

**OUR FUTURE IS BRIGHT**



**Oklahoma City Metropolitan Area Public Schools Trust**

Annual Financial Report | the City of Oklahoma City, Oklahoma | for the Fiscal Year ended June 30, 2013



# OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

A Discrete Component Unit of  
Oklahoma City, Oklahoma

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James D. Couch, General Manager

Annual Financial Report for the Fiscal Year Ended June 30, 2013

Prepared by The Oklahoma City Finance Department, Accounting Services Division  
Glen D. Earley, Controller



**OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST**

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# **Introductory Section**



# OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

December 6, 2013

Board of Trustees  
Oklahoma City Metropolitan Area Public Schools Trust

The Oklahoma City Metropolitan Area Public Schools Trust (Trust) annual financial report (annual report) provides a comprehensive overview of the Trust's financial position and the results of operations during the past fiscal year. It complies with reporting requirements specified by Oklahoma State Statutes and the dictates of effective financial management practices. The Oklahoma City Finance Department, Accounting Services Division, prepared this report in compliance with generally accepted accounting principles in the United States (U.S. GAAP). It is fairly stated in all material respects. Responsibility for the accuracy of the reported information and the completeness and fairness of the presentation, including disclosures, rests with the Trust.

The Trust's annual report includes the reports of independent auditor, management's discussion and analysis (MD&A), financial statements, related notes, and supplementary information. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2013 and 2012, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

The purposes of the Trust are to fund and provide for the improvement of public schools or public school facilities situated within school districts located in whole or in part within the corporate limits of the City, and to accomplish the demolition of public schools or public school facilities that have been abandoned for public school use by a school district.

The seven Trustees are appointed by the City Council, three of which are nominated by the School Board. The City Manager is the General Manager of the Trust.

The current economic environment and the economic outlook for Oklahoma City remain very positive. Because of a cost of living rating consistently below the national average; a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location, Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States including Forbes February 25, 2013 ranking of Oklahoma City as one of the best cities for good jobs. These factors promise an immediate and sustainable economic growth outlook for the next several years.

In a report prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated January 31, 2013 and entitled "City of Oklahoma City Economic Outlook", the Institute reported that calendar year 2013, while remaining in a general recovery mode, will be another year of underperformance nationally, citing unresolved Federal issues. On the other hand the Institute cites historical patterns of economic activity in Oklahoma as reasons Oklahoma City has and will not closely follow the national trend. As a result they report that Oklahoma City should continue to enjoy broad growth as long as the national economy is in a general recovery mode. The Institute reported that recent employment and earnings growth should result in positive sales tax momentum with a general projection of 4.4 percent annual growth in sales tax revenues for calendar years 2013 and 2014 with a range from 2.6 percent to 7.4 percent depending on the national economy. Personal income is expected to grow 4.3 percent and 3.7 percent for calendar years 2013 and 2014, respectively. Without any significant changes in the national economy, overall job growth is expected to be around 2.5 percent for calendar years 2013 and 2014 and possibly in excess of 4 percent in some job sectors.

Fiscal year 2013, in terms of sales tax revenue growth, substantiates this positive outlook, with an increase for the year of over 5 percent. Expenditures for the year, predicated on this growth, allowed for increases in several programs. Budgeted expenditures for fiscal year 2014 also were based on the positive projected economic growth.

Any economic outlook is predicated on sustainable factors. The City Council has a continuing priority to its citizens to fulfill the promises made to them with regard to completing the projects established in voter initiatives to invest in the City. In addition, the City Council is focused on pursuing a financial model that provides adequate resources to meet the expectations for services as Oklahoma City grows and maintaining strong financial management that is evidenced by the highest possible rating of the City's general obligation bonds by both Moody's and Standard and Poor's.

The Mayor and Council of Oklahoma City are committed to the quality of life of Oklahoma City citizens. In past years, there was a growing consensus to provide the highest quality public education to the children of City residents and improve the condition of educational facilities. In Oklahoma, school districts are separate government jurisdictions under the oversight of the State of Oklahoma; however, statutes permit municipalities the option to support the improvement of public school systems within the corporate limits. In response to this community priority, the City Council asked voters to consider a dedicated City sales tax for the support of public schools serving students within the corporate limits of Oklahoma City at an election held November 13, 2001. Citizens approved this limited term, dedicated City sales tax to be administered under the oversight and management of the City for the benefit of school districts serving City residents.

A limited purpose sales tax of one-half percent was levied from January 1, 2002 until April 1, 2003; the sales tax levy increased to one percent from April 1, 2003, continuing until December 31, 2008, when it expired. On December 22, 2009, the City Council resolved to keep all residual tax collections in the City for administration. The sales tax was projected to generate more than \$500 million. Over the life of the tax the Trust collected/earned \$565.53 million to improve public schools. The program is in its 12th year and is substantially upgrading educational facilities throughout the City. The Trust has cumulatively acquired or constructed and transferred \$72.08 million in assets to the Oklahoma City Independent School District (District) as of June 30, 2013. The Trust also had \$260.44 million of projects in construction at June 30, 2013. To date the Trust granted \$150.43 million to suburban school districts and expended \$25.04 million for administration and non-capital items. The Trust is holding \$58.09 million for capital projects and \$141.26 million in completed projects not yet donated to public schools.

The first high school and elementary school construction/renovation projects were completed and opened in fall 2004. Phase I technology projects, computers and presentation stations, were completed in the spring semester of that year. In 2005, as construction and technology improvements continued, a transportation project was accelerated resulting in early completion of a 160-unit bus fleet replacement program.

In fiscal year 2006, five schools and several early-start projects were completed. Work continued on the technology plan with the completion of the library automation system comprised of catalogue software, servers, and two computers in each of the Oklahoma City School District's 79 libraries. In addition, several hundred desktop computers were installed in schools throughout the District. By the end of fiscal year 2007, the largest, highest cost, new high school construction projects were open and several elementary school projects were complete and operating. Extensive construction activity through the summer of 2008 allowed for the opening of seven additional schools in fall 2008.

At the close of Fiscal year 2013, 44 new or renovated schools were substantially complete (at least 95%): Adams Elementary, Bodine Elementary, Britton Elementary, Buchanan Elementary, Cesar Chavez Elementary, Coolidge Elementary, Cleveland Elementary, Dunbar Elementary, Edgemere Elementary, Edwards Elementary, Eugene Field Elementary, Fillmore Elementary, Gatewood Elementary, Green Pastures Elementary, Hayes Elementary, Heronville Elementary, Hillcrest Elementary, Hoover Elementary, Horace Mann Elementary, Independence Charter Middle School, Kaiser Elementary, Lee Elementary, Linwood Elementary, Longfellow Elementary, Mark Twain Elementary, Martin Luther King Jr. Elementary, Nichols Hills Elementary, North Highland Elementary, Northeast Academy, Northwest Classen High School, Oakridge Elementary, Pierce Elementary, Putnam Heights Elementary, Quail Creek Elementary, Rancho Village Elementary, Ridgeview Elementary, Sequoyah Elementary, Shidler Elementary, Southeast High School, Southern Hills Elementary, Stand Watie Elementary, Thelma R. Parks Elementary, West Nichols Hills Elementary, Wheeler Elementary, and Wilson Elementary.

