - | 1,319 | - | 2,820,412 |
| Business | 1,795,276 | 235,552 | - | 74,563 | - | 2,105,391 |
| Plant operations | 3,358,834 | 1,147,292 | - | 26,114 | - | 4,532,240 |
| Transportation | 1,589,465 | - | - | 1,759 | - | 1,591,224 |
| Non-instructional | 296,881 | - | - | - | 3,592,679 | 3,889,560 |
| Capital outlay | 169,553 | 24,294 | - | 1,500 | - | 195,347 |
| Other outlays | - | - | - | - | - | - |
| Debt service | - | 284,662 | 5,434,161 | 4,645,176 | - | 10,363,999 |
| Repayments | - | - | - | - | - | - |
| Total expenditures: | \$ 39,091,808 | \$ 1,718,810 | \$ 5,434,161 | \$ 4,927,609 | \$ 3,592,679 | \$ 54,765,067 |
| Excess of revenues over (under) expenditures | \$ 1,382,563 | \$ (232,481) | \$ (368,780) | \$ (4,919,698) | \$ (229,670) | \$ (4,368,066) |
| Other sources of funds - proceeds on Sale of bonds | \$ - | \$ - | \$ - | \$ 5,205,000 | \$ - | \$ 5,205,000 |
| Excess of revenues and other sources of funds over (under) expenditures | \$ 1,382,563 | \$ (232,481) | \$ (368,780) | \$ 285,302 | \$ (229,670) | \$ 836,934 |
| Fund balance, beginning of year | \$ 1,972,346 | \$ 320,641 | \$ 713,017 | \$ 99,363 | \$ 821,539 | \$ 3,926,906 |
| Fund balance, end of year | \$ 3,354,909 | \$ 88,160 | \$ 344,237 | \$ 384,665 | \$ 591,869 | \$ 4,763,840 |

The accompanying notes are an integral part of these basic financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

| | |
|--|------------|
| Net change in fund balances - governmental funds | \$ 836,934 |
|--|------------|

Amounts reported for governmental activities in the statement of revenues, expenditures, and changes in net assets 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 and allocated over their estimated useful lives as annual depreciation expenses in the statement of revenues, expenditures, and changes in net assets. This is the amount by which depreciation exceeds capital outlays in the period.

| | |
|-----------------------------|--------------------|
| Capital outlay expenditures | \$ 4,674,127 |
| Depreciation expense | <u>(1,981,897)</u> |
| | \$ 2,692,230 |

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of assets, liabilities, and net assets and does not affect the statement of revenues, expenditures, and changes in net assets.

| | |
|--|--------------|
| | \$ 5,105,000 |
|--|--------------|

| | |
|--|------------|
| Decrease in deferred revenue in Child Nutrition Fund | \$ (2,926) |
|--|------------|

Some property taxes will not be collected for several months after the fiscal year ends, and are not considered "available" revenues in the governmental funds, but are deferred. They are however, recorded as revenues in the Statement of Activities.

| | |
|--|------------|
| | \$ 679,346 |
|--|------------|

In the statement of activities, certain operating expenses, compensated absences and special termination benefits (voluntary separation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Compensated absences used exceed the amounts earned by \$57,523.

| | |
|--|-----------|
| | \$ 57,523 |
|--|-----------|

Payments made on capital leases are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net position.

| | |
|--|--------------|
| | \$ 4,541,060 |
|--|--------------|

Governmental funds report district pension contributions as expenditures. However, the Statement of Activities report the cost of pension benefits earned net of employee contributions as pension expense.

| | |
|--|--------------|
| | \$ 3,380,122 |
|--|--------------|

Change in Net Position of Governmental Activities

| | |
|--|----------------------|
| | <u>\$ 17,289,289</u> |
|--|----------------------|

The accompanying notes are an integral part of these basic financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

| | | Fiduciary Fund Types | | |
|-------------------------------------|--|---------------------------------------|--------------------------|-------------------|
| | | <u>Private Purpose Trust Fund</u> | <u>Agency Fund</u> | |
| | | <u>V. Tarpley Scholarship</u> | <u>Activity Fund</u> | <u>Total</u> |
| ASSETS | | | | |
| Cash | | \$ 72,040 | \$ 415,991 | \$ 488,031 |
| Receivables: | | | | |
| Miscellaneous | | <u>-</u> | <u>-</u> | <u>-</u> |
| Total assets | | <u>\$ 72,040</u> | <u>\$ 415,991</u> | <u>\$ 488,031</u> |
| LIABILITIES AND NET POSITION | | | | |
| Liabilities: | | | | |
| Due to student groups | | \$ - | \$ 415,991 | \$ 415,991 |
| Accounts payable | | <u>-</u> | <u>-</u> | <u>-</u> |
| Total liabilities | | <u>\$ -</u> | <u>\$ 415,991</u> | <u>\$ 415,991</u> |
| Net Position | | | | |
| Unreserved | | \$ 72,040 | \$ - | \$ 72,040 |
| Total net position | | <u>\$ 72,040</u> | <u>\$ -</u> | <u>\$ 72,040</u> |
| Total liabilities and net position | | <u>\$ 72,040</u> | <u>\$ 415,991</u> | <u>\$ 488,031</u> |

The accompanying notes are an integral part of these basic financial statements.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF CHANGES IN FIDCUARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>Private Purpose Trust Fund</u> |
|---------------------------------|---------------------------------------|
| | <u>V. Tarpley Scholarship</u> |
| Additions | |
| Local sources | \$ 3,239 |
| Total Additions | <u>3,239</u> |
| Deductions | |
| Scholarships | \$ 4,166 |
| Student Activity Expenses | <u>-</u> |
| Total Deductions | <u>4,166</u> |
| Change in Net Position | \$ (927) |
| Net Position, Beginning of Year | \$ 72,967 |
| Net Position, End of Year | <u>72,040</u> |

The accompanying notes are an integral part of these basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

1. Summary of Significant Accounting Policies

The financial statements of the Muskogee Public Schools Independent District No. 20 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In accordance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," the District has presented the entities which comprise the primary government in the fiscal year combined financial statements.

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

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

As required by accounting principles generally accepted in the United States of America, the combined 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 could cause the District's combined financial statements to be misleading or incomplete.

B. Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the school district. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) tuition or fees paid by students or citizens of the District and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items, including state aid, that are not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The school district segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Statements for governmental activities present each fund as a separate column on the fund financial statements.

Governmental funds are used to account for all or most of a government's general activities. The measurement focus of governmental funds is on the sources uses and balance of current financial resources. The school has presented the following governmental funds:

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Significant Accounting Policies (continued)

General Fund – The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt.

Building Fund – The District's Building Fund is a special revenue fund and consists of monies derived from property taxes levied for the purpose of creating, remodeling or repairing buildings and for purchasing furniture and equipment.

Child Nutrition Fund – The District's Child Nutrition Fund is a special revenue fund used to account for the operations of the child nutrition programs. Revenue sources include meal ticket sales and Federal and State grants for free and reduced meals.

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

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

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under the terms of a formula trust agreement, either a private purpose trust fund or a permanent fund is used.

The terms "permanent" and "private purpose" refer to whether or not the District is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

The District's Fiduciary Funds have been excluded from the government-wide financial statements.

Agency Fund – The District's Agency Fund is utilized to account for assets that the District holds on behalf of others as their agent and do not involve the measurement of results of operations.

Private-Purpose Trust Funds – Private-Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

Account Groups

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the governmental column in the government-wide statement of net assets.

C. Basis of Accounting

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

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when the payment is due.

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

The District reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them or do not meet the criteria for the recognition of revenue. The District has recorded deferred revenues in the General Fund, the Special Revenue Fund, and the Debt Service Fund for property taxes, which are not collected within 60 days of year-end. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

D. Budgets and Budgetary Accounting

A budget is legally adopted by the Board of Education for the General Fund, Building Fund, Child Nutrition Fund, Sinking Fund, and the Bond Fund, that includes revenues and expenditures. These budgets are prepared on a modified accrual basis of accounting. Budgetary control is maintained by fund, function, and activity and budgeted expenditures may not exceed appropriations at the fund level. Amendments may be made to the budget without approval by the governing body at the function and activity levels. Fund level budgetary amendments require approval of the governing body.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable fund balance – is utilized in all governmental funds of the District. Appropriations which are not spent lapse at the end of the fiscal year and encumbrances are reversed. On the first day of the following fiscal year, the encumbrances are reinstated and the expenditures are applied against the year's budget.

E. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categories of investment in fixed assets (net of related debt), restricted net position and unrestricted net position.

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net position, which is associated with non-liquid capital related debt. The net related debt is debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position – are assets the school district is externally or legally prohibited from using for general operating purposes.

Unrestricted Net Position – represent unrestricted liquid assets.

Fund Balance Policy In Accordance With GASB Statement No. 54

It is the policy of the District to adopt Governmental Accounting Standards Board Statement No. 54 which defines how fund balances of the governmental funds are to be presented in the financial statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Significant Accounting Policies (continued)

Nonspendable Fund Balance – Amounts that are not in a spendable form such as prepaid expenses, and consumable inventories are classified as Nonspendable.

Restricted Fund Balance – Amounts designated for specific purposes by their providers such as bondholders, grantors, or imposed by law through constitutional provisions or enabling legislation. The District's Building Fund balances are restricted by statute to certain capital related costs. The District's Debt Service fund balance is restricted by law to purposes of retiring the District's long-term debt. The District's Bond Fund balances are restricted by the District voters for specific construction programs. The District's Child Nutrition Fund balance is restricted by law to the operations of the District's Child Nutrition programs.

Committed Fund Balance – Amounts designated for specific purposes by the District's highest level of decision-making authority (Board of Education) and cannot be used for any other purposes unless the same highest level (Board of Education) takes action to remove or change the designation. The District commits a portion of the General Fund balance in accordance with the Board of Education's minimum fund balance policy.

The District commits a portion of the Accrual Basis Fund Balance to honor the commitments made by the District for encumbrances (purchase orders) for which goods or services have not yet been received. The fund balance committed to encumbrances will be equivalent to the purchase orders rolled forward from one fiscal year to the next fiscal year.

Assigned Fund Balance – Amounts the District *intends* to use for specific purposes; intent can be expressed by the governing body or by an official to which the governing body delegates the authority. The District assigns funds for education that are to be used for instruction, support services and other operating expenditures. The Superintendent and Chief Financial Officer will determine the amount of assigned fund balance at the end of each fiscal year.

Unassigned Fund Balance – This classification includes the residual fund balance of the General Fund and may be used to finance operating expenditures.

F. Assets, Liabilities and Cash Fund Balances

Cash – At year-end, the carrying amount of the District's deposits was \$1,518,123 and the bank balance was \$1,518,123. The bank balance was completely covered by federal depository insurance or by collateral held by the District's agent in the District's name.

Investments – The District had no investments at June 30, 2018.

Property Tax Revenue and Receivables – The District is authorized by state law to levy property taxes which consist of ad valorem taxes on real and personal property within the District. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of the tax is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. The second half of the tax becomes delinquent on April 1 of the year following the year of assessment. If taxes are delinquent and unpaid for a period of three years or more the real estate may be sold for such taxes.

Uncollected taxes assessed on valuations made each year are recorded in the District's combined financial statements. The delinquent taxes which are not collected within 60 days of year-end are recorded in the financial statements as deferred revenue. Uncollectible personal and real property taxes are deemed to be immaterial because the property can be sold for the amount of taxes due.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Significant Accounting Policies (continued)

Inventories – Inventories are stated at cost on a first-in, first-out method. Inventories in the governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories include fuel, instructional and food service supplies. Cost of donated federal surplus commodities is based on values established by the federal government at the time of donation.

Capital Assets – Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements.

All purchased capital assets are valued at cost when historical records exist and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their fair market value on the date donated.

Assets capitalized have an original cost of \$2,500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|--------------------------|--------------|
| Buildings and structures | 50-100 years |
| Improvements | 50-100 years |
| Equipment | 10-45 years |
| Furniture and fixtures | 10-15 years |

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Compensated Absences – The District's policy allows certified employees to accumulate unused sick leave from year to year as long as employees remain continuously in the Muskogee School system. Beginning July 1, 2012, the maximum number of days that can be accumulated for purposes of buy back of unused sick leave cannot exceed two hundred fifty (250). For the purposes of sick leave reimbursement upon retirement, the district pays \$50.00/day for all sick leave accrued during employment not previously paid for by the Muskogee Public Schools. All certified employees hired after July 1, 2012, are not eligible to sell back unused sick leave but will be able to accrue days for use at retirement.

