

OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

A Discrete Component Unit of
Oklahoma City, Oklahoma

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Annual Financial Report for the Fiscal Year Ended June 30, 2014

Prepared by The Oklahoma City Finance Department, Accounting Services Division
Laura L. Papas, Controller

OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

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Introductory Section

OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

December 10, 2014

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 report 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, 2014 and 2013, 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 Oklahoma City Public School Board of Education (School Board). The City Manager is the General Manager of the Trust.

The current economic environment and the economic outlook for Oklahoma City continue to remain very positive. The cost of living rating is consistently below the national average; and the City has a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location within the State of Oklahoma. Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States including Forbes 2014 ranking of Oklahoma City as the 7th Best Place for Business and Careers. This rating was based on a dozen factors related to jobs, costs of business and living, income growth, quality of life, and the education of the workforce. 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, dated February 4, 2014 and entitled "Greater Oklahoma City Economic Forecast", the Institute reported that the U.S. economy will carry positive economic momentum in 2014 and in future years will support the continued economic growth in Oklahoma City. However, the Institute cites that cities who have had a low unemployment rate for an extended period of time, such as Oklahoma City, can face some unique challenges in the areas of talent recruitment and wages. Since November of 2013, Oklahoma City has experienced the lowest unemployment rate among cities with more than 1 million in population for 26 of the past 35 months. The unemployment rate is expected to trend down to 4.5% by the end of 2014 and 4.11% by the end of 2015. Additionally, for the 6th straight year, it has remained 2 percentage points below the nation's unemployment rate. The Institute reported that recent employment and earnings growth should result in positive sales tax momentum with a general projection of 4% to 6% annual growth in sales tax revenues for calendar years 2014 and 2015 depending on the national economy. Average weekly earnings, a key driver of sales tax growth, is expected to grow 5.1 percent in fiscal year 2015. Without any significant changes in the national economy, overall job growth is expected to be around 3.0 percent for fiscal year 2015.

Fiscal year 2014, in terms of sales tax revenue growth, substantiates this positive outlook for fiscal year 2015. The first three quarters of fiscal year 2014 saw growth of less than 1.0 percent. The final quarter of the year saw growth of 8.4%. For the year, sales tax revenue grew at 2.7%. This strong performance at the end of the year, coupled with better than expected performance in several other revenue categories allowed for increases in several programs for fiscal year 2015. Budgeted expenditures for fiscal year 2015 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 13th year and is substantially upgrading educational facilities throughout the City. The Trust has cumulatively acquired or constructed and transferred \$152.02 million in assets to the Oklahoma City Independent School District (District) as of June 30, 2014. The Trust also had \$73.94 million of projects in construction at June 30, 2014. To date the Trust granted \$151.00 million to suburban school districts and expended \$26.19 million for administration and non-capital items. The Trust is holding \$31.02 million for capital projects and \$120.10 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.

At the close of fiscal year 2014, 44 new or renovated schools were substantially complete (at least 95%): Adams Elementary, Belle Isle Middle School, Bodine Elementary, Britton Elementary, Buchanan Elementary, Capitol Hill Elementary, Cesar Chavez Elementary, Coolidge Elementary, Cleveland Elementary, Dunbar Elementary, Edgemere Elementary, Edwards Elementary, Eugene Field Elementary, Fillmore Elementary, Gatewood Elementary, Green Pastures Elementary, Hawthorne Elementary, Hayes Elementary, Heronville Elementary, Hillcrest Elementary, Hoover Elementary, Horace Mann Elementary, Independence Charter Middle School, Jefferson 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, Parmalee Elementary, Pierce Elementary, Prairie Queen Elementary, Putnam Heights Elementary, Quail Creek Elementary, Rancho Village Elementary, Ridgeview Elementary, Rockwood Elementary, Sequoyah Elementary, Shidler Elementary, Southeast High School, Southern Hills Elementary, Spencer 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, and West Nichols Hills Elementary.

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, 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.

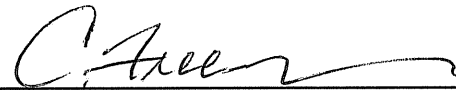
The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure compliance with legal provisions.

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.