The technology plan consisted of the completion of the library automation system comprised of catalogue software, servers, and two computers in each of the District's 79 libraries. In addition, several hundred desktop computers were installed in schools throughout the District.

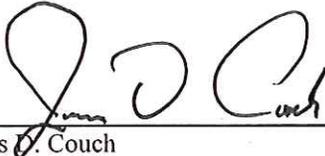
There were 16 early start roofing and 19 fire protection projects completed at 31 school sites: Adams Elementary, Bodine Elementary, Britton Elementary, Buchanan Elementary, Coolidge Elementary, Cleveland Elementary, Dunbar Elementary, Edwards Elementary, Green Pastures Elementary, Hawthorne Elementary, Independence Charter School, Jefferson Middle School, Lee Elementary, Linwood Elementary, Mark Twain Elementary, F.D. Moon Elementary, North Highland Elementary, Northwest Classen High School, Parmelle Elementary, Pierce Elementary, Putnam Heights Elementary, Rancho Village Elementary, Hoover Elementary, Rogers Elementary, Sequoyah Elementary, Shidler Elementary, Stand Watie Elementary, Spencer Elementary, Webster Elementary, West Nichols Hills Elementary, and Northwest Classen High School.

The Trust was established with cooperative partnerships between the public school districts and the City. The Trust administers the sales tax received from the City for the benefit of designated public schools according to a program implementation plan approved by the Trust, Oklahoma City Public Schools Board of Education (School Board), and City Council. In addition to District improvements, the Trust dedicates a portion of all sales tax to improve suburban schools with City resident students under a suburban schools program. The Trust reviews all requests for funding from the 23 surrounding school districts that serve City resident students.

The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure compliance with legal provisions.

By City Council resolution, public trusts of which the City is the beneficiary are encouraged to use the independent auditors competitively selected by the City. In compliance with that resolution, the Trust engaged BKD LLP to conduct its annual audit. The Trust acknowledges the professional and competent services of its independent auditors.

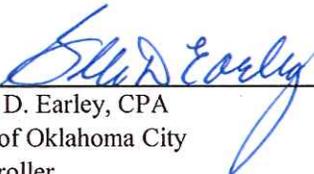
Respectfully submitted,



James D. Couch  
General Manager



Craig Freeman  
City of Oklahoma City  
Finance Director



Glen D. Earley, CPA  
City of Oklahoma City  
Controller

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# **Financial Section**

## Independent Auditor's Report on Financial Statements and Supplementary Information

Board of Trustees  
Oklahoma City Metropolitan Area Public Schools Trust  
Oklahoma City, Oklahoma

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Oklahoma City Metropolitan Area Public Schools Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Trust'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 Trust's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Trust as of June 30, 2013 and 2012, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The transmittal letter preceding this report is presented for purposes of additional analysis and is not a required part of the basic financial statements. The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the Trust's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

***BKD, LLP***

Oklahoma City, Oklahoma  
December 6, 2013



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Oklahoma City Metropolitan Area Public Schools Trust (Trust) annual financial report, the Trust's management provides narrative discussion and analysis of the financial activities of the Trust for the fiscal years ended June 30, 2013 and 2012. The Trust's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. Introductory information is available in the transmittal letter which precedes this discussion and analysis. The Trust is a discretely presented component unit of the City of Oklahoma City (City).

### *Financial Summary*

- Trust assets exceeded liabilities by \$302,341,622 (net position) for 2013. This compares to the previous year when assets exceeded liabilities by \$306,510,090.
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$93,653,198 and \$93,547,677 for 2013 and 2012, respectively, consist primarily of school construction and renovation projects.
  - (2) Net position restricted for capital projects of \$67,399,404 for 2013 and \$129,040,091 for 2012 represent the portion available to maintain the Trust's continuing obligations, restricted by constraints imposed by the city and schools sales tax.
  - (3) Net position restricted for education of \$141,289,020 and \$83,922,322 for 2013 and 2012, respectively, consists of completed school projects, held for donation to public schools.
- The Trusts's governmental fund reported total ending fund balance of \$58,099,348 this year. This compares to the prior year ending fund balance of \$113,980,757 showing a decrease of \$55,881,409 during the current year.

### *Overview of the Financial Statements*

This discussion and analysis introduces the Trust's basic financial statements. The basic financial statements include: (1) statement of net position, (2) statement of activities, (3) balance sheet, (4) statement of revenues, expenditures, and changes in fund balances, and (5) notes to the financial statements. Supplementary information comparing the Trust budget to actual performance on a budgetary basis is also provided in a later section of this report.

### **Trust-wide Financial Statements**

The Trust's annual report includes two Trust-wide financial statements. These statements provide both long-term and short-term information about the overall status of the Trust and are presented to demonstrate the extent the Trust has met its operating objectives efficiently and effectively using all the resources available and whether the Trust can continue to meet its objectives in the foreseeable future. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these statements is the statement of net position. This statement presents information that includes all of the Trust's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Trust as a whole is improving or deteriorating and identify financial strengths and weaknesses and assess liquidity.

The second statement is the statement of activities which reports how the Trust's net position changed during the current fiscal year and can be used to assess the Trust's operating results in its entirety and analyze how the Trust's programs are financed. All current year revenues and expenses are included regardless of when cash is received or paid.

### Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Trust has only one fund, a governmental fund which serves as the general fund of the Trust.

#### Governmental Fund

The governmental fund is reported in the fund financial statements and reports education functions as reported in the Trust-wide financial statements. Fund statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements and the commitment of spendable resources for the near-term.

Since the Trust-wide financial statements focus includes the long-term view, comparisons between the two perspectives may provide useful insights. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to assist in understanding the differences between these two perspectives.

### Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to gain a full understanding of the Trust-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

### Financial Analysis

The Trust's net position for fiscal year 2013 is \$302,341,622. This is a \$4,168,468 decrease over last year's net position, a decline in financial position. The Trust's net position will continue to decrease due to the nature of the Trust. The 2011 balances have been adjusted to reflect the reclassification of prior year balances from capital assets to completed projects not yet donated to public schools and the related reclass of net position from net investments in capital assets to restricted for education.