A twelve-month salaried employee is eligible for thirty (20) days paid vacation each year accrued at the rate of 1.67 days per month. A twelve-month, eight-hour employee accrues ten (10) vacation days per year at the rate of .83 days per month up until completion of five years continuous employment, 5-10 years accrues at 15 days per year, over 10 years accrues at 20 days. Twelve month Administrators may carry over vacation days up to a maximum of thirty (30) days. Upon retirement or resignation, the School District will reimburse an employee for no more than thirty (30) days of accrued vacation at the employee's regular daily rate.

Long-Term Debt – Long-term debt is recognized as a liability of the applicable governmental activities statement on net assets.

Fund Equity – Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

G. Revenue, Expenses and Expenditures

Local Revenues – Revenue from local sources is revenue produced within the school district, which includes ad valorem taxes. It is available for current educational expenses and for other purposes authorized by the school board.

Intermediate Revenues – Revenue from intermediate sources is revenue from funds collected by an intermediate administrative unit or political sub-division, such as a county or municipality, and redistributed to the school district.

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

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Significant Accounting Policies (continued)

Benefits Funded by the State of Oklahoma: For 2018, the State of Oklahoma contributed estimated payments benefiting District employees as follows:

| | |
|---|-------------------|
| Plan: Teacher's Retirement System of Oklahoma | Amount: \$255,231 |
|---|-------------------|

The District has recognized the revenues and expenditures related to this on-behalf payment in its financial statements.

Federal Revenues – Revenue from Federal sources is money originating from the Federal government and made available to the school district either as direct grants or under various programs passed-through the State Department of Education.

The Federal government also makes payments to school districts whose revenues are adversely affected by the presence of Federal activities. Although these payments are made in consideration of lost property tax revenue, the Oklahoma State Department of Education advocates classifying such amounts as revenue from Federal sources.

Instruction Expenditures – Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence. Examples of expenditures that might be included here are the activities of teacher assistant of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators, and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

Support Services Expenditures – Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objective of instruction, community services and enterprise programs, rather than as entities within them.

Operation of Non-Instructional Services Expenditures – Activities concerned with providing non-instructional services to students, staff, and the community.

Facilities Acquisition and Construction Services Expenditures – Consist of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays Expenditures – A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest).

Other Uses Expenditures – This includes scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditures for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures – Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayments, non-qualified expenditures, and other refunds to be repaid from District funds.

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

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Summary of Significant Accounting Policies (continued)

Interfund Transactions – Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expense initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Deferred outflows of resources: Deferred outflows are the consumption of net position by the school district that are applicable to a future reporting period. At June 30, 2018, the school district's deferred outflows of resources were comprised of deferred outflows related to pensions.

Deferred inflows of resources: Deferred inflows are the acquisition of net position by the school district that are applicable to a future reporting period. At June 30, 2018, the school district deferred inflows of resources were comprised of deferred inflows to pensions.

2. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Deposit Categories of Credit Risk

Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. The District's investment policies are governed by state statute. Permissible investments include:

1. Direct obligations of the United States Government to the payment of which the full faith and credit of the government is pledged.
2. Obligations to the payment of which the full faith and credit of the state is pledged.
3. Certificates of deposits of banks when such certificates of deposits are secured by acceptable collateral as in the deposit of other public monies.
4. Savings accounts or savings certificates of savings and loan associations to the extent that such accounts or certificates are fully insured by the Federal Savings and Loan Insurance Corporation.
5. Repurchase agreements that have underlying collateral consisting of those items specified in paragraphs 1 and 2 of this section including obligations of the United States, its agencies and instrumentalities, and where collateral has been deposited with a trustee or custodian bank in an irrevocable trust or escrow account established for such purposes.
6. County, municipal or school district direct debt obligations for which an ad valorem tax may be levied or bond and revenue anticipation notes, money judgments against such county, municipality or school district ordered by a court of record or bonds or bond and revenue anticipation notes issued by a public trust for which such county, municipality or school district is a beneficiary thereof. All collateral pledged to secure public funds shall be valued at no more than market value.
7. Money market mutual funds regulated by the Securities and Exchange Commission and which investments consist of obligations of the United States, its agencies and instrumentalities, and investments in those items listed above.
8. Warrants, bonds or judgments of the District.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

Deposit Categories of Credit Risk (continued)

9. Qualified pooled investment programs, the investments of which consist of those items specified above, as well as obligations of the United States agencies and instrumentalities, regardless of the size of the district's budget. To be qualified, a pooled investment program for school funds must be governed through an Interlocal cooperative agreement formed pursuant to Title 70 Section 5-117b, and the program must competitively select its investment advisors and other professionals. Any pooled investment program must be approved by the Board of Education.

Custodial Credit Risk:

Deposits and Investments - The District's demand deposits are required by law to be collateralized by the amount that is not federally insured.

Securities pledged as collateral are held by a third party or Federal Reserve Bank. Joint custody safekeeping receipts are held in the name of the depositing institution, but are pledged to the District. The security cannot be released, substituted, or sold without the Treasurer's approval and release of the security.

Interest Rate Risk:

Investments are made based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. However, the District has no formal written policy addressing interest rate risk.

Credit Risk:

The District has no formal written policy addressing credit risk.

At June 30, 2018, the District had no investments that are not guaranteed by the full faith and credit of the United States Government.

4. Overdraft Agreement

The District maintains an overdraft agreement with Armstrong bank. The bank will honor and pay District checks if the District has insufficient funds in their account to pay the checks. The amount of the checks honored in excess of available funds shall not exceed \$5,000,000. In consideration of the Bank's honoring and paying District checks when District funds are insufficient for payment, the District will pay the Bank interest at a rate of 5.31% per annum. The term of this agreement is July 1, 2017, through June 30, 2018.

5. Receivables

Receivables at June 30, 2018, for the individual Governmental funds in the aggregate are as follows:

| | General | Building | Sinking | Child Nutrition | Total Governmental |
|--------------------------|--------------|------------|------------|-----------------|--------------------|
| Receivables | | | | | |
| Ad Valorem taxes | \$ 1,115,115 | \$ 155,427 | \$ 610,194 | \$ - | \$ 1,880,736 |
| Federal and state grants | 2,441,370 | - | - | 33,180 | 2,474,550 |
| Miscellaneous | 279,667 | - | - | - | 279,667 |
| Gross Receivables | 3,836,152 | 155,427 | 610,194 | 33,180 | 4,634,953 |
| Less deferred revenue | (367,284) | (56,612) | (255,450) | (8,274) | (687,620) |
| Net total receivables | \$ 3,468,868 | \$ 98,815 | \$ 354,744 | \$ 24,906 | \$ 3,947,333 |

**MUSKOGEE SCHOOL DISTRICT NO. I-20
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6. Capital Assets

A summary of changes in general fixed assets for the year ended June 30, 2018, follows:

| | Balance July 1, 2017 | Additions | Reductions | Balance June 30, 2018 |
|--|-------------------------|---------------------|------------------|--------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 2,143,150 | \$ - | \$ - | \$ 2,143,150 |
| Construction in Progress | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Capital assets, not being depreciated: | <u>\$ 2,143,150</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,143,150</u> |
| Capital assets being depreciated: | | | | |
| Buildings & Improvements | \$ 61,900,652 | \$ 2,082,265 | \$ - | \$ 63,982,917 |
| Furniture and equipment | 6,427,834 | 2,546,262 | 3,704,933 | 5,269,163 |
| Vehicles | 7,341,604 | 45,600 | 653,196 | 6,734,008 |
| Software | <u>1,625,917</u> | <u>-</u> | <u>-</u> | <u>1,625,917</u> |
| Total capital assets being depreciated: | <u>77,296,007</u> | <u>4,674,127</u> | <u>4,358,129</u> | <u>77,612,005</u> |
| Less accumulated depreciation: | <u>(23,323,024)</u> | <u>(1,981,897)</u> | <u>4,358,129</u> | <u>(20,946,792)</u> |
| Total capital assets being depreciated, net | <u>\$ 53,972,983</u> | <u>\$ 2,692,230</u> | <u>\$ -</u> | <u>\$ 56,665,213</u> |
| Governmental activities capital assets, net | <u>\$ 56,116,133</u> | <u>\$ 2,692,230</u> | <u>\$ -</u> | <u>\$ 58,808,363</u> |

Fiscal year 2017-18 depreciation expense was charged to expenditure functions of the District as follows:

Governmental Activities

| | |
|------------------------|-------------------------|
| Instruction | \$ 852,216 |
| Support Services | 257,646 |
| Non-Instructional | 99,095 |
| Capital Outlay | <u>772,940</u> |
| Total Depreciation | <u>\$ 1,981,897</u> |

7. General Long-Term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue 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.

General long-term debt of the District consists of bonds payable, capital leases, voluntary separation payable, and obligations for compensated absences. Debt service requirements for bonds are payable solely from fund balance and future revenues of the debt service fund. Capital lease payments are made from the General, Building, and Bond funds. Compensated absences are paid from the fund from which they accrue.

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General Long-Term Debt (continued)

A brief description of the outstanding general obligation bond issues at June 30, 2018, is set forth below:

| | Amount Outstanding | | |
|---|-----------------------|------------|---------------|
| School District No. I-20 Combined Purpose Bonds, Series 2016, original issue \$7,105,000, interest rate of 1.00% to 1.75%, first installment of \$1,775,000 due July 1, 2018 and annual installments of \$1,775,000 due thereafter, final payment of \$1,780,000 due July 1, 2021. | \$ 5,330,000 | | |
| School District No. I-20 Combined Purpose Bonds, Series 2015, original issue \$5,040,000, interest rate of 1.50%, with the first payment of \$1,260,000 starting July 1, 2017, and annual installments of \$1,260,000 and final payment due July 1, 2020. | 2,520,000 | | |
| School District No. I-20 Building Bonds, Series 2017, original issue \$5,205,000, interest rate of 1.8%, with the first payment of \$1,300,000 starting July 1, 2019, and annual installments of \$1,300,000 and final payment off \$1,305,000 due July 1, 2022. | 5,205,000 | | |
| School District No. I-20 Combined Purpose Bonds, Series 2014, original issue \$3,570,000 interest rate of .75% to 1.25%, with the first installment of \$870,000 due July 1, 2016, and annual payments of \$900,000 due thereafter, final payment due July 1, 2019. | 900,000 | | |
| Total Bonds Outstanding | <u>13,955,000</u> | | |
| The annual debt service requirements for retirement of bond principal and payment of interest are as follows: | | | |
| Year ending June 30, | Principal | Interest | Total |
| 2019 | \$ 5,235,000 | \$ 316,393 | \$ 5,551,393 |
| 2020 | 4,335,000 | 130,740 | 4,465,740 |
| 2021 | 3,080,000 | 97,490 | 3,177,490 |
| 2022 | 1,305,000 | 11,745 | 1,316,745 |
| Total | \$ 13,955,000 | \$ 556,368 | \$ 14,511,368 |

Capital Leases Payable

The School District's lease-purchase commitments include property financed through a technique referred to as "conduit financing". Conduit financing involves the use of a public trust, which issues conduit debt obligations (limited-obligation revenue bonds, certificates of participation, or similar debt instruments) for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The public trust has no obligation for such debt beyond the resources provided by a lease or loan with the third party, on whose behalf the debt is issued.

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General Long-Term Debt (continued)

The District entered into a ground lease with Muskogee Industrial Trust Authority, a public trust organized under the laws of the State of Oklahoma, on July 1, 2014, for certain real property owned by the District. The Ground Lease Agreement was made to facilitate the issuance of revenue bonds by the Industrial Authority to provide funds to construct, equip, and repair school buildings.

The District entered into a sublease agreement with Muskogee Industrial Trust Authority in July 2013 wherein the real property subject to the Ground Lease mentioned in the previous paragraph is subleased to the school district to enable the District to utilize proceeds of the revenue bonds issued by The Authority, for the construction and improvements on the real property and provide a method for the District to obtain title to the property and improvements.

Ownership of the aforementioned improvements reverts to the District in partial amounts coinciding with the lease purchase payments.

The sublease agreement expires on June 30, of each fiscal year, unless extended additional one year terms. The District has the option to extend sublease terms for successive annual terms by affirmative action of the Board of Education. The following is a schedule by years of future payments due under the sublease:

| Year ending June 30, | Total Payment |
|-------------------------|----------------------|
| 2019 | \$ 1,980,000 |
| 2020 | 1,980,000 |
| 2021 | 1,980,000 |
| 2022 | 1,980,000 |
| 2023 | <u>2,100,000</u> |
| Total | \$ 12,000,000 |

The District is financing the lease payments due under the sublease agreement through the periodic issuance of portions of \$17,967,000 in Building Bonds, which were authorized and approved by School District voters at an election held on May 14, 2013. These bonds are scheduled to be issued on dates, and in amounts, which coincide with sublease rental payments.