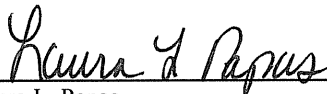
Respectfully submitted,



James D. Couch
General Manager



Craig Freeman
City of Oklahoma City
Finance Director



Laura L. Papas
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 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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 audits 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Trust as of June 30, 2014 and 2013, and the respective changes in financial position 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 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 audits 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 audits were conducted for the purpose of forming opinions 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. That letter has not been subjected to the auditing procedures applied in the audits 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 10, 2014, 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 10, 2014

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, 2014 and 2013. 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 \$219,847,430 (net position) for 2014. This compares to the previous year when assets exceeded liabilities by \$302,341,622.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$68,735,200 and \$93,653,198 for 2014 and 2013, respectively, consist primarily of school construction and renovation projects.
 - (2) Net position restricted for capital projects of \$31,016,868 for 2014 and \$67,399,404 for 2013 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 \$120,095,362 and \$141,289,020 for 2014 and 2013, respectively, consists of completed school projects, held for donation to public schools.
- The Trusts's governmental fund reported total ending fund balance of \$25,752,299 this year. This compares to the prior year ending fund balance of \$58,099,348 showing a decrease of \$32,347,049 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 2014 is \$219,847,430. This is a decrease of \$82,494,192 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.

Summary of Net Position

	2014	2013	2014-2013		2012	2013-2012	
			Amount of Change	% Change		Amount of Change	% Change
Assets							
Current assets	\$30,988,075	\$67,538,712	(\$36,550,637)	(54.1%)	\$129,293,364	(\$61,754,652)	(47.8%)
Other non-current assets	120,095,365	141,254,543	(21,159,178)	(15.0)	83,922,322	57,332,221	68.3
Capital assets, net	<u>73,936,346</u>	<u>102,971,951</u>	<u>(29,035,605)</u>	(28.2)	<u>108,492,003</u>	<u>(5,520,052)</u>	(5.1)
Total assets	<u>225,019,786</u>	<u>311,765,206</u>	<u>(86,745,420)</u>	(27.8)	<u>321,707,689</u>	<u>(9,942,483)</u>	(3.1)
Liabilities							
Current liabilities	<u>5,172,356</u>	<u>9,423,584</u>	<u>(4,251,228)</u>	(45.1)	<u>15,197,599</u>	<u>(5,774,015)</u>	(38.0)
Net Position							
Net Investment in capital assets	68,735,200	93,653,198	(24,917,998)	(26.6)	93,547,677	105,521	0.1
Restricted for capital projects	31,016,868	67,399,404	(36,382,536)	(54.0)	129,040,091	(61,640,687)	(47.8)
Restricted for education	<u>120,095,362</u>	<u>141,289,020</u>	<u>(21,193,658)</u>	(15.0)	<u>83,922,322</u>	<u>57,366,698</u>	68.4
Total net position	<u>\$219,847,430</u>	<u>\$302,341,622</u>	<u>(\$82,494,192)</u>	(27.3)	<u>\$306,510,090</u>	<u>(\$4,168,468)</u>	(1.4)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014 and 2013

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

The decrease in current assets of \$36.55 million at the end of fiscal year 2014 and \$61.75 million in 2013 is primarily due to reductions in cash and investments. The decrease of cash and investments of \$34.12 million and \$62.96 million at the end of fiscal year 2014 and 2013, respectively, is the result of continued decrease of resources as they are spent to fund construction projects. Interest receivable decreased \$16 thousand and \$305 thousand at June 30, 2014 and 2013, respectively, from the lower amount of funds available to invest. Intergovernmental receivables decreased \$2.41 million in 2014 and increased \$1.41 million in 2013. The decrease in 2014 is a result of the decrease in the number of suburban school projects under construction. The increase in 2013 is a result of the larger amounts of unspent advances for suburban schools projects. 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.