#### Summary of Net Position

	2013	2012	2013-2012 Amount of Change	2013-2012 %	2011	2012-2011 Amount of Change	2012-2011 %
<b>Assets</b>							
Current assets	\$67,538,712	\$129,293,364	(\$61,754,652)	(47.8%)	\$201,536,278	(\$72,242,914)	(35.8%)
Other non-current assets	141,254,543	83,922,322	57,332,221	68.3	15,809,216	68,113,106	430.8
Capital assets, net	<u>102,971,951</u>	<u>108,492,003</u>	<u>(5,520,052)</u>	(5.1)	<u>119,723,603</u>	<u>(11,231,600)</u>	(9.4)
<b>Total assets</b>	<b><u>311,765,206</u></b>	<b><u>321,707,689</u></b>	<b><u>(9,942,483)</u></b>	(3.1)	<b><u>337,069,097</u></b>	<b><u>(15,361,408)</u></b>	(4.6)
<b>Liabilities</b>							
Current liabilities	<u>9,423,584</u>	<u>15,197,599</u>	<u>(5,774,015)</u>	(38.0)	<u>11,462,811</u>	<u>3,734,788</u>	32.6
<b>Net Position</b>							
Net Investment in capital assets	93,653,198	93,547,677	105,521	0.1	108,564,046	(15,016,369)	(13.8)
Restricted for capital projects	67,399,404	129,040,091	(61,640,687)	(47.8)	201,233,024	(72,192,933)	(35.9)
Restricted for education	<u>141,289,020</u>	<u>83,922,322</u>	<u>57,366,698</u>	68.4	<u>15,809,216</u>	<u>68,113,106</u>	430.8
<b>Total net position</b>	<b><u>\$302,341,622</u></b>	<b><u>\$306,510,090</u></b>	<b><u>(\$4,168,468)</u></b>	(1.4)	<b><u>\$325,606,286</u></b>	<b><u>(\$19,096,196)</u></b>	(5.9)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013 and 2012**

**OKLAHOMA CITY METROPOLITAN**  
**AREA PUBLIC SCHOOLS TRUST**

The decrease in current assets of \$61.75 million at the end of fiscal year 2013 and \$72.24 million in 2012 is primarily due to reductions in cash and investments. The decrease of non-pooled cash and investments of \$62.96 million and \$69.36 million at the end of fiscal year 2013 and 2012, respectively, is the result of continued decrease of resources as they are spent to fund construction projects. Interest receivable decreased \$305 thousand and \$790 thousand at June 30, 2013 and 2012, respectively, from the lower amount of funds available to invest. Intergovernmental receivables increased \$1.41 million in fiscal 2013 and \$2.13 million in fiscal 2012, this is the result of the increase in the number of suburban school projects under construction. Intergovernmental receivables from suburban schools represent unspent advances to suburban schools. As the schools complete projects and earn the advanced funds, the receivable is reduced and expenditures are recognized.

The increase in other non-current assets at June 30, 2013 and 2012 of \$57.33 million and \$68.11 million, respectively, is primarily the result of the completion of public school projects not yet donated to the public schools. No completed projects were donated to public schools in 2013 and \$13.10 million was transferred to the public schools in fiscal year 2012. The decrease in capital assets at June 30, 2013 of \$5.52 million and decrease of \$11.23 million at June 30, 2012 is the result of capital project expenditures, net of completed projects.

The decrease in current liabilities of \$5.78 million and the increase of \$3.73 million at the end of 2013 and 2012, respectively, is primarily due to fluctuations in construction payables. In fiscal 2013, construction payables were lower due to a lower number of active construction projects. The increase in fiscal 2012 was due to a higher number of active construction projects and timing of payments.

**Summary of Changes in Net Position**

			2013-2012	2013-2012			2012-2011	2012-2011
	2013	2012	Amount of	%	2011	Amount of	%	
			Change	Change		Change	Change	
<b>Revenues</b>								
Operating Grants & Contributions	\$290,329	\$491,745	(\$201,416)	(41.0%)	\$1,456,124	(\$964,379)	(66.2%)	
General revenues	—	—	—	0.0	<u>34,462</u>	<u>(34,462)</u>	(100.0)	
<b>Total revenues</b>	<b>290,329</b>	<b>491,745</b>	<b>(201,416)</b>	<b>(41.0)</b>	<b>1,490,586</b>	<b>(998,841)</b>	<b>(67.0)</b>	
<b>Program expenses</b>	<b><u>4,458,797</u></b>	<b><u>19,587,941</u></b>	<b><u>(15,129,144)</u></b>	<b>(77.2)</b>	<b><u>33,137,384</u></b>	<b><u>(13,549,443)</u></b>	<b>(40.9)</b>	
<b>Change in net position</b>	<b>(4,168,468)</b>	<b>(19,096,196)</b>	<b>14,927,728</b>	<b>78.2</b>	<b>(31,646,798)</b>	<b>12,550,602</b>	<b>39.7</b>	
Beginning net position,								
As previously reported	306,510,090	325,606,286	(19,096,196)	(5.9)	350,192,889	(24,586,603)	(7.0)	
Prior period adjustment	—	—	—	0.0	<u>7,060,195</u>	<u>(7,060,195)</u>	(100.0)	
As restated	<u>306,510,090</u>	<u>325,606,286</u>	(19,096,196)	(5.9)	<u>357,253,084</u>	<u>(31,646,798)</u>	(8.9)	
<b>Ending net position</b>	<b><u>\$302,341,622</u></b>	<b><u>\$306,510,090</u></b>	<b><u>(\$4,168,468)</u></b>	<b>(1.4)</b>	<b><u>\$325,606,286</u></b>	<b><u>(\$19,096,196)</u></b>	<b>(5.9)</b>	

The decrease in operating grants and contributions of \$201 thousand and \$964 thousand in 2013 and 2012, respectively, was the result of a significant reduction in interest earnings of \$201 thousand and \$1.06 million at 2013 and 2012, respectively, and was related to decreased cash available to invest.

No general revenues were reported in 2013 or 2012. The Wilson Arts School reimbursed the Trust \$34 thousand for construction costs in 2011. The Wilson Arts School was completed in 2011.

In fiscal year 2013, program expense decreased by \$15.13 million. The majority of this change consisted of a decrease in assets transferred to public schools of \$13.06 million, a decrease in distributed computer supplies to public schools of \$539 thousand, net of increases in amounts distributed to suburban schools. In fiscal year 2012, program expense increased by \$13.55 million. The majority of this change consisted of an increase in assets transferred to public schools of \$9.25 million, net of a decrease in distributed computer supplies to public schools of \$1.52 million and a decrease of amounts distributed to suburban schools of \$3.09 million.