In addition, the District has commitments under various other capital leases for turf, computers, document imaging equipment, an energy management system, projectors, computers, vehicles, network equipment, choral uniforms, and construction of maintenance facility. The following schedule shows the composition of total minimum lease payments for all of the District's capital leases including the conduit financing shown in the table above, outstanding as of June 30, 2018.

| Year ending June 30, | Principal | Interest | Total |
|-------------------------|----------------------|-------------------|----------------------|
| 2019 | \$ 4,491,948 | \$ 218,374 | \$ 4,710,322 |
| 2020 | 4,962,736 | 206,164 | 5,168,900 |
| 2021 | 5,585,009 | 114,287 | 5,699,296 |
| 2022 | 1,980,000 | - | 1,980,000 |
| 2023 | <u>2,100,000</u> | <u>-</u> | <u>2,100,000</u> |
| Total | \$ 19,119,693 | \$ 538,826 | \$ 19,658,518 |

The present value of minimum sublease payments is recorded in the District's Long-Term Debt Account Group. Lease payments are primarily payable from the Capital Projects Fund, Special Revenue Funds and General Fund.

Compensated Absences

Compensating absences represent the estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination or resignation.

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General Long-Term Debt (continued)

The liability at June 30, 2018, totaled \$252,983 and is recorded as long-term debt of the District. The retirement of this liability is paid from the General Fund or Special Revenue Funds based on the assignment of the employee at termination or resignation. Accrued totals by category are as follows:

| | |
|-------------------|-------------------|
| Administration | \$ 42,915 |
| Teachers | 108,819 |
| Support Personnel | <u>101,249</u> |
| Total | \$ <u>252,983</u> |

Judgement Payable

District Court Case No. CIV-16-418-SPS granted judgement against the Muskogee School District in the amount of \$170,933 in conclusion of an employee wage dispute. The judgement balance along with post-judgement interest accruing at the statutory rate provided by Oklahoma Law will be paid by ad valorem tax increased in the District's sinking fund and one-third of the judgement and interest is paid each year over a three year period.

Prepaid Judgements

The District had seven judgements rendered against them during the 2017-18 fiscal year totaling \$42,161, the District had available funds in the Sinking Fund so these judgement were prepaid. In accordance with Oklahoma State law, the prepaid judgements will be levied on the school district taxpayers over a three year period to reimburse the Sinking Fund.

Summary of Change in Long-Term Debt

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2018:

| | Balance July 1, 2017 | Additions | Retirements | Balance June 30, 2018 |
|----------------------|-------------------------|------------------|---------------------|--------------------------|
| Bonds Payable | \$ 19,060,000 | \$ - | \$ 5,105,000 | \$ 13,955,000 |
| Leases Payable | 23,660,753 | - | 4,541,060 | 19,119,693 |
| Compensated Absences | 310,506 | - | 57,523 | 252,983 |
| Judgement | 170,933 | - | - | 170,933 |
| Prepaid Judgement | - | 42,161 | 42,161 | - |
| Total | \$ 43,202,192 | \$ 42,161 | \$ 9,745,744 | \$ 33,498,609 |

8. Employee Retirement System

Description of Plan

The District participates in the state-administrated Teacher's Retirement System of Oklahoma (the "system"), which is a cost-sharing multiple-employer public employee retirement system. The supervising authority for the management and operation of the System is a 13-member Board of Trustees, which acts as a fiduciary for investment of the funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost of living adjustments, death benefits and other benefits to plan members and beneficiaries.

Oklahoma State Statutes establish benefit provisions and may be amended only through legislative action. The District has no responsibility or authority for the operation and administration of the system nor has it any liability, except for contribution requirements. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Oklahoma Teachers' Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
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Employee Retirement System (continued)

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosed measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Additionally, OTRS receives "federal matching contributions" for positions whose funding comes from federal sources or certain grants. The District and State are required to contribute 14.0% of applicable compensation. Contributions received by the System from the State of Oklahoma are from 3.54% of its revenues from sales tax use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% and the State of Oklahoma plus the federal contribution contributed the remaining 4.5% during this year. The District is allowed by the Oklahoma Teachers' Retirement System to make the required contributions on behalf of the participating members. The school is required to pay 16.5% for any compensated retired teachers already receiving retirement benefits.

Annual Pension Cost

The District's total contribution for 2018, 2017, and 2016 were \$3,701,507, \$3,450,700, and \$4,184,420, respectively. The District's total payroll for fiscal year 2017-18 amounted to \$25,762,721.

Teacher's Retirement Offset – The State of Oklahoma credits each certified teacher's retirement account an amount set out in statute depending on their years of service. GASB standards require that this be recorded as a revenue and expenditure in the financial statements. The District total amount recorded amounted to \$255,231.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the school district reported a liability of \$44,108,443 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 July 1, 2017. The school district's proportion of the net pension liability was based on the school district's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2017. Based upon this information, the District's proportion was .6661582 percent.

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NOTES TO THE FINANCIAL STATEMENTS
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Employee Retirement System (continued)

For the year ended June 30, 2018, the school district recognized pension expense of \$3,380,122. 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 | \$ | 3,011,401 |
| Changes of assumptions | 5,234,459 | 2,636,720 |
| Net difference between projected and actual earnings on pension plan investments | 626,983 | |
| Differences in District's proportionate share of contributions and changes in proportion | 1,523,888 | |
| State contributions during Measurement date | | 498,523 |
| District contributions subsequent to the measurement date | <u>2,275,561</u> | |
| Total | <u>\$ 9,660,891</u> | <u>\$ 6,146,374</u> |

Deferred pension outflows totaling \$2,275,561 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. The deferred outflows totaling \$7,385,330 resulting from the difference between projected and actual earnings on pension plan investments and changes of assumptions and difference between proportionate share of contributions and changes in proportion will be recognized in pension expense over five years. The deferred inflows totaling \$6,146,374 resulting from differences between expected and actual experience; changes of assumptions and differences in District's proportionate share of contributions and changes in proportion will be recognized in pension expense using the average expected remaining service life of the plan participants. The average expected remaining life of the plan participants is determined by taking the calculated total future service years of the plan participants divided by the number of people in the Plan including retirees. The total future service years of the plan participants are estimated at 5.59 years at June 30, 2017, and are determined using the mortality, termination, retirement and disability assumptions associated with the Plan.

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Employee Retirement System (continued)

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

| <u>Year Ended</u> | |
|-------------------|---------------------|
| 2019 | \$ (160,375) |
| 2020 | 2,008,002 |
| 2021 | 1,143,315 |
| 2022 | (1,281,986) |
| 2023 | (469,998) |
| Thereafter | <u>-</u> |
| | <u>\$ 1,238,958</u> |

Actuarial assumptions: The total pension liability was determined based on an actuarial valuation prepared as of July 1, 2017, using the following actual assumptions:

- Actuarial Cost method-Entry Age Normal
- Amortization Method-Level Percentage of Payroll
- Amortization Period-Amortization over an open 30-year period
- Asset Valuation Method-5 year smooth market
- Inflation-2.5 percent
- Salary Increases-Composed of 3.25 percent wage inflation, including 2.5 percent price inflation, plus a service related component up to 8 percent based on years of service.
- Investment Rate of Return-7.5%
- 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
- Males: RP-2000 Combined Healthy Mortality Table for males with white collar adjustments. Generations 1 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%. Generational mortality improvements in accordance with Scale BB from the table's base year of 2012.

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.

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NOTES TO THE FINANCIAL STATEMENTS
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Employee Retirement System (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 | Long-Term Expected Real Rate of Return |
|--------------------------------|-------------------|--|
| Domestic All Cap Equity* | 7.0% | 6.2% |
| Domestic Large Cap Equity | 10.0% | 5.8% |
| Domestic Mid Cap Equity | 13.00% | 6.3% |
| Domestic Small Cap Equity | 10.00% | 7.0% |
| International Large Cap Equity | 11.50% | 6.6% |
| International Small Cap Equity | 6.0% | 6.6% |
| Core Plus Fixed Income | 17.5% | 1.6% |
| High-yield Fixed Income | 6.0% | 4.9% |
| Private Equity | 5.0% | 8.3% |
| Real Estate** | 7.0% | 4.5% |
| Master Limited Partnerships | 7.0% | 7.7% |
| | 100.00% | |

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

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

Discount rate – A single discount rate of 7.50% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based solely on the expected rate of return on pension plan investments of 7.50%. Based on the stated assumptions and the projection of cash flows, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

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

| | <u>1% Decrease</u> (6.5%) | <u>Current Discount Rate</u> (7.5%) | <u>1% Increase</u> (8.5%) |
|---|------------------------------|--|------------------------------|
| District's proportionate share of the net pension liability | \$ 62,972,822 | \$ 44,108,443 | \$ 30,334,678 |

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Employee Retirement System (continued)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/> or by writing to the Oklahoma Teachers Retirement System, P.O. Box 53624, Oklahoma City, Oklahoma 73152 or by calling 405-521-2387.

9. OPEB

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/OTRS

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, remitted to the Oklahoma Management Enterprise Services Employees Group Insurance Division, 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 7; 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 1.5% of normal cost, as determined by an actuarial valuation. Contributions allocated to the OPEB plan from the District were \$36,132.

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 \$297,068 for its proportionate share of the new OPEB asset. The net OPEB asset was measured as of June 30, 2017, and the total OPEB asset 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 .666159% percent.

For the year ended June 30, 2018, the District recognized OPEB expense of (\$2,318). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 79,736 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 162,943 |
| Contributions during measurement date | - | 8,140 |
| District contributions subsequent to the measurement date | 36,132 | |
| Total | \$ 36,132 | \$ 250,819 |

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OPEB (continued)

The \$36,132 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 | \$ | (57,010) |
| 2020 | | (57,010) |
| 2021 | | (57,010) |
| 2022 | | (57,010) |
| 2023 | | (16,274) |
| Thereafter | | <u>(6,507)</u> |
| | \$ | <u>(250,821)</u> |

Actuarial Assumptions – The total OPEB liability (asset) as of June 30, 2017, was determined based on an actuarial assumptions:

- Actuarial Cost Method – Entry Age
- Inflation – 2.50%
- Future Ad Hoc Cost-of-living Increases – None
- Salary Increases – Composed of 3.25% inflation, including 2.50% price inflation, plus a service-related component ranging from 0.00% to 8% based on years of service.
- Investment Rate of Return – 7.50%
- 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%. 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% and female rates multiplied by 50%.

| 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 | <u>100.00%</u> | |

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

OPEB (continued)

Discount Rate – A single discount rate of 7.50% was used to measure the total OPRB liability (asset) as of June 30, 2018. This single discount rate was based solely on the expected rate of return on OPEB plan investments of 7.50%.

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 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 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 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%, 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 higher (8.5%) than the current rate and what it would be using a discount rate that 1 percentage-point lower (6.5%) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---------------------------------------|-----------------------|---------------------------------|-----------------------|
| Employer's Net OPEB Liability (asset) | \$ 12,435 | \$ 297,068 | \$ 540,426 |

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/OTRS.

10. Contingencies

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Also, in the event of any unfavorable outcomes, the District and its legal counsel believe that adequate insurance coverage exists and that there will be no adverse economic impact on the financial condition of the District.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

11. Sanctioned Organizations

The following entities are separately constituted and, accordingly, their financial position and results of operations have not been presented in the accompanying financial statements. The school board does not appoint officers. The school board is not responsible for approving budgets, contracts, key personnel, fiscal matters or day-to-day operations of the entity.

| | |
|------------------------------|--|
| MHS Rougher Football Booster | ARJH PTO |
| MHS Volleyball | BFSA PTA |
| MHS Running Club | Creek PTO |
| MHS Cheer Booster Club | Muskogee Lady Rougher Basketball |
| MHS Tennis Booster Club | Grant Foreman PTO |
| MHS Kicker Club-Soccer | Irving PTA |
| MHS Boys Basketball | Pershing PTA |
| MHS Dugout Club | Sadler PTA |
| MHS Rougher Girls Golf | Tony Goetz PTO |
| MHS PTSA | Whittier PTA |
| MHS Quarter Note Club | Muskogee 4-H & Live Stock Booster |
| BFSA 4-H Club | Muskogee Jr. High Cheer Booster Club |
| Muskogee Takedown Club | Muskogee Roughers Swim Team Booster Club |

12. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; or acts of God. The District purchases commercial insurance to cover these risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The School also participates in a risk pool for Workers' Compensation coverage in which there is transfer or pooling of risks among the participants of that pool. In accordance with GASB No. 10, the School reports the required contribution to the pool, net of refunds, as insurance expense. The risk pool is the Oklahoma School Assurance Group (OSAG), an organization formed for the purpose of providing workers' compensation coverage to participating schools in the State of Oklahoma.