Substantially complete schools are transferred from construction in progress to other non-current assets. When the Board officially approves the completion of school projects, the projects are then donated to the public schools and removed from other non-current assets. The decrease in other non-current assets of \$21.16 million at June 30, 2014 and increase of \$57.33 million at June 30, 2013 is primarily the result of \$79.95 million donated to the Oklahoma City Public Schools in 2014, net of \$58.79 million and \$57.33 million in finalized but not yet donated public school projects in 2014 and 2013, respectively. No assets were donated to Oklahoma City Public Schools in 2013. The decrease in capital assets at June 30, 2014 of \$29.04 million and decrease of \$5.52 million at June 30, 2013 is the result of capital project expenditures, net of finalized projects.

The decrease in current liabilities of \$4.25 million and \$5.78 million at the end of 2014 and 2013, respectively, is primarily due to fluctuations in construction payables. In fiscal 2014 a decrease of \$4.23 million in construction payables compared to a decrease of \$5.62 million in 2013, construction payables were lower due to 27 active construction projects in comparison to 2012 when there were 53 active construction projects.

Summary of Changes in Net Position

			2014-2013	2014-2013			2013-2012	2013-2012
	2014	2013	Amount of	%	2012	Amount of	%	
			Change	Change		Change	Change	
Revenues								
Operating Grants & Contributions	\$167,448	\$290,329	(\$122,881)	(42.3%)	\$491,745	(\$201,416)	(41.0%)	
Capital Grants & Contributions	<u>1,598,355</u>	<u>-</u>	<u>1,598,355</u>	100.0	<u>-</u>	<u>-</u>	0.0	
Total revenues	1,765,803	290,329	1,475,474	508.2	491,745	(201,416)	(41.0)	
Program expenses	<u>84,259,995</u>	<u>4,458,797</u>	<u>79,801,198</u>	1789.7	<u>19,587,941</u>	<u>(15,129,144)</u>	(77.2)	
Change in net position	(82,494,192)	(4,168,468)	(78,325,724)	(1879.0)	(19,096,196)	14,927,728	78.2	
Beginning net position	<u>302,341,622</u>	<u>306,510,090</u>	<u>(4,168,468)</u>	(1.4)	<u>325,606,286</u>	<u>(19,096,196)</u>	(5.9)	
Ending net position	<u>\$219,847,430</u>	<u>\$302,341,622</u>	<u>(\$82,494,192)</u>	(27.3)	<u>\$306,510,090</u>	<u>(\$4,168,468)</u>	(1.4)	

The decrease in operating grants and contributions of \$123 thousand and \$201 thousand in 2014 and 2013 was the result of a reduction in interest earnings of \$123 and \$201 thousand, respectively, and was related to decreased cash available to invest. In 2014, the Oklahoma City Economic Development Trust and the John W. Rex Charter Foundation made a capital contribution for the construction of the John W. Rex Charter School for \$1.5 million and \$98 thousand, respectively.

In fiscal year 2014, program expenses increased by \$79.55 million. The majority of this change consisted of an increase in assets transferred to Oklahoma City Public Schools of \$79.92 million, an increase in distributed computer supplies to public schools of \$201 thousand, net of a decrease of \$525 thousand in distributions to suburban schools. In fiscal year 2013, program expenses decreased by \$15.13 million primarily related to a decrease in assets transferred to Oklahoma City Public Schools of \$13.06 million, net of a decrease in distributed computer supplies to Oklahoma City Public Schools of \$539 thousand, net of decrease in amounts distributed to suburban schools of \$1.24 million.

Capital Assets

The Trust's investment in capital assets at June 30, 2014 and 2013 is \$73,936,346 and \$102,971,951, respectively.

	Capital Assets						
			2014-2013	2014-2013			2013-2012
	2014	2013	Amount	%	2012	Amount	%
			<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>
Construction in progress	<u>\$73,936,346</u>	<u>\$102,971,951</u>	<u>(\$29,035,605)</u>	(28.2%)	<u>\$108,492,003</u>	<u>(\$5,520,052)</u>	(5.1%)

The decrease in capital assets of \$29.04 million and decrease of \$5.52 million in 2014 and 2013, was due to construction expenditures of \$29.75 million and \$51.81 million, net of \$58.79 million and \$57.33 million in completed projects, respectfully. See Note II. C. for more information regarding capital assets.

As of June 30, 2014 and 2013, the Trust was managing 14 and 23 construction projects, respectively. The Trust also considered and approved nearly 501 suburban school project grants and has disbursed over \$158.7 million as of June 30, 2014.