***Capital Assets***

The Trust's investment in capital assets were 2013 and 2012 is \$102,971,951 and \$108,492,003, respectively.

	<b>Capital Assets</b>						
	<u>2013</u>	<u>2012</u>	<u>2013-2012</u> Amount <u>Change</u>	<u>2013-2012</u> %	<u>2011</u>	<u>2012-2011</u> Amount <u>Change</u>	<u>2012-2011</u> %
Construction in progress	<b>\$102,971,951</b>	<b>\$108,492,003</b>	<b>(\$5,520,052)</b>	(5.1%)	<b>\$119,723,603</b>	<b>(\$11,231,600)</b>	(9.4%)

The decrease in capital assets of \$5.67 million and decrease of \$11.23 million in 2013 and 2012, respectively, was due to construction expenditures of \$51.66 million and \$69.98 million, net of \$57.33 million and \$97.03 million in completed projects, respectfully. See Note II. D. for more information regarding capital assets.

As of June 30, 2013, the Trust was managing 23 construction projects. The Trust also considered and approved nearly 501 suburban school project grants and has disbursed over \$155.8 million as of June 30, 2013.

***Economic Factors***

Due to the nature of the Trust, the growth in the economy improved but did not translate into increased financial position in the Trust.

***Contacting the Trust's Financial Management***

This financial report is designed to provide a general overview of the Trust's finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City's Finance Department, Accounting Services Division, at 100 North Walker, Suite 300, Oklahoma City, Oklahoma 73102.

# **Basic Financial Statements**



## ***Trust-wide Financial Statements***

*Provide both long-term and short-term information about the Trust's overall status using full accrual accounting.*

\* ***Governmental Activities*** – *Reports education activities and the general revenues of the Trust.*

## ***Fund Financial Statements***

### **Governmental Fund Financial Statements**

*Encompass essentially the same functions reported as governmental activities in the Trust-wide financial statements using modified accrual accounting and report the annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.*

**STATEMENTS OF NET POSITION**  
**June 30,**

**OKLAHOMA CITY METROPOLITAN**  
**AREA PUBLIC SCHOOLS TRUST**

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
<b><u>CURRENT ASSETS</u></b>		
Non-pooled cash-----	\$52,722,947	\$73,562,593
Investments-----	10,891,648	53,014,332
Interest, dividends, and royalties receivable-----	15,780	321,033
Receivable from City of Oklahoma City, City and Schools Sales Tax Fund-----	100,000	-
Intergovernmental receivables-----	3,808,337	2,395,406
<b>Total current assets-----</b>	<b>67,538,712</b>	<b>129,293,364</b>
<b><u>NON-CURRENT ASSETS</u></b>		
Completed projects not yet donated to public schools-----	141,254,543	83,922,322
Capital assets:		
Land and construction in progress-----	102,971,951	108,492,003
<b>Total assets-----</b>	<b>311,765,206</b>	<b>321,707,689</b>
<b><u>LIABILITIES</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
Accounts payable-----	9,338,572	14,959,236
Payable to City of Oklahoma City, General Fund-----	85,012	235,460
Payable to Oklahoma City Municipal Facilities Trust, OCMFA Services Fund-----	-	2,903
<b>Total liabilities-----</b>	<b>9,423,584</b>	<b>15,197,599</b>
<b><u>NET POSITION</u></b>		
Net Investment in capital assets-----	93,653,198	93,547,677
Restricted for:		
Capital projects-----	67,399,404	129,040,091
Education-----	141,289,020	83,922,322
<b>Total net position-----</b>	<b>\$302,341,622</b>	<b>\$306,510,090</b>

See accompanying notes to financial statements.

**STATEMENTS OF ACTIVITIES**  
**For the Years Ended June 30,**

**OKLAHOMA CITY METROPOLITAN**  
**AREA PUBLIC SCHOOLS TRUST**

	<u>2013</u>	<u>2012</u>
<b><u>PROGRAM EXPENSES</u></b>		
<b><u>EDUCATION</u></b>		
Materials and supplies-----	\$624,544	\$1,119,840
Professional services-----	100,253	414,588
Payments to suburban schools-----	3,508,502	4,745,316
Payments to City of Oklahoma City, City and Schools Sales Tax Fund-----	223,588	204,719
Other services and charges-----	1,910	41,681
Assets transferred to public schools-----	-	13,061,797
<b>Total program expenses-----</b>	<b><u>4,458,797</u></b>	<b><u>19,587,941</u></b>
<b><u>PROGRAM REVENUES</u></b>		
<b><u>OPERATING GRANTS AND CONTRIBUTIONS</u></b>		
Payments from City of Oklahoma City, City and Schools Sales Tax Fund-----	100,000	100,000
Restricted investment income-----	190,329	391,745
<b>Total program revenues-----</b>	<b><u>290,329</u></b>	<b><u>491,745</u></b>
<b>Net program expense-----</b>	<b><u>(4,168,468)</u></b>	<b><u>(19,096,196)</u></b>
<b>Changes in net position-----</b>	<b><u>(4,168,468)</u></b>	<b><u>(19,096,196)</u></b>
Net position-beginning-----	306,510,090	325,606,286
<b>Net position-ending-----</b>	<b><u>\$302,341,622</u></b>	<b><u>306,510,090</u></b>

See accompanying notes to financial statements.

**BALANCE SHEETS**  
**June 30,**

**OKLAHOMA CITY METROPOLITAN**  
**AREA PUBLIC SCHOOLS TRUST**

	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>		
Non-pooled cash-----	\$52,722,947	\$73,562,593
Investments-----	10,891,648	53,014,332
Accounts receivable-----	-	68,154
Interest receivable-----	15,780	321,033
Receivable from City of Oklahoma City, City and Schools Sales Tax Fund-----	100,000	-
Intergovernmental receivable-----	3,808,337	2,327,252
<b>Total assets-----</b>	<b><u>\$67,538,712</u></b>	<b><u>\$129,293,364</u></b>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,</u></b>		
<b><u>AND FUND BALANCES</u></b>		
<b><u>LIABILITIES</u></b>		
Accounts payable-----	\$9,338,572	\$14,959,236
Payable to City of Oklahoma City, General Fund-----	85,012	235,460
Payable to Oklahoma City Municipal Facilities Trust, OCMFA Services Fund-----	-	2,903
Total liabilities-----	9,423,584	15,197,599
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b> -----	<b><u>15,780</u></b>	<b><u>115,008</u></b>
<b><u>FUND BALANCES</u></b>		
Restricted-----	58,099,348	113,980,757
Total fund balances-----	58,099,348	113,980,757
<b>Total liabilities, deferred inflows of resources,</b>		
<b>fund balances-----</b>	<b><u>\$67,538,712</u></b>	<b><u>129,293,364</u></b>
 <b><u>RECONCILIATION OF THE BALANCE SHEETS TO</u></b>		
<b><u>THE STATEMENTS OF NET POSITION</u></b>		
Total fund balances-----	\$58,099,348	\$113,980,757
Capital assets-----	102,971,951	108,492,003
Earned but unavailable revenue-----	15,780	115,008
Completed projects not yet donated to public schools-----	141,254,543	83,922,322
<b>Total net position-----</b>	<b><u>\$302,341,622</u></b>	<b><u>\$306,510,090</u></b>

See accompanying notes to financial statements.

**STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Years Ended June 30,**

**OKLAHOMA CITY METROPOLITAN  
AREA PUBLIC SCHOOLS TRUST**

	<u>2013</u>	<u>2012</u>
<b><u>REVENUES</u></b>		
Investment income-----	\$289,558	\$793,243
Payments from City of Oklahoma City, City and Schools Sales Tax Fund-----	100,000	100,000
<b>Total revenues-----</b>	<b><u>389,558</u></b>	<b><u>893,243</u></b>
<b><u>EXPENDITURES</u></b>		
<b><u>CURRENT:</u></b>		
Materials and supplies-----	624,544	1,119,839
Professional services-----	141,935	414,588
Payments to City of Oklahoma City, City and Schools Sales Tax Fund-----	223,588	204,719
Other services and charges-----	3,468,730	4,745,316
Capital outlay-----	51,812,170	69,984,985
<b>Total expenditures-----</b>	<b><u>56,270,967</u></b>	<b><u>76,469,447</u></b>
<b>Net change in fund balances-----</b>	<b>(55,881,409)</b>	<b>(75,576,204)</b>
Fund balances, beginning-----	113,980,757	189,556,961
<b>Fund balances, ending-----</b>	<b><u>\$58,099,348</u></b>	<b><u>\$113,980,757</u></b>
<b><u>RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES</u></b>		
Net change in fund balances-----	(\$55,881,409)	(\$75,576,204)
Capital outlay-----	51,812,170	69,984,985
Assets donated to public schools-----	-	(13,103,479)
Recognition of earned but unavailable revenue-----	(99,229)	(401,498)
<b>Change in net position-----</b>	<b><u>(\$4,168,468)</u></b>	<b><u>(\$19,096,196)</u></b>

See accompanying notes to financial statements.

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# **Notes to Financial Statements**



## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### I. A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of notes is organized to provide explanations, including required disclosures, of the Oklahoma City Metropolitan Area Public Schools Trust (Trust) financial activities. Reclassifications have been made to the 2012 statement of net position from capital assets to other non-current assets for completed schools not yet donated to public schools and related reclassification of net position from net investment in capital assets to restricted for education.

### I. B. BASIS OF PRESENTATION

#### I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY, OKLAHOMA

The Trust was created as a public trust pursuant to Title 60 of the Oklahoma Statutes, Section 176, et seq. on August 14, 2001, with The City of Oklahoma City, Oklahoma (City) named as the beneficiary. The purpose of the Trust is to provide for the improvement of public schools or public school facilities located within the corporate limits of the City. City employees manage Trust assets. The Trust receives sales taxes designated for education collected by the City and passed to the Trust.

City Council appoints the seven Trustees, three of whom are nominated by the Oklahoma City Independent School District Board of Education. The Trust does not have the power to levy taxes. The City has no obligation for debt issued by the Trust.

#### *Method of Reporting in the City's Comprehensive Annual Financial Report (CAFR)*

The Trust is a component unit of the City because the City appoints the voting majority of the Board of Trustees (Board) and the Trust is fiscally dependant on the City. The Trust's net position represents unspent receipts from the City for sales tax collections. The Trust is discretely presented because the majority of the Board is not the same as the voting majority of the City Council.

The Trust is a component unit of the City and is included in the City's financial reporting entity. The financial activity of the Trust is discretely presented in the City's CAFR. A copy of the City's CAFR may be obtained from the City's Accounting Services Division at 100 N. Walker, Suite 300, Oklahoma City, Oklahoma 73102.

#### *Trust Administration*

The Trust has no employees. Trust activities are performed by City employees. The Trust does not reimburse the City for the cost of these services.

#### I. B. 2. BASIC FINANCIAL STATEMENTS

The basic financial statements include the statement of net position, the statement of activities, balance sheet, and statement of revenues, expenditures, and changes in fund balances. These statements report financial information for the Trust as a whole.

#### *Trust-wide Financial Statements*

The statement of net position reports both short and long-term assets and liabilities specifically including capital assets acquired or constructed by the Trust that have not yet been donated to the school districts.

The statement of activities reports the expenses of the Trust's educational function.

#### *Fund Financial Statements*

The balance sheet and statement of revenues, expenditures, and changes in fund balances are also included in the basic financial statements. These statements report current assets and liabilities and sources and uses of these resources.

### **I. B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

#### *Implementation of New Accounting Standards*

Effective July 1, 2012, the City implemented Governmental Accounting Standards Board (GASB) statement number 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement defines deferred outflows and deferred inflows of resources and where they are to be reported in the financial statements and redefine and provide new calculations for the classifications of net position.

#### *Trust-wide Financial Statements*

The financial statements of the Trust are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The statement of net position and statement of activities report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Capital assets are recorded when purchased or constructed.

#### *Fund Financial Statements*

The remaining two financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Trust considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred.

### **I. C. BUDGET LAW AND PRACTICE**

Oklahoma Statutes require the submission of financial information for public trusts. However, legal budgetary control levels are not specified. Accordingly, the Trust's budget is submitted to its governing body for approval. Appropriations are recorded and available for encumbrance or expenditure as revenue is received in cash. Budgetary control is exercised on a project-length basis. Therefore, appropriations are carried forward each year until projects are completed. Management's policy prohibits expenditures to exceed appropriations at the detail, line-item level.

### **I. D. POLICIES RELATED TO ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND EQUITY**

#### **I. D. 1. CASH AND INVESTMENTS**

The Trust participates in the investment policy approved by the City Council. The Trust's governing board formally adopted the updated City's deposit and investment policy in November 2012.

Investments are reported at fair value, which is determined using selected bases. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash equivalents are reported with investments. Cash deposits are reported at carrying amount, which approximates fair value.

#### **I. D. 2. OTHER NON-CURRENT ASSETS**

Public schools completed by the Trust and awaiting transfer to the public school system by approval of the Board are reclassified to other non-current assets and recognized as an expenditure when the donation to the public schools is made.