In that capacity, OSAG is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to them during the plan year. As a member of OSAG, the District is required to pay fees set by OSAG according to an established payment schedule. A portion of the fees paid by the District goes into a loss fund for the District. The fee for the loss fund is calculated by projecting losses based on the schools losses for the last five years. OSAG provides coverage in excess of the Loss Fund, so the District's liability for claim loss is limited to the balance of the loss fund. If the District does not use their loss fund in three years, it is returned to them with no interest.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

13. Surety Bonds

The Superintendent is bonded by Old Republic Surety Company bond number POB 1106903, for the sum of \$100,000 for the term December 23, 2017 to December 23, 2018.

The treasurer is bonded by Old Republic Surety Company bond number LSM0322263, for the sum of \$250,000 for the term of December 23, 2017, to December 23, 2018.

The chief financial officer is bonded by Old Republic Surety Company bond number POB 1101406, for the sum of \$250,000 for the term of June 30, 2017, to June 30, 2018.

The encumbrance clerk is bonded by Old Republic Surety Company bond number POB 1106903, for the sum of \$100,000 for the term December 23, 2017 to December 23, 2018.

The activity fund clerks are bonded by Old Republic Surety Company bond number POB 1106903, for the penal sum of \$1,000 for the term December 23, 2016 to December 23, 2017.

The minute clerk is bonded by Old Republic Surety Company bond number POB 1106903, for the sum of \$1,000 for the term December 23, 2017 to December 23, 2018.

The activity fund custodian is bonded by Old Republic Surety Company bond number POB 1106903, for the penal sum of \$100,000 for the term December 23, 2017 to December 23, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Budgeted Amounts</u> | | | Variance Over (Under) |
|---|-------------------------|---------------------|---------------|-----------------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | |
| | | | | |
| Revenues: | | | | |
| Local | \$ 10,481,354 | \$ 10,481,354 | \$ 10,756,256 | \$ 274,902 |
| Intermediate sources | 1,050,000 | 1,050,000 | 1,070,577 | 20,577 |
| State sources | 23,738,311 | 23,855,144 | 23,946,375 | 91,231 |
| Federal sources | 4,805,114 | 5,193,858 | 4,659,513 | (534,345) |
| Non-revenue sources | - | - | 41,650 | 41,650 |
| Total revenues | \$ 40,074,779 | \$ 40,580,356 | \$ 40,474,371 | \$ (105,985) |
| Expenditures: | | | | |
| Instructional | \$ 30,716,215 | \$ 31,221,792 | \$ 23,251,020 | \$ 7,970,772 |
| Support services: | | | | |
| Students | 2,396,620 | 2,396,620 | 2,190,417 | 206,203 |
| Staff | 118,020 | 118,020 | 2,248,804 | (2,130,784) |
| General administration | 513,925 | 513,925 | 1,372,465 | (858,540) |
| School administration | 3,737,345 | 3,737,345 | 2,819,093 | 918,252 |
| Business | 1,083,000 | 1,083,000 | 1,795,276 | (712,276) |
| Plant operations | 2,624,000 | 2,624,000 | 3,358,834 | (734,834) |
| Transportation | 730,000 | 730,000 | 1,589,465 | (859,465) |
| Non-instructional | 28,000 | 28,000 | 296,881 | (268,881) |
| Capital outlay | 100,000 | 100,000 | 169,553 | 69,553 |
| Other outlays | - | - | - | - |
| Repayments | - | - | - | - |
| Total expenditures | \$ 42,047,125 | \$ 42,552,702 | \$ 39,091,808 | \$ 3,600,000 |
| Excess of revenues over (under) expenditures | \$ (1,972,346) | \$ (1,972,346) | \$ 1,382,563 | \$ 3,494,015 |
| Other sources of funds - | | | | |
| Cancelled warrants | \$ - | \$ - | \$ - | \$ - |
| Prior year lapsed | - | - | - | - |
| Excess of revenues and other sources of funds over (under) expenditures | \$ (1,972,346) | \$ (1,972,346) | \$ 1,382,563 | \$ - |
| Fund balance, beginning of year | \$ 1,972,346 | \$ 1,972,346 | \$ 1,972,346 | \$ - |
| Fund balance, end of year | \$ - | \$ - | \$ 3,354,909 | \$ 3,354,909 |

The accompanying notes are an integral part of these financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
BUILDING FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Budgeted Amounts</u> | | | Variance | |
|---|-------------------------|---------------------|---------------|-----------------|---------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Over (Under) | |
| | | | | Over | (Under) |
| Revenues: | | | | | |
| Local | \$ 1,457,856 | \$ 1,457,856 | \$ 1,486,329 | \$ 28,473 | |
| Intermediate sources | - | - | - | - | |
| State sources | - | - | - | - | |
| Federal sources | - | - | - | - | |
| Total revenues | \$ 1,457,856 | \$ 1,457,856 | \$ 1,486,329 | \$ 28,473 | |
| Expenditures: | | | | | |
| Instructional | \$ 18,762 | \$ 18,762 | \$ 16,194 | \$ 2,568 | |
| Support services: | | | | | |
| Students | - | - | - | - | |
| Staff | - | - | - | - | |
| General administration | 15,000 | 15,000 | 10,816 | 4,184 | |
| School administration | - | - | - | - | |
| Business | 285,000 | 285,000 | 235,552 | 49,448 | |
| Plant operations | 1,170,072 | 1,170,072 | 1,147,292 | 22,780 | |
| Transportation | - | - | - | - | |
| Central | - | - | - | - | |
| Other | - | - | - | - | |
| Non-instructional | - | - | - | - | |
| Capital outlay | 289,663 | 289,663 | 24,294 | 265,369 | |
| Other outlays | - | - | - | - | |
| Other Uses | - | - | - | - | |
| Debt Service | - | - | 284,662 | (284,662) | |
| Total expenditures | \$ 1,778,497 | \$ 1,778,497 | \$ 1,718,810 | \$ 59,687 | |
| Excess of revenues over (under) expenditures | \$ (320,641) | \$ (320,641) | \$ (232,481) | \$ 88,160 | |
| Other sources of funds - | | | | | |
| Cancelled warrants | \$ - | \$ - | \$ - | \$ - | |
| Excess of revenues and other sources of funds over (under) expenditures | \$ (320,641) | \$ (320,641) | \$ (232,481) | \$ 88,160 | |
| Fund balance, beginning of year | \$ 320,641 | \$ 320,641 | \$ 320,641 | \$ - | |
| Fund balance, end of year | \$ - | \$ - | \$ 88,160 | \$ 88,160 | |

The accompanying notes are an integral part of these financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
CHILD NUTRITION FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | Budgeted Amounts | | | Variance Over (Under) |
|---|------------------|--------------|--------------|-----------------------------|
| | Original Budget | Final Budget | Actual | |
| | | | | |
| Revenues: | | | | |
| Local | \$ 305,750 | \$ 305,750 | \$ 180,688 | \$ (125,062) |
| Intermediate sources | - | - | - | - |
| State sources | 32,000 | 32,000 | 30,810 | (1,190) |
| Federal sources | 3,139,000 | 3,139,000 | 2,885,738 | (253,262) |
| Non-revenue sources | 900 | 900 | - | (900) |
| Total revenues | \$ 3,477,650 | \$ 3,477,650 | \$ 3,097,236 | \$ (380,414) |
| Expenditures: | | | | |
| Instructional | \$ - | \$ - | \$ - | \$ - |
| Support services: | | | | |
| Students | - | - | - | - |
| Staff | - | - | - | - |
| General administration | - | - | - | - |
| School administration | - | - | - | - |
| Business | - | - | - | - |
| Plant operations | - | - | - | - |
| Transportation | - | - | - | - |
| Central | - | - | - | - |
| Other | - | - | - | - |
| Non-instructional | 4,299,189 | 4,299,189 | 3,326,906 | 972,283 |
| Capital outlay | - | - | - | - |
| Other outlays | - | - | - | - |
| Other Uses | - | - | - | - |
| Debt Service | - | - | - | - |
| Total expenditures | \$ 4,299,189 | \$ 4,299,189 | \$ 3,326,906 | \$ 972,283 |
| Excess of revenues over (under) expenditures | \$ (821,539) | \$ (821,539) | \$ (229,670) | \$ 591,869 |
| Other sources of funds - cancelled warrants | \$ - | \$ - | \$ - | \$ - |
| Excess of revenues and other sources of funds over (under) expenditures | \$ (821,539) | \$ (821,539) | \$ (229,670) | \$ 591,869 |
| Fund balance, beginning of year | \$ 821,539 | \$ 821,539 | \$ 821,539 | \$ - |
| Fund balance, end of year | \$ - | \$ - | \$ 591,869 | \$ 591,869 |

The accompanying notes are an integral part of these financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - (GAAP BASIS)
BOND FUND
FOR THE YEAR ENDED JUNE 30, 2018

| | <u>Budgeted Amounts</u> | | | Variance | |
|---|-------------------------|---------------------|----------------|----------------|--------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | Favorable | |
| | | | | (Unfavorable) | |
| Revenues: | | | | | |
| Local | \$ | - \$ | - \$ | 7,911 | \$ 7,911 |
| Intermediate sources | | | | - | - |
| State sources | | | | - | - |
| Federal sources | | | | - | - |
| Total revenues | \$ | - \$ | - \$ | 7,911 | \$ 7,911 |
| Expenditures: | | | | | |
| Instructional | \$ | - \$ | - \$ | 119,420 | \$ (119,420) |
| Support services: | | | | | |
| Students | | - | - | - | - |
| Staff | | - | - | - | - |
| General administration | | - | - | 57,758 | (57,758) |
| School administration | | - | - | 1,319 | (1,319) |
| Business | | - | - | 74,563 | (74,563) |
| Plant operations | | - | - | 26,114 | (26,114) |
| Transportation | | - | - | 1,759 | (1,759) |
| Central | | - | - | - | - |
| Other | | - | - | - | - |
| Child nutrition | | - | - | - | - |
| Noninstructional | | - | - | - | - |
| Capital outlay | 99,363 | 99,363 | - | 1,500 | 97,863 |
| Other outlays | | - | - | - | - |
| Other uses | | - | - | - | - |
| Debt service | | - | - | 4,645,176 | (4,645,176) |
| Total expenditures | \$ 99,363 | \$ 99,363 | \$ 4,927,609 | \$ (4,828,246) | |
| Excess of revenues over (under) expenditures | \$ (99,363) | \$ (99,363) | \$ (4,919,698) | \$ (4,820,335) | |
| Other sources of funds - proceeds on sales of bonds | \$ - | \$ - | \$ 5,205,000 | \$ 5,205,000 | |
| Excess of revenues and other sources of funds over (under) expenditures | \$ (99,363) | \$ (99,363) | \$ 285,302 | \$ 384,665 | |
| Fund balance, beginning of year | \$ 99,363 | \$ 99,363 | \$ 99,363 | \$ - | |
| Fund balance, end of year | \$ - | \$ - | \$ 384,665 | \$ 384,665 | |

The accompanying notes are an integral part of these financial statements.

MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OKLAHOMA TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

| | 2015 | 2016 | 2017 | 2018 |
|---|---------------|---------------|---------------|---------------|
| School's proportion of the net pension liability | 0.73377393% | 0.66255688% | 0.63786787% | 0.6661582% |
| School's proportionate share of the net pension liability | \$ 39,476,057 | \$ 40,235,478 | \$ 53,233,642 | \$ 44,108,443 |
| School's covered-employee payroll | \$ 28,640,399 | \$ 25,768,540 | \$ 25,921,090 | \$ 25,762,721 |
| School's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 138% | 156% | 205% | 171% |
| Plan fiduciary net position as a percentage of total pension liability | 72.43% | 70.31% | 62.24% | 69.32% |

*The amounts present for each fiscal year history is not readily available.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF THE CONTRIBUTIONS
OKLAHOMA TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30**

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|---------------|---------------|---------------|---------------|
| Contractually required contribution | \$ 2,764,068 | \$ 2,709,356 | \$ 2,346,044 | \$ 2,525,734 |
| Contributions in relation to the Contractually required contribution | 2,764,068 | 2,709,356 | 2,346,044 | 2,525,734 |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - | \$ _____ - | \$ _____ - |
| School's covered-employee payroll | \$ 28,640,399 | \$ 25,768,540 | \$ 25,921,090 | \$ 25,762,721 |
| Contributions as a percentage of covered-employee payroll | 9.65% | 10.91% | 9.10% | 9.80% |

Notes to Schedule:

*Information to present a 10 year history is not readily available.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA**
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
SUPPLEMENTAL HEALTH INSURANCE PROGRAMS
LAST TEN FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2018

2018

| | |
|--|---------------|
| District's proportionate share of the net OPEB liability (asset) | \$ (297,068) |
| District's covered payroll | \$ 25,762,721 |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its Covered-employee payroll | (1.15%) |
| Plan fiduciary net position as a percentage of the total OPEB liability (asset) | 110.40% |

*The amounts present for each fiscal year were determined as of 6/30

Notes to Schedule:

Only the current fiscal year is presented because 10-year data is not yet available.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
SUPPLEMENTAL HEALTH INSURANCE PROGRAM
LAST TEN FISCAL YEARS* (DOLLAR AMOUNTS IN THOUSANDS)
FOR THE YEAR ENDED JUNE 30, 2018**

| | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|
| Contractually required contribution | \$ 36,132 | \$ 33,740 |
| Contributions in relation to the Contractually required contribution | <u>36,132</u> | <u>33,740</u> |
| Contribution deficiency (excess) | \$ _____ - | \$ _____ - |
| District's covered payroll | \$ 25,762,721 | \$ 25,921,090 |
| Contributions as a percentage of covered- payroll | .14% | .13% |

Notes to Schedule:

Only the current and prior fiscal year is presented because 10-year data is not yet available.