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>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Non-pooled cash-----	\$29,289,138	\$52,722,947
Investments-----	207,865	10,891,648
Interest, dividends, and royalties receivable-----	5	15,780
Receivable from City of Oklahoma City, City and Schools Sales Tax Fund-----	-	100,000
Receivable from City of Oklahoma City, General Fund-----	98,355	-
Intergovernmental receivable and advanced funding-----	1,392,712	3,808,337
Total current assets-----	30,988,075	67,538,712
<u>NON-CURRENT ASSETS</u>		
Completed projects not yet donated to public schools-----	120,095,365	141,254,543
Capital assets:		
Land and construction in progress-----	73,936,346	102,971,951
Total non-current assets-----	194,031,711	244,226,494
Total assets-----	225,019,786	311,765,206
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses-----	5,104,143	9,338,572
Payable to City of Oklahoma City, General Fund-----	68,213	85,012
Total liabilities-----	5,172,356	9,423,584
<u>NET POSITION</u>		
Net Investment in capital assets-----	68,735,200	93,653,198
Restricted for:		
Capital projects-----	31,016,868	67,399,404
Education-----	120,095,362	141,289,020
Total net position-----	\$219,847,430	\$302,341,622

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2014</u>	<u>2013</u>
<u>PROGRAM EXPENSES</u>		
<u>EDUCATION</u>		
Materials and supplies-----	\$825,837	\$624,544
Professional services-----	252,007	100,253
Payments to suburban schools-----	2,996,857	3,468,730
Payments to City of Oklahoma City, City and Schools Sales Tax Fund-----	239,879	223,588
Other services and charges-----	-	41,682
Assets donated to public schools-----	79,945,415	-
Total program expenses-----	84,259,995	4,458,797
<u>PROGRAM REVENUES</u>		
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from City of Oklahoma City, City and Schools Sales Tax Fund-----	100,000	100,000
Restricted investment income-----	67,448	190,329
Total operating grants and contributions-----	167,448	290,329
<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>		
Capital payments from the Oklahoma City Economic Development Trust-----	1,500,000	-
Other capital grants and contributions-----	98,355	-
Total capital grants and contributions-----	1,598,355	-
Total program revenues-----	1,765,803	290,329
Changes in net position-----	(82,494,192)	(4,168,468)
Net position-beginning-----	302,341,622	306,510,090
Net position-ending-----	\$219,847,430	\$302,341,622

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Non-pooled cash-----	\$29,289,138	\$52,722,947
Investments-----	207,865	10,891,648
Interest receivable-----	5	15,780
Receivable from City of Oklahoma City, City and Schools Sales Tax Fund-----	-	100,000
Receivable from City of Oklahoma City, General Fund-----	98,355	-
Intergovernmental receivable and advance funding-----	1,392,712	3,808,337
Total assets-----	<u>\$30,988,075</u>	<u>\$67,538,712</u>
 <u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,</u>		
<u>AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable-----	\$5,104,143	\$9,338,572
Payable to City of Oklahoma City, General Fund-----	68,213	85,012
Total liabilities-----	5,172,356	9,423,584
 <u>DEFERRED INFLOWS OF RESOURCES-----</u>	 <u>63,420</u>	 <u>15,780</u>
 <u>FUND BALANCES</u>		
Non-spendable-----	1,392,712	3,808,337
Restricted-----	24,359,587	54,291,011
Total fund balances-----	25,752,299	58,099,348
Total liabilities, deferred inflows of resources,		
fund balances-----	<u>\$30,988,075</u>	<u>\$67,538,712</u>
 <u>RECONCILIATION OF THE BALANCE SHEETS TO</u>		
<u>THE STATEMENTS OF NET POSITION</u>		
Total fund balances-----	\$25,752,299	\$58,099,348
Capital assets-----	73,936,346	102,971,951
Earned but unavailable revenue-----	63,420	15,780
Completed projects not yet donated to public schools-----	120,095,365	141,254,543
Total net position-----	<u>\$219,847,430</u>	<u>\$302,341,622</u>