#### **I. D. 3. CAPITAL ASSETS AND DEPRECIATION**

The Trust capitalizes assets as purchases and construction outlays occur. The Trust's capital assets are entirely comprised of construction in progress and are not depreciable. It is the intent of the Trust to transfer ownership of constructed assets to the public schools when construction is complete.

#### **I. D. 4. DEFERRED INFLOWS OF RESOURCES**

Effective July 1, 2012, the City implemented GASB statement number 65, Items Previously Reported as Assets and Liabilities. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future or future periods and will not be recognized as revenue until that time. The Trust has only one type of item, which arises under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. Unavailable revenues are reported from investment income. These amounts are deferred and recognized as revenue in the period the amounts become available.

#### **I. D. 5. FUND EQUITY**

##### *Fund Balance*

##### **Non-Spendable Fund Balance**

Fund balance reported as non-spendable includes amounts that cannot be spent because it is not in spendable form or is not expected to be converted to cash including inventories, prepaid expenses and non-current receivables and advances.

##### **Restricted Fund Balance**

Restricted fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation including City ordinances approved by a vote of the Citizens.

##### **Committed Fund Balance**

Committed fund balance includes amounts that are constrained for specific purposes that are internally imposed by a vote of the Board of Trustees. Commitments of fund balance do not lapse at year-end.

##### **Assigned Fund Balance**

Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by formal action of the City Finance Director.

##### **Unassigned Fund Balance**

Unassigned fund balance includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

**Fund Balance Usage**

The Trust uses restricted amounts when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit doing this, such as a grant agreements requiring dollar for dollar spending. Additionally, the Trust uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

***Net Position***

Net position invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted Net position.

**Net Investments in Capital Assets**

The amount reported is calculated as total capital assets less accumulated depreciation and outstanding debt used to purchase the assets net of unspent portions. Unspent portions of debt, along with any amounts used to fund debt reserves, are included with restricted net position.

**Restricted Net Position**

Amounts reported as restricted for education includes resources held for donation to public schools. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Net position restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net position also includes purpose restrictions from enabling legislation and other external sources.

**I. D. 6. USE OF ESTIMATES**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**I. D. 7. RISK FINANCING**

The Trust 's risk management activities are recorded in the City Risk Management Fund and the Oklahoma City Municipal Facilities Authority (OCMFA) Services Fund. The purpose of these funds is to administer property and liability insurance programs of the City, in which the Trust participates. These funds account for the risk financing activities of the Trust and constitute a transfer of risk from the Trust.

The Trust has no costs or liabilities related to risk management activities. Costs and liabilities for commercial insurance, stop-loss insurance, and claims paid are recorded in the City Risk Management Fund and the OCMFA Services Fund.

**I. E. MAJOR REVENUES**

The Trust's primary source of revenue was payments from the City. Sales tax was collected by the City and paid to the Trust on a monthly basis. The sales tax dedicated to the purposes of this Trust expired December 31, 2008. On December 22, 2009, the City Council resolved to keep residual tax revenues in the City for administrative charges. After that time collections did not accrue to the Trust, however, the Trust will continue in existence until all funds are expended.

**I. F. TAX STATUS**

The Trust is exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code for any trade or business related to the Trust's tax-exempt purpose or function.

**I. G. RETAINAGES**

It is the policy of the Trust to retain a percentage of construction contracts until a completed project has been accepted by the Trustees. Contractors may request to opt out of this retainage by providing a certificate of deposit with the City. The City holds the certificate of deposit and the Trust retains the risk of incurring costs related to a contractor's failure to perform. However, in the event of non-performance, the City calls the certificate and pays to the Trust to cover any costs incurred. The Trust does not record the effect of the City holding the certificates of deposit.

**II. ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**II. A. DEPOSITS AND INVESTMENTS**

*Deposits*

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust's policy requires deposits to be 110 percent secured by collateral valued at market less the amount of the Federal depository insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health, as determined by the bank's institutional rating on each of the performance evaluations conducted pursuant to the Federal Community Reinvestment Act, 12 United States Code, Section 2901. Collateral agreements must be approved prior to deposit of funds as provided by law. The City Council approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of the City Treasurer.

At June 30, 2013 and 2012, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less Federal depository insurance.

*Investments*

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Trust's financial position. Subsequent to year-end, the Trust's investment portfolio has incurred a decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

	<b>June 30, 2013</b>			Weighted Average
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Ratings (1)</u>	Months to <u>Maturity (2)</u>
Fannie Mae	\$5,012,166	\$5,064,000	AAA/Aaa	3.07
Federal agency obligations	5,004,760	5,002,935	AAA/Aaa	6.00
Money market funds	<u>874,722</u>	<u>874,722</u>	AAA/Aaa	1.73
<b>Total investments</b>	<b><u>\$10,891,648</u></b>	<b><u>\$10,941,657</u></b>		

(continued)

*Investments (continued)*

	June 30, 2012			
	Fair Value/ Carrying Amount	Cost	Ratings (1)	Weighted Average Months to Maturity (2)
Fannie Mae	\$20,069,125	\$20,169,100	AA+/Aaa	5.42
U.S. Treasury notes	5,012,695	5,012,109	N/A	2.57
Federal agency obligations	25,105,720	26,092,035	AA+/Aaa	5.32
Money market funds	<u>2,826,792</u>	<u>2,826,792</u>	AAA/Aaa	1.80
<b>Total investments</b>	<b><u>\$53,014,332</u></b>	<b><u>\$54,100,036</u></b>		

- (1) Ratings are provided where applicable to indicate associated Credit Risk.  
(2) Interest Rate Risk is estimated using weighted average months to maturity.

**Investment Policy**

The Trust's investment policy is maintained by the City Treasurer. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Trust funds may be invested in: (1) direct obligations of the U.S. government, its agencies or instrumentalities to the payment of which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged; (2) Federal agency or U.S. government-sponsored enterprise obligations, participations, or other instruments, including those insured by or fully guaranteed as principal and interest by Federal agencies or U.S. government-sponsored enterprises; (3) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located in Oklahoma when secured by appropriate collateral or fully insured certificates of deposit and other evidences of deposits at banks, savings and loan associations, and credit unions located outside of Oklahoma; (4) repurchase agreements that have underlying collateral of direct obligations or obligations of the U.S. government, its agencies, and instrumentalities; (5) money market funds regulated by the Securities and Exchange Commission which consist of authorized domestic securities with restrictions as specified in state law; (6) savings accounts or certificates of savings and loan associations, banks, and credit unions, to the extent the accounts are fully insured by Federal depository insurance; (7) State and Local Government Series (SLGS); (8) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgments rendered against the City by a court of record, provided it is a prudent investment; (9) prime commercial paper with a maturity date less than 180 days which represents less than 10% of the outstanding paper of an issuing corporation.