OTHER SUPPORTING INFORMATION

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

CHEROKEE ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|---------------------------|--------------------|------------------|-------------|------------------|--------------------|
| Concessions | \$ 2,890 | \$ 5,456 | \$ - | \$ 5,698 | \$ 2,648 |
| Foundation Grants | 1,956 | 3,781 | - | 1,956 | 3,781 |
| Library/Media Center | 1,479 | 5,319 | - | 5,022 | 1,776 |
| Total Cherokee Elementary | <u>\$ 6,325</u> | <u>\$ 14,556</u> | <u>\$ -</u> | <u>\$ 12,676</u> | <u>\$ 8,205</u> |

CREEK ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|------------------------|--------------------|------------------|-------------|------------------|--------------------|
| Concessions | \$ 10,502 | \$ 17,000 | \$ - | \$ 14,360 | \$ 13,142 |
| Library | 894 | 193 | - | 443 | 644 |
| Total Creek Elementary | <u>\$ 11,396</u> | <u>\$ 17,193</u> | <u>\$ -</u> | <u>\$ 14,803</u> | <u>\$ 13,786</u> |

BFSA ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|-----------------------|--------------------|------------------|-------------------|------------------|--------------------|
| Archery | \$ - | \$ 701 | \$ - | \$ 532 | \$ 169 |
| Concessions | 3,656 | 20,137 | 1,450 | 18,911 | 6,332 |
| Foundation Grants | 10,859 | 3,745 | (1,702) | 9,157 | 3,745 |
| Library/Media Center | 798 | 165 | - | - | 963 |
| Student Council | 131 | 434 | - | - | 565 |
| Yearbook | <u>388</u> | <u>1,289</u> | <u>(1,450)</u> | <u>207</u> | <u>20</u> |
| Total BFSA Elementary | <u>\$ 15,832</u> | <u>\$ 26,471</u> | <u>\$ (1,702)</u> | <u>\$ 28,807</u> | <u>\$ 11,794</u> |

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

GRANT FOREMAN ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|--------------------------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 3,630 | \$ 16,597 | \$ - | \$ 16,226 | \$ 4,001 |
| Foundation Grants | 3,362 | - | (9) | 3,353 | - |
| Total Grant Foreman Elementary | \$ 6,992 | \$ 16,597 | \$ (9) | \$ 19,579 | \$ 4,001 |

IRVING ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|-------------------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 5,499 | \$ 27,429 | \$ - | \$ 21,320 | \$ 11,608 |
| Foundation Grants | 141 | - | (141) | - | - |
| Indian Ed | 1,984 | - | - | - | 1,984 |
| Library | - | 2,391 | - | 1,997 | 394 |
| Student Council | 10 | - | - | - | 10 |
| Irving Yearbook | 1,133 | 1,020 | - | 1,000 | 1,153 |
| Total Irving Elementary | \$ 8,767 | \$ 30,840 | \$ (141) | \$ 24,317 | \$ 15,149 |

PERSHING ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|---------------------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 2,879 | \$ 17,308 | \$ - | \$ 12,154 | \$ 8,033 |
| Foundation Grant | - | 2,000 | - | - | 2,000 |
| Library/Media Center | 1,666 | 5,767 | - | 5,290 | 2,143 |
| Technology Education | - | - | - | - | - |
| Total Pershing Elementary | \$ 4,545 | \$ 25,075 | \$ - | \$ 17,444 | \$ 12,176 |

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

SADLER ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|-----------------------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 10,174 | \$ 4,809 | - | \$ 2,957 | \$ 12,026 |
| Foundation Grants | 3,064 | 4,470 | (55) | 3,009 | 4,470 |
| Special Help Club | 6,599 | - | - | - | 6,599 |
| Total for Sadler Elementary | \$ 19,837 | \$ 9,279 | \$ (55) | \$ 5,966 | \$ 23,095 |

TONY GOETZ ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|-----------------------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 8,764 | \$ 6,853 | - | \$ 7,292 | \$ 8,325 |
| Library/Media | 2,148 | 7,587 | - | 7,722 | 2,013 |
| Sixth Grade | 280 | - | - | - | 280 |
| Total Tony Goetz Elementary | \$ 11,192 | \$ 14,440 | - | \$ 15,014 | \$ 10,618 |

WHITTIER ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|---------------------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 2,104 | \$ 24,481 | - | \$ 14,412 | \$ 12,173 |
| Foundation Grants | 2,000 | - | (37) | 1,963 | - |
| Library | 20 | 3,913 | - | 2,562 | 1,371 |
| Total Whittier Elementary | \$ 4,124 | \$ 28,394 | \$ (37) | \$ 18,937 | \$ 13,544 |

MECC ELEMENTARY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|-----------------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 23,233 | \$ 16,741 | - | \$ 13,181 | \$ 26,793 |
| Library Media Center | 1,919 | 165 | - | - | 2,084 |
| Foundation Grants | - | 1,938 | - | - | 1,938 |
| Pre School | - | 17,328 | - | 16,621 | 707 |
| Total MECC Elementary | \$ 25,152 | \$ 36,172 | - | \$ 29,802 | \$ 31,522 |

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

DISTRICT

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|--------------------------|--------------------|-----------|------------|------------|--------------------|
| Honors Banquet | \$ 6,004 | \$ 1,000 | \$ (1,000) | \$ 1,708 | \$ 4,296 |
| Instructional | 714 | 2,000 | 1,951 | 3,603 | 1,062 |
| Board/Superintendent | 4,799 | 6,500 | - | 5,550 | 5,749 |
| Fab Lab | 2,978 | 8,869 | - | 2,387 | 9,460 |
| Technology | 2,246 | 250 | - | 1,285 | 1,211 |
| Before/After School Care | 3,279 | 2,306 | - | 613 | 4,972 |
| District Support Svc. | 6,427 | 15,728 | 958 | 14,800 | 8,313 |
| Staff development | 2,093 | 610 | - | 1,491 | 1,212 |
| Athletics | - | 732 | 28,758 | 8,140 | 21,350 |
| Foundation Grants | 672 | - | 3,515 | 550 | 3,636 |
| General | 829 | - | (829) | - | - |
| Indian Ed | 1 | - | (1) | - | - |
| Cross Country | 200 | - | (200) | - | - |
| NASA | 5,630 | 1,200 | 1 | 2,083 | 4,747 |
| Personnel | 2,312 | 790 | - | 375 | 2,727 |
| Rougher Special Olympics | 8,112 | 620 | - | 4,231 | 4,501 |
| Regional Science Fair | 6,997 | 8,748 | - | 7,736 | 8,009 |
| Special Education | 8,649 | - | - | 969 | 7,680 |
| Camp Bennett - Adults | 11,336 | 6,025 | - | 9,886 | 7,475 |
| Total for District | \$ 73,278 | \$ 55,378 | \$ 33,153 | \$ 65,407 | \$ 96,400 |

ALTERNATIVE (ROUGHER) ACADEMY

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|---------------|--------------------|-----------|-----------|------------|--------------------|
| Concessions | \$ 701 | \$ 250 | \$ - | \$ 509 | \$ 442 |
| FCCLA | - | - | - | - | - |
| Total for RAA | \$ 1,914 | \$ 250 | \$ - | \$ 509 | \$ 442 |

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

7TH/8TH GRADE CENTER

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|----------------------------|--------------------|------------------|-------------------|------------------|--------------------|
| The Storm | \$ 566 | \$ - | \$ - | \$ 313 | \$ 253 |
| 7/8th Yearbook | 457 | 3,410 | (1,355) | 1,476 | 1,036 |
| Band | 25 | - | (25) | - | - |
| 8th Girls Basketball | 245 | - | (245) | - | - |
| Cheerleaders | 106 | - | (106) | - | - |
| Choral/Chorus | 1,739 | 9,232 | - | 7,945 | 3,026 |
| Concessions | 1,702 | 7,030 | 670 | 6,836 | 2,565 |
| FCCLA | 244 | 5,457 | - | 4,745 | 956 |
| Foundation Grants | 5 | 580 | (5) | - | 580 |
| Hospitality Fd | - | - | - | - | - |
| Library/Media Center | 705 | - | 705 | 705 | 705 |
| NASA | - | - | - | - | - |
| PE Club | - | 680 | 10 | 506 | 184 |
| Video Production | 558 | - | - | - | 558 |
| Reading Dept | 5 | - | (5) | - | - |
| Student Council | 1,267 | 2,362 | - | 2,612 | 1,017 |
| Technology Education | 942 | 1,520 | - | 974 | 1,488 |
| 7/8th Gr Tennis Club | 1,149 | - | (1,149) | - | - |
| Total 7th/8th Grade Center | <u>\$ 9,715</u> | <u>\$ 30,271</u> | <u>\$ (1,505)</u> | <u>\$ 26,112</u> | <u>\$ 12,368</u> |

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

MUSKOGEE HIGH SCHOOL

| Activities | \$ | Balance 7-01-17 | Additions | \$ | Transfers | \$ | Deductions | \$ | Balance 6-30-18 |
|---------------------------|----------|--------------------|-----------|----------|-----------|----|------------|----|--------------------|
| AP - Art | \$ 2,067 | \$ 1,305 | \$ - | \$ 1,038 | \$ 2,335 | | | | |
| All School Musical | 16,943 | 10,863 | - | 12,534 | 15,272 | | | | |
| Arts & Crafts | 4,527 | 915 | - | 400 | 5,042 | | | | |
| African American Heritage | 58 | 350 | - | 219 | 189 | | | | |
| Broadcasting | 308 | - | - | - | 308 | | | | |
| Basketball - Boys | 1,342 | - | - | 1,323 | 19 | | | | |
| Basketball - Girls | 9 | - | (9) | - | - | | | | |
| Cheerleaders | 1,124 | 30 | - | 214 | 940 | | | | |
| Choral/Chorus | 19,646 | 45,882 | - | 46,761 | 18,766 | | | | |
| Security | 4,605 | 5,050 | - | 3,180 | 6,475 | | | | |
| Concessions | 2,216 | 5,441 | 2,766 | 5,001 | 5,422 | | | | |
| Counselor | 1,318 | - | - | - | 1,318 | | | | |
| DECA | 105 | 3,670 | - | 2,973 | 802 | | | | |
| Dance | 2,766 | - | - | 376 | 2,390 | | | | |
| Drama | 670 | - | - | - | 670 | | | | |
| BPA | 412 | - | - | 141 | 271 | | | | |
| FFA | 9,341 | 40,407 | - | 38,695 | 11,053 | | | | |
| FCCLA | 652 | 3,710 | - | 3,186 | 1,176 | | | | |
| Football | 101 | - | (101) | - | - | | | | |
| Class of 2019 | 3,742 | 14,450 | 4,500 | 9,977 | 12,715 | | | | |
| Class of 2020 | - | 158 | 4,880 | - | 5,038 | | | | |
| Class of 2017 | 138 | 223 | - | - | 361 | | | | |
| Class of 2018 | 13,962 | 1,337 | (9,394) | 5,905 | - | | | | |
| Athletics | 17,580 | 29,914 | (26,399) | 21,095 | - | | | | |
| Women's Golf | 358 | - | - | 205 | 153 | | | | |
| Foundation Grants | 3,673 | 7,792 | (1,648) | 1,941 | 7,877 | | | | |
| German Club | 415 | 215 | - | 456 | 174 | | | | |
| Graphic Art Design | 1,675 | - | (1,675) | - | - | | | | |
| International Club | 160 | - | (160) | - | - | | | | |
| Golf - Mens | 4,065 | - | - | 1,508 | 2,557 | | | | |
| HOSA | 196 | 704 | (272) | 628 | - | | | | |
| Honor Society | 2,067 | 560 | - | 816 | 1,811 | | | | |
| Innovative Ideas | 279 | - | (279) | - | - | | | | |
| Oklahoma Honor Society | 1,357 | 219 | - | 282 | 1,294 | | | | |
| Wrestling | 1,198 | 2,410 | (441) | 3,167 | - | | | | |
| Character Club | 4,090 | 852 | - | 2,429 | 2,513 | | | | |
| Library/Media Center Club | 1,508 | 1,012 | - | 671 | 1,849 | | | | |
| Tennis - women | 5,572 | 2,670 | - | 2,922 | 5,320 | | | | |
| MHS Yearbook | 8,691 | 5,005 | - | 5,313 | 8,383 | | | | |