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>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Investment income-----	\$83,239	\$289,558
Payments from City of Oklahoma City, City and Schools Sales Tax Fund-----	100,000	100,000
Capital revenue-----	98,355	-
Capital payments from the Oklahoma City Economic Development Trust-----	1,500,000	-
Total revenues-----	<u>1,781,594</u>	<u>389,558</u>
<u>EXPENDITURES</u>		
<u>CURRENT:</u>		
Materials and supplies-----	825,837	624,544
Professional services-----	252,007	141,935
Payments to City of Oklahoma City, City and Schools Sales Tax Fund-----	239,879	223,588
Payments to suburban schools-----	3,060,290	3,468,730
Capital outlay-----	29,750,630	51,812,170
Total expenditures-----	<u>34,128,643</u>	<u>56,270,967</u>
Net change in fund balances-----	(32,347,049)	(55,881,409)
Fund balances, beginning-----	58,099,348	113,980,757
Fund balances, ending-----	<u>\$25,752,299</u>	<u>\$58,099,348</u>
<u>RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES</u>		
Net change in fund balances-----	(\$32,347,049)	(\$55,881,409)
Capital outlay-----	29,750,630	51,812,170
Assets donated to public schools-----	(79,945,415)	-
Recognition of earned but unavailable revenue-----	47,642	(99,229)
Change in net deficit-----	<u>(\$82,494,192)</u>	<u>(\$4,168,468)</u>

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 2013 balance sheet classification of fund balance from restricted to non-spendable for intergovernmental advance funding and from other service and charges to payments to suburban schools.

I. B. BASIS OF PRESENTATION

I. B. 1. REPORTING ENTITY AND RELATIONSHIP TO THE CITY OF OKLAHOMA CITY (CITY)

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 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 presented as 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

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

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.

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.

Assets are recorded as other non-current assets when a project is accepted by the Board and remain until the project is legally transferred to the public school system. This legal transfer occurs when the Board is satisfied that the contractor will not be required to perform any additional work on the project under the project performance bond which is in place for two years after the project is initially accepted. No depreciation expense is recorded by the Trust on these completed projects because the projects are being used by the public school system and not the Trust.

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. 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.

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, 2014 and 2013, 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.

	June 30, 2014			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Money market funds	<u>\$207,865</u>	<u>\$207,867</u>	AAA/Aaa	1.80

(continued)

Investments (continued)

	June 30, 2013			
	Fair Value/ Carrying Amount	Cost	Ratings (1)	Weighted Average Months to Maturity (2)
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
Total investments	<u>\$10,891,648</u>	<u>\$10,941,657</u>		

- (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. B. INTERGOVERNMENTAL RECEIVABLES AND ADVANCE FUNDING

The Trust reported intergovernmental receivables for cost reimbursements from Oklahoma City Public Schools for shared costs related to project administration. The Trust reported \$63,432 and \$52,551 at June 30, 2014 and 2013, respectively.

The Trust reported intergovernmental advance funding related to amounts granted to suburban school districts that have not been expended by the suburban schools of \$1,329,280 and \$3,755,786 as of June 30, 2014 and 2013, respectively.

II. C. CAPITAL ASSETS

Changes in Capital Assets

	<u>2014</u>		<u>2013</u>
	<u>Construction in Progress</u>		<u>Construction in Progress</u>
Capital Assets		Capital Assets	
Balance, June 30, 2013	\$102,971,951	Balance, June 30, 2012	\$108,492,003
Increases	29,750,632	Increases	51,812,170
Decreases	<u>(58,786,237)</u>	Decreases	<u>(57,332,222)</u>
Balance, June 30, 2014	<u>\$73,936,346</u>	Balance, June 30, 2013	<u>\$102,971,951</u>

II. D. OTHER ASSETS

Completed Projects Not Yet Donated to Public Schools

The Trust reported \$120,095,365 and \$141,254,543 as of June 30, 2014 and 2013, 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 revenues. At June 30, 2014 the Trust reported \$63,420 as unavailable for amounts receivable from Oklahoma City Public Schools. At June 30, 2013 the Trust reported \$15,780 as unavailable for investment income.