Under the policy, the Trust may not invest in reverse repurchase agreements, derivative instruments created from, whose value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the City's desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. Certificates of deposit may not be purchased with maturities greater than 365 days from date of purchase.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Trust's investment in a single issuer. Cumulatively, portfolios of the Trust may not be invested in any given financial institution in excess of 5% of such institution's total assets excluding U.S. government securities and those issued by government sponsored enterprises, SLGS, and City judgments. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution excluding U.S. government securities and those issued by government sponsored enterprises, savings, money market funds, SLGS, City judgments, and repurchase agreements are excluded from these restrictions.

**Portfolio Structure (1)**

Investment Type Limitations		Maturity Limitations	
Percentage of Total Invested Principal		Percentage of Total Invested Principal	
	<u>Maximum % (2)</u>		<u>Maximum % (4)</u>
Repurchase agreements	100.0%	0-1 year	100%
U.S. Treasury securities (3)	100.0	1-3 years	90
Certificates of deposit	50.0	3-5 years	90
Money market funds	100.0		
Savings accounts	100.0		
U.S. noncallable agencies securities	100.0		
U.S. Callable Agency Securities	20.0		
Prime Commercial Paper	7.5		
City judgments	5.0		

- (1) Specifically matched cash flows are excluded.
- (2) For investments listed, there is no minimum percentage specified under the policy.
- (3) Includes SLGS.
- (4) For maturities limited to 0-1 year, the minimum percentages allowed under the policy are 5-25%.

The policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

**Securities Held by Others**

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Policy provides that investment collateral is held by a third party custodian with whom the Trust has a current custodial agreement in the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Oklahoma. The Trust's investments are insured or collateralized with securities held by the Trust, or its agent in the Trust's name.

**Compliance with State Requirements**

The Trust's investment policy is more restrictive than the requirements of Oklahoma law found in Title 60 of the Oklahoma Statutes and the standards of the Oklahoma Uniform Prudent Investor Act. These statutes restrict public trust investing to the Prudent Investor Rule defined by Title 60 Oklahoma Statutes to consider the purposes, terms, distribution requirements, and other circumstances of the trust and to exercise reasonable care, skill, and caution. Investment decisions must be evaluated not in isolation, but in the context of the trust portfolio as a whole and as a part of the overall investment strategy having risk and return objectives reasonably suited to the Trust.

**II. C. INTERGOVERNMENTAL RECEIVABLES**

The Trust reported intergovernmental receivables for cost reimbursements from Oklahoma City Public Schools for shared costs related to project administration. The Trust reported \$52,551 and \$68,154 at June 30, 2013 and 2012, respectively.

The Trust reported intergovernmental receivables related to amounts granted to suburban school districts that have not been expended by the suburban schools of \$3,755,786 and \$2,327,252 as of June 30, 2013 and 2012, respectively.

**II. D. CAPITAL ASSETS**

*Changes in Capital Assets*

	<u>2013</u>		<u>2012</u>
	<u>Construction in Progress</u>		<u>Construction in Progress</u>
<b>Capital Assets</b>		<b>Capital Assets</b>	
Balance, June 30, 2012	\$108,492,003	Balance, June 30, 2011	\$135,532,819
Increases	51,812,170	Increases	69,984,985
Decreases	<u>(57,332,222)</u>	Decreases	<u>(97,025,801)</u>
<b>Balance, June 30, 2013</b>	<b><u>\$102,971,951</u></b>	<b>Balance, June 30, 2012</b>	<b><u>\$108,492,003</u></b>

As capital projects are completed the assets are reclassified to other non-current assets. The assets are donated to the public schools and are reported as education expense in the statement of activities. These assets are not depreciating while held in the Trust.

**II. E. OTHER ASSETS**

*Completed Projects Not Yet Donated to Public Schools*

The Trust reported \$141,254,543 and \$99,731,538 as of June 30, 2013 and 2012, respectively, related to completed public school projects that have not been formally donated to the public schools.

**III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

*Deferred Inflows of Resources - Unavailable Revenues*

The governmental fund reported unavailable revenues related to receivable but unavailable investment income. At June 30, 2013 and 2012, the Trust reported \$15,780 and \$115,008, respectively, as unavailable investment income.

**IV. FUND EQUITY**

**IV. A. FUND BALANCE**

*Restricted*

	<u>2013</u>	<u>2012</u>
Restricted for capital projects	<b><u>\$58,099,348</u></b>	<b><u>\$113,980,757</u></b>

Encumbrances of \$32,904,265 and \$46,731,026 at June 30, 2013 and 2012, respectively, are reported with restricted fund balance.

**IV. B. NET POSITION**

*Net Investment in Capital Assets*

	<u>2013</u>	<u>2012</u>
Capital assets, net	\$102,971,951	\$108,492,003
Retainages and capital related accounts payable	<u>(9,318,753)</u>	<u>(14,944,326)</u>
	<b><u>\$93,653,198</u></b>	<b><u>\$93,547,677</u></b>

*Restricted*

	<u>2013</u>	<u>2012</u>
Restricted for capital projects	\$67,399,404	\$129,040,091
Restricted for education	<u>141,289,020</u>	<u>83,922,322</u>
	<b><u>\$208,688,424</u></b>	<b><u>\$212,962,413</u></b>

**V. INTERFUND TRANSACTIONS**

**V. A. INTERFUND BALANCES**

Outstanding balances in which the City is a party are captioned as receivables/payables from primary government.

	<u>Purpose</u>	<u>2013</u>	<u>2012</u>
<b>Receivable From Primary Government</b>			
City City and Schools Sales Tax Fund	Community outreach services	<u>\$100,000</u>	<u>\$ -</u>
<b>Payable to Primary Government</b>			
City General Fund	Reimbursement for capital administration costs	\$85,012	\$235,460
OCMFA Services Fund	Purchase of cell phone equipment	-	<u>2,903</u>
		<b><u>\$85,012</u></b>	<b><u>\$238,363</u></b>

**V. B. INTERFUND PAYMENTS TO/FROM THE CITY**

	<u>Purpose</u>	<u>2013</u>	<u>2012</u>
<b>Payments From Primary Government</b>			
City City and Schools Sales Tax Fund	Community outreach services	<u>\$100,000</u>	<u>\$100,000</u>
<b>Payments to Primary Government</b>			
City City and Schools Sales Tax Fund	Postage, banking services, and information technology charges	<u>\$223,588</u>	<u>\$204,719</u>

**VI. CONSTRUCTION COMMITMENTS**

At June 30, 2013 and 2012, the Trust has outstanding construction commitments under contracts of \$28,143,378 and \$45,028,388, respectively.