(continued)

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

MUSKOGEE HIGH SCHOOL

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|----------------------------|----------------------------|-------------------|--------------------|-------------------|----------------------------|
| Boys Track | 9,695 | 3,930 | - | 3,988 | 9,637 |
| NASA | 709 | 680 | - | 442 | 947 |
| Soccer - boys | 826 | - | - | - | 826 |
| Soccer - girls | 107 | - | (107) | - | - |
| ROTC | 2,541 | 14,261 | - | 15,086 | 1,716 |
| Science Club | 813 | 981 | - | 1,147 | 647 |
| Robotics | 1,947 | 1,859 | - | 1,539 | 2,267 |
| Social Studies Club | 1,611 | 92 | - | 640 | 1,062 |
| Trainers | 2,012 | - | - | 1,036 | 976 |
| Speech | 3,904 | 5,419 | - | 5,130 | 4,193 |
| Student Council | 3,861 | 5,460 | - | 5,856 | 3,465 |
| Technology Education | 7,223 | 1,909 | - | 1,401 | 7,731 |
| Engineering Projects | 1,200 | 712 | - | 952 | 960 |
| Teens For Christ | 380 | - | (380) | - | - |
| VICA | 2,421 | 60 | - | 130 | 2,351 |
| Total Muskogee High School | \$ <u>178,187</u> | \$ <u>220,507</u> | \$ <u>(28,719)</u> | \$ <u>210,703</u> | \$ <u>159,271</u> |

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHOOL ACTIVITY FUND
STATEMENT OF CHANGES IN ACCOUNT BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

TRANSPORTATION

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|--------------------------|----------------------------|------------------|------------------|-------------------|----------------------------|
| Concessions | \$ 187 | \$ 394 | \$ 1,000 | \$ 581 | \$ 1,000 |
| Total for Transportation | \$ 86 | \$ 394 | \$ 1,000 | \$ 581 | \$ 1,000 |

CNS

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|-----------------------|----------------------------|------------------|------------------|-------------------|----------------------------|
| CNS Group | \$ 1,487 | \$ 749 | \$ - | \$ 967 | \$ 1,269 |
| Total for Maintenance | \$ 1,487 | \$ 749 | \$ - | \$ 967 | \$ 1,269 |

MAINTENANCE

| Activities | Balance 7-01-17 | Additions | Transfers | Deductions | Balance 6-30-18 |
|-----------------------|----------------------------|------------------|------------------|-------------------|----------------------------|
| Concessions | \$ 1,484 | \$ 1,069 | \$ - | \$ 1,202 | \$ 1,351 |
| Total for Maintenance | \$ 183 | \$ 1,069 | \$ - | \$ 1,202 | \$ 1,351 |

SUPPORTING SCHEDULES

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2018

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA # | Grantor's Number | Balance at July 1, 2017 | Receipts | Expenditures | Balance at June 30, 2018 |
|--|-----------------------|-------------------------|--------------------------------|-----------------|---------------------|---------------------------------|
| <u>U.S. Department of Education</u> | | | | | | |
| Direct Programs: | | | | | | |
| <u>2017-2018 Programs</u> | | | | | | |
| * Title VI, Indian Education | 84.060A | S060A170371 | \$ - \$ 373,416 | \$ 373,416 | \$ - | |
| Impact Aid | 84.041 | S041B20174106 | -\$ 14,987 | -\$ 14,987 | | |
| Sub-Total | | | \$ - \$ 388,403 | \$ 388,403 | \$ - | |
| Passed-Through State Department of Education: | | | | | | |
| <u>2017-2018 Programs</u> | | | | | | |
| Title I | 84.010 | N/A | \$ - \$ 2,240,622 | \$ 2,240,622 | \$ - | |
| Title I, School Support | 84.010 | N/A | -\$ 53,580 | -\$ 53,580 | | |
| Title I-Part A Neglected | 84.010 | N/A | -\$ 27,969 | -\$ 27,969 | | |
| Title I, Part D Delinquent | 84.010 | N/A | -\$ 48,261 | -\$ 48,261 | | |
| Title I Cluster | | | \$ - \$ 2,370,432 | \$ 2,370,432 | \$ - | |
| IDEA-B Flow Through | 84.027 | N/A | -\$ 1,235,520 | -\$ 1,235,520 | | |
| IDEA-B Flow Through Private School | 84.027 | N/A | -\$ 5,501 | -\$ 5,501 | | |
| IDEA-B Enage/Develop Mini Grant | 84.027 | N/A | -\$ 15,627 | -\$ 15,627 | | |
| IDEA-B Preschool | 84.173 | N/A | -\$ 2,775 | -\$ 2,775 | | |
| Special Education Cluster | | | \$ - \$ 1,259,423 | \$ 1,259,423 | \$ - | |
| Title II, Part A Training & Recruiting Fund | 84.367 | N/A | -\$ 219,050 | -\$ 219,050 | | |
| Title IV, 21st Century | 84.287 | N/A | -\$ 162,102 | -\$ 162,102 | | |
| Title V, Part B, Rural and Low Income | 84.358B | N/A | -\$ 64,399 | -\$ 64,399 | | |
| Title III, Language Acquisition | 84.365 | N/A | -\$ 13,600 | -\$ 13,600 | | |
| Sub-Total Pass Through State Department of Education | | | \$ - \$ 4,089,006 | \$ 4,089,006 | \$ - | |
| Passed-Through State Department of Career and Technology Education: | | | | | | |
| <u>2017-2018 Programs</u> | | | | | | |
| Carl.Perkins | 84.048 | N/A | \$ - \$ 99,840 | \$ 99,840 | \$ - | |
| Sub-Total | | | \$ - \$ 99,840 | \$ 99,840 | \$ - | |

(continued)

See accompanying notes to the Schedule of Federal Awards Expended

MUSKOGEE SCHOOL DISTRICT NO. I-20
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2018

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA #</u> | <u>Grantor's Number</u> | <u>Balance at July 1, 2017</u> | <u>Receipts</u> | <u>Expenditures</u> | <u>Balance at June 30, 2018</u> |
|---|-----------------------|-------------------------|--------------------------------|---------------------|---------------------|---------------------------------|
| Passed-Through State Department of Education: | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| Non-Cash Assistance (Commodities): | | | | | | |
| National School Lunch Program | 10.555 | N/A | \$ _____ - | \$ 265,773 | \$ 265,773 | \$ _____ - |
| Non-Cash Assistance Sub-Total | | | \$ _____ - | \$ 265,773 | \$ 265,773 | \$ _____ - |
| Cash Assistance: | | | | | | |
| * School Breakfast Program | 10.553 | N/A | \$ _____ - | \$ 617,257 | \$ 617,257 | \$ _____ - |
| * National School Lunch Program | 10.555 | N/A | \$ _____ - | \$ 2,148,341 | \$ 2,148,341 | \$ _____ - |
| Fresh Fruit & Vegetables | 10.587 | N/A | \$ _____ - | \$ 74,469 | \$ 74,469 | \$ _____ - |
| * Summer Food Service Program for Children | 10.559 | N/A | \$ _____ - | \$ 45,670 | \$ 45,670 | \$ _____ - |
| Cash Assistance Sub- Total | | | \$ _____ - | \$ 2,885,737 | \$ 2,885,737 | \$ _____ - |
| Sub-Total for Child Nutrition Cluster | | | \$ _____ - | \$ 3,151,510 | \$ 3,151,510 | \$ _____ - |
| Other Federal Assistance: | | | | | | |
| Pass Through Muskogee Creek Nation | | | | | | |
| <u>2017-2018 Programs</u> | | | | | | |
| Johnson O'Malley | 15.130 | N/A | \$ _____ - | \$ 77,222 | \$ 77,222 | \$ _____ - |
| Sub-Total | | | \$ _____ - | \$ 77,222 | \$ 77,222 | \$ _____ - |
| Pass Through Muskogee County | | | | | | |
| <u>2017-2018 Programs</u> | | | | | | |
| Flood Control | 12.112 | N/A | \$ _____ - | \$ 5,043 | \$ 5,043 | \$ _____ - |
| Sub-Total | | | \$ _____ - | \$ 5,043 | \$ 5,043 | \$ _____ - |
| TOTAL FEDERAL ASSISTANCE | | | \$ _____ - | \$ 7,811,024 | \$ 7,811,024 | \$ _____ - |

* Major program

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

1. The District conforms with accounting principles generally accepted in the United States of America. Federal and state financial assistance generally is accounted for in the General, Building Fund, and Child Nutrition Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its' measurement focus. The Governmental Fund types are accounted for using a current financial resources and the modified basis of accounting measurement focus. All federal grant funds were accounted for in the General and Child Nutrition Funds.

The Modified Accrual Basis of Accounting is used for the Governmental Fund types and revenues are recognized as soon as they are both measurable and available. Expenditures are recorded when a liability is incurred.

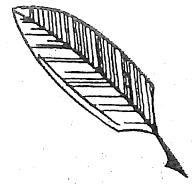
3. The District received donated foods through the Federal Food Distribution Program (10.555). At June 30, 2018, the school maintained an immaterial amount of food commodities inventory. The commodities received and used were \$265,773 which have been recognized as revenue and expenditures in the school's financial Statements.
4. Reconciliation of the Revenue shown on the *Schedule of Expenditures of Federal Awards* to Statement of Revenue, Expenditures and Changes in Fund Balance is as follows:

| | Revenue |
|--|---------------------|
| Schedule of Expenditures of Federal Awards | \$ <u>7,811,024</u> |
| Total per Schedule of Expenditures of Federal Awards | |
| Federal Program Revenues: | |
| General Fund | \$ 4,659,513 |
| Child Nutrition | <u>3,151,511</u> |
| Total per Federal Statement of Revenue, Expenditures, And Changes in Fund Balance | \$ <u>7,811,024</u> |

REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS

KERRY JOHN PATTEN, C.P.A.

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Broken Arrow, OK 74012
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FAX Number (918) 250-9853



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board of Education
Muscowee School District No. I-20
Muscowee County, Oklahoma

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Muscowee School District No. I-20, Muscowee County, Oklahoma (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 financial statements, and have issued my report thereon dated January 22, 2019.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

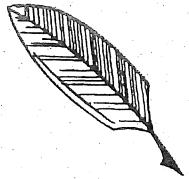
This report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kerry John Patten, C.P.A.
January 22, 2019

KERRY JOHN PATTEN, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE

The Honorable Board of Education
Muskegee School District No. I-20
Muskegee County, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited the compliance of Muskegee School District No. I-20, Muskegee County, Oklahoma (District's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In my opinion, Muskegee School District, No. I-20, Muskegee County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Muskogee School District No. I-20, Muskogee County, Oklahoma (District), is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Kerry John Patten, C.P.A.
Broken Arrow, OK
January 22, 2019

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the government-wide financial statements of Muskogee School District.
2. There were no audit findings reported of deficiencies in internal control, which the auditor considers to be "significant deficiencies" as defined in A.I.C.P.A. standards.
3. No instances of noncompliance material to the financial statements of Muskogee School District which would be required to be reported in accordance with Government Auditing Standards were disclosed during the audit.
4. There were no audit findings reported of deficiencies in internal control over major programs, which the auditor considers to be "significant deficiencies" as defined by A.I.C.P.A.
5. The auditor's report on compliance for the major federal award programs for Muskogee School District expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Uniform Guidance relative to major federal award programs for Muskogee School District.
7. The programs tested as major programs included: Title VI, Indian Ed (84.060A) and Child Nutrition Cluster (10.553, 10.555, and 10.559).
8. A threshold for distinguishing Types A and B programs was \$750,000.
9. Muskogee School District was determined to be a low-risk auditee for purposes of determining overall percentage of Federal compliance testing.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

1. No matters were reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. No matters were reported.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SUMMARY OF PRIOR AUDIT FINDINGS
FOR YEAR ENDED JUNE 30, 2018**

The summary of prior audit findings is required to report the status of all audit findings reported in the prior audit's schedule of findings and questioned costs relative to federal awards.

The school district had no prior year audit findings relative to federal award programs.

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF COMMENTS
FOR YEAR ENDED JUNE 30, 2018**

Based on my tests of accounting records and related procedures, I found nothing to indicate that Muskogee School District No. I-20 had not complied with significant compliance rules and regulations of the Oklahoma State Department of Education.

Previous Year's Audit Comments

There were no items in the school's 2016-17 audit report which required correction.

I would like to express my appreciation for the courtesies and cooperation extended to us by District administrators and employees during the course of this audit.

STATISTICAL SECTION

MUSKOGEE SCHOOL DISTRICT NO. I-20
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

Last Ten Fiscal Years

| Fiscal Year | Instructional | Non-Instructional | Debt Service | Capital Outlay | Total |
|-------------|---------------|-------------------|--------------|----------------|---------------|
| 2018 | \$ 23,386,729 | \$ 20,930,323 | \$ 5,434,161 | \$ 4,756,147 | \$ 54,507,360 |
| 2017 | \$ 23,365,312 | \$ 21,057,692 | \$ 5,291,901 | \$ 6,495,553 | \$ 56,210,458 |
| 2016 | \$ 23,839,509 | \$ 22,193,077 | \$ 9,646,509 | \$ 285,817 | \$ 55,964,911 |
| 2015 | \$ 25,616,120 | \$ 22,993,807 | \$ 5,207,620 | \$ 3,375,503 | \$ 57,193,050 |
| 2014 | \$ 26,292,737 | \$ 22,553,328 | \$ 4,883,360 | \$ 4,219,639 | \$ 57,949,064 |
| 2013 | \$ 25,609,526 | \$ 22,352,530 | \$ 4,864,132 | \$ 7,270,717 | \$ 60,096,905 |
| 2012 | \$ 26,798,511 | \$ 26,142,842 | \$ 5,099,620 | \$ 939,193 | \$ 58,980,166 |
| 2011 | \$ 26,764,418 | \$ 22,502,695 | \$ 4,435,200 | \$ 1,040,940 | \$ 54,743,253 |
| 2010 | \$ 27,014,868 | \$ 21,711,146 | \$ 4,322,035 | \$ 3,350,891 | \$ 56,398,940 |
| 2009 | \$ 27,956,926 | \$ 22,396,781 | \$ 8,977,380 | \$ 2,147,284 | \$ 61,478,371 |

(1) Includes General, Special Revenue, Capital Projects and Debt Service Funds

MUSKOGEE SCHOOL DISTRICT NO. I-20
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Last Ten Fiscal Years

| Fiscal Year | Local | Intermediate | State | Federal | Nonrevenue | Total |
|-------------|---------------|--------------|---------------|---------------|--------------|---------------|
| 2018 | \$ 17,496,564 | \$ 1,070,577 | \$ 23,977,185 | \$ 7,545,261 | \$ 5,246,000 | \$ 55,335,587 |
| 2017 | \$ 18,687,389 | \$ 1,091,972 | \$ 23,622,298 | \$ 8,061,093 | \$ 52,003 | \$ 51,514,755 |
| 2016 | \$ 17,506,932 | \$ 1,048,389 | \$ 24,159,043 | \$ 7,233,534 | \$ 1,297 | \$ 49,949,195 |
| 2015 | \$ 18,556,702 | \$ 1,064,983 | \$ 26,203,601 | \$ 8,085,212 | \$ 60,638 | \$ 53,971,136 |
| 2014 | \$ 16,363,302 | \$ 1,048,183 | \$ 26,163,738 | \$ 7,529,542 | \$ - | \$ 51,104,765 |
| 2013 | \$ 18,344,802 | \$ 1,035,906 | \$ 25,382,488 | \$ 7,893,462 | \$ - | \$ 52,656,658 |
| 2012 | \$ 17,209,755 | \$ 1,028,510 | \$ 25,937,190 | \$ 8,267,283 | \$ - | \$ 52,442,738 |
| 2011 | \$ 16,981,094 | \$ 1,013,684 | \$ 24,837,494 | \$ 11,547,310 | \$ - | \$ 54,379,582 |
| 2010 | \$ 16,848,847 | \$ 978,441 | \$ 25,671,008 | \$ 11,604,660 | \$ - | \$ 55,102,956 |
| 2009 | \$ 14,943,505 | \$ 931,555 | \$ 27,965,916 | \$ 8,929,858 | \$ - | \$ 52,770,834 |

(1) Includes General, Special Revenue, Capital Projects and Debt Service Funds

MUSKOGEE SCHOOL DISTRICT NO. I-20
PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy | Current Tax Collected | Percent of Current Tax Collected | | Total Tax Collections | Outstanding Delinquent Taxes | Ration of Total Tax Collection to Levy |
|--------------------|-----------------------|------------------------------|---|------------------------------|------------------------------|-------------------------------------|---|
| | | | Delinquent Tax Collections | Total Tax Collections | | | |
| 2018 | \$ 15,911,022 | \$ 15,104,172 | 94.93% | \$ 1,058,710 | \$ 16,162,882 | \$ (1,094,096) | 101.58% |
| 2017 | \$ 16,310,423 | \$ 16,140,528 | 98.96% | \$ 647,003 | \$ 16,787,531 | \$ (842,236) | 102.93% |
| 2016 | \$ 15,125,005 | \$ 15,131,740 | 100.04% | \$ 501,398 | \$ 15,633,139 | \$ (365,128) | 103.36% |
| 2015 | \$ 15,851,284 | \$ 14,977,647 | 94.49% | \$ 1,316,243 | \$ 16,293,890 | \$ 143,006 | 102.79% |
| 2014 | \$ 14,726,384 | \$ 13,697,563 | 93.01% | \$ 509,969 | \$ 14,207,532 | \$ 585,612 | 96.48% |
| 2013 | \$ 14,929,202 | \$ 14,556,520 | 97.50% | \$ 802,076 | \$ 15,358,596 | \$ 66,760 | 102.88% |
| 2012 | \$ 15,087,229 | \$ 14,009,255 | 92.86% | \$ 779,976 | \$ 14,789,231 | \$ 496,154 | 98.02% |
| 2011 | \$ 15,044,544 | \$ 14,555,061 | 96.75% | \$ 500,305 | \$ 15,055,366 | \$ 198,156 | 100.07% |
| 2010 | \$ 14,110,589 | \$ 13,504,630 | 95.71% | \$ 1,123,371 | \$ 14,628,001 | \$ 208,979 | 103.67% |
| 2009 | \$ 13,497,353 | \$ 13,356,104 | 98.95% | \$ 276,380 | \$ 13,632,484 | \$ 726,391 | 101.00% |

Source: Muskogee County Assessor

MUSKOGEE SCHOOL DISTRICT NO. I-20
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

| Fiscal Year | Muskogee School District | City of Muskogee | Muskogee County | Indian Capital Vo-Tech | Total |
|-------------|--------------------------|------------------|-----------------|------------------------|-------|
| 2018 | 60.53 | 2.99 | 23.80 | 10.13 | 97.45 |
| 2017 | 58.58 | 1.73 | 23.80 | 10.13 | 94.24 |
| 2016 | 59.98 | 0.90 | 23.80 | 10.13 | 94.81 |
| 2015 | 59.49 | 0.90 | 23.80 | 10.13 | 94.32 |
| 2014 | 57.37 | 1.05 | 23.84 | 10.13 | 92.39 |
| 2013 | 59.17 | 0.96 | 24.18 | 10.13 | 94.44 |
| 2012 | 59.57 | 0.91 | 24.24 | 10.13 | 94.85 |
| 2011 | 59.57 | 0.91 | 24.24 | 10.13 | 94.85 |
| 2010 | 58.48 | 0.79 | 24.01 | 10.13 | 93.41 |
| 2009 | 58.07 | 1.19 | 23.03 | 10.13 | 92.42 |

A = Inside City of Muskogee City Limits

B = Rural

C = 40 acre tract included in City Limits not subject to City levies

G = Gooseneck Bend Fire Department

Expressed in Mills

Source: County Assessor

MUSKOGEE SCHOOL DISTRICT NO. I-20
ASSESSED AND ESTIMATED ACTUAL VALUE OF PROPERTY

Last Ten Fiscal Years

| Fiscal Year | Real Property | | Personal Property | | Public Service Property | | Exemptions Real Property | Total | | Ratio of Net Assessed Value to Total Estimated Value |
|-------------|-------------------|---------------------------|-------------------|---------------------------|-------------------------|---------------------------|--------------------------------|-----------------------|---------------------------|---|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | | Net Assessed Value | Estimated Actual Value | |
| 2018 | \$ 181,114,370 | \$ 1,646,494,273 | \$ 87,473,370 | \$ 728,944,750 | \$ 18,693,571 | \$ 81,809,939 | \$ 10,564,502 | \$ 276,716,809 | \$ 2,457,248,961 | 11.26% |
| 2017 | \$ 181,730,365 | \$ 1,652,094,227 | \$ 82,162,235 | \$ 684,685,292 | \$ 18,154,343 | \$ 79,450,079 | \$ 10,447,801 | \$ 271,599,142 | \$ 2,416,229,598 | 11.24% |
| 2016 | \$ 177,721,640 | \$ 1,615,651,273 | \$ 85,925,150 | \$ 716,042,917 | \$ 19,125,052 | \$ 83,698,258 | \$ 10,332,215 | \$ 272,439,627 | \$ 2,415,392,448 | 11.28% |
| 2015 | \$ 174,459,325 | \$ 1,585,993,864 | \$ 77,178,605 | \$ 643,155,042 | \$ 18,742,123 | \$ 82,022,420 | \$ 10,536,987 | \$ 259,843,066 | \$ 2,311,171,325 | 11.24% |
| 2014 | \$ 170,406,755 | \$ 1,549,152,318 | \$ 78,448,770 | \$ 653,739,750 | \$ 18,405,552 | \$ 80,549,462 | \$ 10,557,526 | \$ 256,703,551 | \$ 2,283,441,530 | 11.24% |
| 2013 | \$ 166,581,055 | \$ 1,514,373,227 | \$ 74,450,625 | \$ 620,421,875 | \$ 19,637,016 | \$ 85,938,801 | \$ 10,358,493 | \$ 250,310,203 | \$ 2,220,733,903 | 11.27% |
| 2012 | \$ 166,800,865 | \$ 1,516,371,500 | \$ 76,550,525 | \$ 637,921,042 | \$ 20,349,135 | \$ 89,055,295 | \$ 10,445,432 | \$ 253,255,093 | \$ 2,243,347,837 | 11.29% |
| 2011 | \$ 166,800,865 | \$ 1,516,371,500 | \$ 76,550,525 | \$ 637,921,042 | \$ 20,349,135 | \$ 89,055,295 | \$ 10,445,432 | \$ 253,255,093 | \$ 2,243,347,837 | 11.29% |
| 2010 | \$ 166,465,500 | \$ 1,513,322,727 | \$ 81,874,325 | \$ 682,286,042 | \$ 19,291,068 | \$ 84,424,805 | \$ 10,371,258 | \$ 257,259,635 | \$ 2,280,033,574 | 11.28% |
| 2009 | \$ 159,676,690 | \$ 1,451,606,273 | \$ 79,300,750 | \$ 660,839,583 | \$ 18,695,700 | \$ 81,819,256 | \$ 10,364,760 | \$ 247,308,380 | \$ 2,194,265,112 | 11.27% |

Source: Muskogee County Assessor

MUSKOGEE SCHOOL DISTRICT NO. I-20
PRINCIPAL TAXPAYERS

June 30, 2018

| <u>Taxpayer</u> | <u>Product</u> | <u>Assessed Value</u> | <u>Rank Last Year</u> | <u>Percentage of Total Net Assessed Value</u> |
|---------------------------|--------------------|-----------------------|-----------------------|---|
| Georgia-Pacific | Paper Products | \$38,742,275 | 1 | 14.26% |
| Oklahoma Gas & Electric | Electric Utility | \$ 9,817,750 | 2 | 3.61% |
| Owens Brockway Glass | Glass Containers | \$ 6,520,915 | 3 | 2.40% |
| Ft. Howard Paper Co | Paper Products | \$ 4,459,510 | 4 | 1.64% |
| Vallourec Star | Oilfield Products | \$ 2,302,540 | 8 | 0.85% |
| St. Francis Regional | Hospital | \$ 3,208,135 | 5 | 1.18% |
| Union Pacific Railroad | Railroad | \$ 2,452,700 | 7 | 0.90% |
| Oklahoma Natural Gas | Gas Utility | \$ 1,876,861 | 9 | 0.69% |
| Reliance Steel & Aluminum | Metal Products | \$ 1,400,205 | | 0.52% |
| Graham Packaging Co | Container Products | \$ 1,347,245 | 2 | 0.50% |