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# **Supplementary Information**



**SCHEDULE OF REVENUES, EXPENDITURES,  
ENCUMBRANCES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
Inception to June 30, 2013**

**OKLAHOMA CITY METROPOLITAN  
AREA PUBLIC SCHOOLS TRUST**

	Original Budget	Revisions	Revised Budget (1)	Expenditures	Encumbrances	Total Actual	Variance
<b>REVENUES</b>							
<b>PAYMENTS FROM CITY OF OKLAHOMA CITY</b>							
Oklahoma City Public School District-----	\$349,744,463	\$ -	\$349,744,463			\$349,787,876	\$43,413
Suburban Public School Districts-----	149,858,921	-	149,858,921			149,915,252	56,331
Trust Administration-----	1,081,708	-	1,081,708			1,085,291	3,583
Total payments from City of Oklahoma City-----	<u>500,685,092</u>	<u>-</u>	<u>500,685,092</u>			<u>500,788,419</u>	<u>103,327</u>
<b>INVESTMENT INCOME</b>							
Oklahoma City Public School District-----	38,815,277	-	38,815,277			49,340,544	10,525,267
Suburban Public School Districts-----	3,817,203	-	3,817,203			5,368,638	1,551,435
Trust Administration-----	-	-	-			(6,526)	(6,526)
Total investment income-----	<u>42,632,480</u>	<u>-</u>	<u>42,632,480</u>			<u>54,702,656</u>	<u>12,070,176</u>
Educare-----	579,673	-	579,673			579,673	-
Wilson Arts-----	735,477	-	735,477			735,477	-
<b>GRANT REVENUE</b>							
Oklahoma City Public School District-----	-	-	-			1,972,350	1,972,350
<b>OTHER REVENUE</b>							
Oklahoma City Public School District-----	284,160	-	284,160			7,275,105	6,990,945
Suburban Public School Districts-----	7,686,717	-	7,686,717			10,560,655	2,873,938
Trust Administration-----	100	-	100			100	-
Total other revenue-----	<u>7,970,977</u>	<u>-</u>	<u>7,970,977</u>			<u>17,835,860</u>	<u>9,864,883</u>
<b>Total revenues-----</b>	<b><u>552,603,699</u></b>	<b><u>-</u></b>	<b><u>552,603,699</u></b>			<b><u>576,614,435</u></b>	<b><u>24,010,736</u></b>
<b>EXPENDITURES AND ENCUMBRANCES</b>							
<b>EDUCATION</b>							
Oklahoma City Public School District:							
Other services and charges-----	1,470,552	-	1,470,552	\$1,470,552	\$ -	1,470,552	-
Supplies-----	23,708,520	-	23,708,520	22,555,923	1,109,570	23,665,493	43,027
Capital outlay-----	364,958,423	-	364,958,423	332,491,490	31,729,239	364,220,729	737,694
Suburban Public School Districts:							
Other services and charges-----	161,356,315	-	161,356,315	160,993,030	-	160,993,030	363,285
Trust Administration:							
Other services and charges-----	1,088,334	-	1,088,334	991,105	65,456	1,056,561	31,773
Capital outlay-----	21,555	-	21,555	21,555	-	21,555	-
Total education-----	<u>552,603,699</u>	<u>-</u>	<u>552,603,699</u>	<u>518,523,655</u>	<u>32,904,265</u>	<u>551,427,920</u>	<u>1,175,779</u>
<b>Total expenditures and encumbrances-----</b>	<b><u>552,603,699</u></b>	<b><u>-</u></b>	<b><u>552,603,699</u></b>	<b><u>\$518,523,655</u></b>	<b><u>\$32,904,265</u></b>	<b><u>551,427,920</u></b>	<b><u>1,175,779</u></b>
<b>Ending fund balance including encumbrances-----</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>			<b><u>25,186,515</u></b>	<b><u>\$22,834,957</u></b>

**RECONCILIATION OF FUND BALANCE NON-GAAP BUDGETARY BASIS TO GENERALLY**

**ACCEPTED ACCOUNTING PRINCIPLES**

Current year encumbrances included in expenditures-----	32,904,265
Revenue and transfer accruals-----	3,814,276
Expenditure and transfer accruals-----	(3,805,708)
<b>Fund balance, ending (GAAP basis)-----</b>	<b><u>\$58,099,348</u></b>

- (1) Budgeted revenues and expenditures represent amounts budgeted for committed projects and for future projects. Sales tax revenues ended December 31, 2008. Therefore, additional revenues will not be budgeted from this source.

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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Trustees  
Oklahoma City Metropolitan Area Public Schools Trust  
Oklahoma City, Oklahoma

We 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 and major fund of the Oklahoma City Metropolitan Area Public Schools Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated December 6, 2013.

***Internal Control over Financial Reporting***

Management of the Trust is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the Trust's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Trust'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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified. We identified a deficiency in internal control described in the accompanying schedule of findings and responses as item 13-01 that we consider to be a significant deficiency in internal control.

### **Compliance**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Management's Response to the Finding**

The Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Other Matters**

We noted certain matters that we reported to the Trust's management in a separate letter dated December 6, 2013.

The Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* of the City should be read in conjunction with this report.

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

**BKD, LLP**  
Oklahoma City, Oklahoma  
December 6, 2013

**Oklahoma City Metropolitan Area Public Schools Trust**  
**Schedule of Findings and Responses**  
**Year Ended June 30, 2013**

<b>Reference Number</b>	<b>Finding</b>
13-01	<p>Criteria or Specific Requirement – Management of Oklahoma City Metropolitan Area Public Schools Trust (OCMAPS) is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Unspent amounts of funds advanced to suburban schools for capital projects are recorded as a receivable at fiscal year-end. The Trust’s controls surrounding the determination of the year-end receivable balance were not sufficient to prevent or detect a material error in that balance. An adjustment was proposed to remove amounts from expense and record the related receivable for a portion of funds advances to suburban schools which were not yet fully spent at year-end.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Potentially material misstatements in the financial statements due to error or fraud could occur and not be prevented or detected in a timely manner.</p> <p>Cause – Miscommunication with schools regarding the amount of unspent funds at year-end, which resulted in improper accounting treatment.</p> <p>Recommendation – To ensure proper year-end reporting of unspent payments, we recommend the current process be enhanced to include requesting current year activity from the schools along with a formal document stating the amount spent during the year and unspent balance by suburban schools.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree. We will coordinate with our external auditors to request information in writing from the public schools in order to avoid duplicating requests for information from public schools and to ensure consistency of information received.</p>

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