Source: Muskogee County Assessor

**MUSKOGEE SCHOOL DISTRICT NO. I-20
LEGAL DEBT**

June 30, 2018

2017-18 Assessed Value \$276,716,809

Legal debt margin:

Debt Limitation - 10 percent of assessed value \$ 27,671,681

Debt applicable to limitation:

| | |
|--|-------------------|
| Outstanding general obligation bonded indebtedness | \$ 13,955,000 |
| Outstanding Judgments | \$ 170,933 |
| Current Sinking Fund | <u>\$ 344,237</u> |

Total debt applicable to limitation \$ 13,781,696

Legal debt margin available \$ 13,889,985

Source: District Estimate of Needs

MUSKOGEE SCHOOL DISTRICT NO. I-20
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES

Last Ten Fiscal Years

| Fiscal Year | Total Debt Service | Total General Government Expenditures | Ratio of Debt Service to General Governmental Expenditures |
|-------------|--------------------|---------------------------------------|--|
| 2018 | \$ 5,434,161 | \$ 54,507,360 | 9.97% |
| 2017 | \$ 5,291,901 | \$ 56,210,458 | 9.41% |
| 2016 | \$ 9,646,509 | \$ 55,964,911 | 17.24% |
| 2015 | \$ 5,207,620 | \$ 57,193,050 | 9.11% |
| 2014 | \$ 4,883,360 | \$ 57,949,064 | 8.43% |
| 2013 | \$ 4,864,133 | \$ 60,096,905 | 8.09% |
| 2012 | \$ 5,099,620 | \$ 58,980,166 | 8.65% |
| 2011 | \$ 4,435,200 | \$ 54,743,253 | 8.10% |
| 2010 | \$ 4,322,035 | \$ 56,398,940 | 7.66% |
| 2009 | \$ 4,863,700 | \$ 61,478,371 | 7.91% |

MUSKOGEE SCHOOL DISTRICT NO. I-20
RATIO OF NET GENERAL OBLIGATION BONDED DEBT

Last Ten Fiscal Years

| Fiscal Year | Assessed Value | Gross Bonded Debt | Less Debt Service Fund | Net Bonded Debt | Ratio of Net Bonded Debt to Net AV Less Debt Service Fund |
|-------------|----------------|-------------------|------------------------|-----------------|---|
| 2018 | \$ 276,716,809 | \$ 13,955,000 | \$ 344,487 | \$ 13,610,513 | 4.92% |
| 2017 | \$ 271,599,142 | \$ 13,855,000 | \$ 664,267 | \$ 13,190,733 | 4.86% |
| 2016 | \$ 272,439,627 | \$ 11,815,000 | \$ 509,430 | \$ 11,305,570 | 4.15% |
| 2015 | \$ 259,843,066 | \$ 11,750,000 | \$ 608,064 | \$ 11,141,936 | 4.29% |
| 2014 | \$ 256,703,551 | \$ 13,190,000 | \$ 379,862 | \$ 12,810,138 | 4.99% |
| 2013 | \$ 252,310,328 | \$ 13,725,000 | \$ 936,626 | \$ 12,788,374 | 5.07% |
| 2012 | \$ 253,255,093 | \$ 10,740,000 | \$ 728,209 | \$ 10,011,791 | 3.95% |
| 2011 | \$ 257,259,635 | \$ 10,780,000 | \$ 894,843 | \$ 9,885,157 | 3.84% |
| 2010 | \$ 247,308,380 | \$ 12,027,890 | \$ 733,540 | \$ 11,294,350 | 4.57% |
| 2009 | \$ 234,695,750 | \$ 9,022,890 | \$ 1,592,094 | \$ 7,430,796 | 3.17% |

Source: Muskogee County Assessor

MUSKOGEE SCHOOL DISTRICT NO. I-20
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS

June 30, 2018

| Jurisdiction | Net General Obligation Bonded Debt Outstanding | Percentage Applicable to Government | Amount Applicable to Government |
|---------------------|---|--|--|
|---------------------|---|--|--|

As it applies to a resident of the City of Muskogee:

Direct:

| | | | | |
|-------------------------|---------------|-----|---------|---------------|
| Muskogee Public Schools | \$ 13,955,000 | (1) | 100.00% | \$ 13,955,000 |
|-------------------------|---------------|-----|---------|---------------|

(1) Excluding amount available for repayment in the debt service fund.

Source: District Estimate of Needs

Schedule of Government Employees by Function

| Fiscal Year Ended June 30, | Instruction & Instruction-related Services | Support Services - Student & Staff | Instructional & School Leadership | Admin Support Services | Operation of non-instructional Services | Operation & Maint of Plant Services | Student transportation services | Total Gov't Employees |
|----------------------------|--|------------------------------------|-----------------------------------|------------------------|---|-------------------------------------|---------------------------------|-----------------------|
| 2018 | 421 | 73 | 27 | 26 | 79 | 58 | 41 | 725 |
| 2017 | 413 | 76 | 36 | 20 | 67 | 53 | 45 | 710 |
| 2016 | 416 | 76 | 36 | 20 | 67 | 53 | 45 | 713 |
| 2015 | 426 | 73 | 36 | 23 | 73 | 53 | 45 | 729 |
| 2014 | 425 | 74 | 36 | 25 | 105 | 75 | 52 | 792 |
| 2013 | 456 | 71 | 35 | 25 | 104 | 71 | 57 | 819 |
| 2012 | 443 | 71 | 35 | 33 | 109 | 75 | 72 | 838 |
| 2011 | 429 | 136 | 34 | 18 | 104 | 63 | 60 | 844 |
| 2010 | 429 | 97 | 32 | 20 | 108 | 79 | 57 | 822 |
| 2009 | 429 | 84 | 36 | 21 | 99 | 80 | 58 | 807 |

Source: District records.

List of School Buildings: Square Footage, Capacity, Age

June 30, 2018

| Site | Physical Address | Total Square Footage | Average Daily Membership | Capacity* | Capacity Utilized | Acquisition/Construction Date | Depreciation Effective Date |
|--|---|---|---------------------------------|--------------------|----------------------------|--|--|
| Elementary: | | | | | | | |
| Cherokee Creek | 2400 Estelle St. | 60,736 | 285 | 400 | 71.25% | 1968 | 1968 |
| Ben Franklin Science Academy | 200 S. Country Club Rd. | 52,499 | 428 | 500 | 85.60% | 1987 | 1987 |
| Early Childhood Center | 300 Virgil Matthews Drive | 124,882 | 369 | 860 | 42.91% | 1980 | 1980 |
| Grant Foreman Irving Pershing | 901 Emporia 800 Bacone St. 1100 N. J. St. | 41,182 67,480 49,474 | 305 325 396 | 400 465 415 | 76.25% 69.89% 95.42% | 1962 1959 1962 | 1959 1962 1962 |
| Samuel Sadler Arts Academy | 301 N. 54th | 52,499 | 389 | 500 | 77.80% | 1987 | 1987 |
| Tony Goetz Whittier | 800 Altamont 2412 Haskell Blvd. 1705 Cincinnati St. | 65,550 47,880 51,974 | 365 362 267 | 400 435 415 | 91.25% 83.22% 64.34% | 1951 1960 1911 | 1951 1960 2005 |
| Secondary: | | | | | | | |
| A/R Junior High School Muskogee High School Rougher Alternative Academy | 402 N. S St. 3200 East Shawnee 600 Altamont | 139,104 286,515 31,736 | 735 1418 54 | 750 2000 180 | 98.00% 70.90% 30.00% | 1939 1967 1967 | 1987 2008 2005 |
| Support: | | | | | | | |
| Transportation Child Nutrition Center/Warehouse B.E.S.T. Center / Enroll Center Harris Jobe PDC Maintenance Camp Bennett Athletic Facility Stadium | 621 Altamont 1700 Beacon Street 202 W. Broadway 2809 N. Country Club Rd. 1700 Beacon Street 4010 Buffalo Drive 402 N. S St. 402 N. S St. | 12,828 18,528 30,780 29,234 16,120 1,600 18,250 47,914 | | | | 1957 1978 1920 1959 1978 2006 2003 1939 | 1957 2005 1985 1959 2005 2006 2003 2005 |
| Totals | | | | 1,246,765 | | | |

Grounds:

198 Acres

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

Source: Maintenance Department

**MUSKOGEE SCHOOL DISTRICT NO. I-20
MISCELLANEOUS STATISTICS**

June 30, 2018

Founding Date:

Muskogee Public Schools was founded in 1907.

Form of Government:

Superintendent and locally elected Board of Education - (five members)

Personnel:

| | |
|----------------|-------|
| Instruction | 421 |
| Support | 278 |
| Administrative | 26 |
| | <hr/> |
| | 725 |

Approximately 38 percent of all instructional and administrative personnel have a master's degree or higher.

Source: Muskogee High School

High School Graduates Last Ten Fiscal Years

| <u>Fiscal Year Ended June 30,</u> | <u>Muskogee High school Graduates</u> |
|---|---|
| 2018 | 369 |
| 2017 | 354 |
| 2016 | 340 |
| 2015 | 285 |
| 2014 | 324 |
| 2013 | 277 |
| 2012 | 299 |
| 2011 | 307 |
| 2010 | 305 |
| 2009 | 305 |

Source: District records.

School Food Service Program
Last Ten Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Number of operating cafeterias | 13 | 13 | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Number of schools participating in Federal lunch program | 13 | 13 | 13 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Student Lunches served: | | | | | | | | | | |
| Free Lunches | 589,545 | 641,091 | 578,583 | 521,620 | 547,109 | 589,172 | 608,554 | 580,998 | 609,291 | 608,092 |
| Reduced Priced Lunches | - | 20,405 | 31,544 | 34,282 | 55,378 | 61,307 | 66,500 | 71,001 | 70,889 | 70,438 |
| Paid lunches | 132,755 | 44,437 | 99,483 | 182,513 | 91,626 | 122,912 | 133,843 | 145,026 | 149,113 | 200,025 |
| Total student lunches served | <u>722,300</u> | <u>705,933</u> | <u>709,610</u> | <u>738,415</u> | <u>694,113</u> | <u>773,391</u> | <u>808,897</u> | <u>797,025</u> | <u>829,293</u> | <u>878,555</u> |
| Adult Lunches served | 3,659 | 4,081 | 4,631 | 6,097 | 7,127 | 8,430 | 9,751 | 12,017 | 12,638 | 12,861 |
| Ala Carte lunches | | | | | | | | | | |
| Student daily equivalent meals | 37,033 | 20,318 | 280 | 18,535 | 73,494 | 53,577 | 56,048 | 64,954 | * | * |
| Adult daily equivalent meals | 3,316 | 1,067 | 13 | 1,162 | 3,256 | 3,001 | 3,331 | 4,690 | * | * |
| Daily average lunches served (including ala carte lunches):** | | | | | | | | | | |
| Student | 4,546 | 4,247 | 4,381 | 4,301 | 4,681 | 4,780 | 5,000 | 5,321 | 4,794 | 5,078 |
| Adult | 41 | 30 | 39 | 41 | 63 | 66 | 76 | 103 | * | * |
| Average Daily Membership (ADM) | 5,749 | 5,929 | 5,988 | 6,043 | 6,120 | 6,253 | 6,216 | 6,288 | 6,380 | 6,332 |
| Percent of student lunches served to ADM | 79% | 72% | 73% | 71% | 76% | 76% | 80% | 85% | 75% | 80% |

* Information not available

** Years 2009 & 2010 does not include ala carte - info not available)

Source: District records.

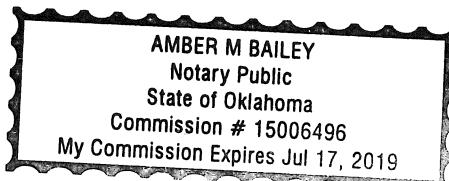
MUSKOGEE SCHOOL DISTRICT NO. I-20
MUSKOGEE COUNTY, OKLAHOMA
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL LIABILITY INSURANCE AFFIDAVIT
FOR YEAR ENDED JUNE 30, 2018

State of Oklahoma)
County of Tulsa)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Muskogee School District for the audit year 2017-2018.

Kerry John Patten, C.P.A.
AUDITING FIRM

BY Kerry John Patten
AUTHORIZED AGENT



Subscribed and sworn to before me on this

23rd day of January, 2019

Amber M Bailey
NOTARY PUBLIC

My commission expires on:

17th day of July, 2019