IV. FUND EQUITY

IV. A. FUND BALANCE

Non-Spendable

	<u>2014</u>	<u>2013</u>
Intergovernmental advance funding	<u>\$1,392,712</u>	<u>\$3,808,337</u>

Restricted

	<u>2014</u>	<u>2013</u>
Restricted for capital projects	<u>\$24,359,587</u>	<u>\$54,291,011</u>

Encumbrances of \$6,722,602 and \$32,904,265 at June 30, 2014 and 2013, respectively, are reported with restricted fund balance.

IV. B. NET POSITION

Net Investment in Capital Assets

	<u>2014</u>	<u>2013</u>
Capital assets, net	\$73,936,346	\$102,971,951
Retainages and capital related accounts payable	<u>(5,201,146)</u>	<u>(9,318,753)</u>
	<u>\$68,735,200</u>	<u>\$93,653,198</u>

Restricted

	<u>2014</u>	<u>2013</u>
Restricted for capital projects	\$31,016,868	\$67,399,404
Restricted for education	<u>120,095,362</u>	<u>141,289,020</u>
	<u>\$151,112,230</u>	<u>\$208,688,424</u>

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>2014</u>	<u>2013</u>
Receivable from Primary Government			
City City and Schools Sales Tax Fund	Community outreach services	\$ -	\$100,000
City General Fund	Deposit on behalf of the Trust	<u>98,355</u>	<u>-</u>
		<u>\$98,355</u>	<u>\$100,000</u>
Payable to Primary Government			
City General Fund	Reimbursement for capital administration costs	<u>\$68,213</u>	<u>\$85,012</u>

V. B. INTERFUND PAYMENTS TO/FROM THE CITY

	<u>Purpose</u>	<u>2014</u>	<u>2013</u>
Payments from Primary Government			
City City and Schools Sales Tax Fund	Community outreach services	<u>\$100,000</u>	<u>\$100,000</u>
Payments from Component Units			
Oklahoma City Economic Development Trust	Construction of John W. Rex Charter School	<u>\$1,500,000</u>	<u>\$ -</u>
Payments to Primary Government			
City City and Schools Sales Tax Fund	Postage, banking services, and information technology charges	<u>\$239,879</u>	<u>\$223,588</u>

VI. CONSTRUCTION COMMITMENTS

At June 30, 2014 and 2013, the Trust has outstanding construction commitments under contracts of \$3,850,237 and \$28,143,378, 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, 2014**

**OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST**

	Original Budget	Revisions	Revised Budget (1)	Expenditures	Encumbrances	Total Actual	Variance
REVENUES							
PAYMENTS FROM CITY OF OKLAHOMA CITY							
Oklahoma City Public School District-----	\$349,787,877	\$ -	\$349,787,877			\$349,787,876	(\$1)
Suburban Public School Districts-----	149,860,557	-	149,860,557			149,915,252	54,695
Trust Administration-----	1,081,708	-	1,081,708			1,085,291	3,583
Total payments from City of Oklahoma City-----	<u>500,730,142</u>	<u>-</u>	<u>500,730,142</u>			<u>500,788,419</u>	<u>58,277</u>
INVESTMENT INCOME							
Oklahoma City Public School District-----	43,207,284	-	43,207,284			49,419,486	6,212,202
Suburban Public School Districts-----	4,125,020	-	4,125,020			5,463,075	1,338,055
Trust Administration-----	-	-	-			(6,526)	(6,526)
Total investment income-----	<u>47,332,304</u>	<u>-</u>	<u>47,332,304</u>			<u>54,876,035</u>	<u>7,543,731</u>
Educare-----	579,673	-	579,673			579,673	-
Wilson Arts-----	735,477	-	735,477			735,477	-
GRANT REVENUE							
Oklahoma City Public School District-----	-	-	-			1,972,350	1,972,350
OTHER REVENUE							
Oklahoma City Public School District-----	2,162,008	-	2,162,008			8,926,361	6,764,353
Suburban Public School Districts-----	8,228,175	-	8,228,175			10,861,482	2,633,307
Trust Administration-----	100	-	100			100	-
Total other revenue-----	<u>10,390,283</u>	<u>-</u>	<u>10,390,283</u>			<u>19,787,943</u>	<u>9,397,660</u>
Total revenues-----	<u>559,767,879</u>	<u>-</u>	<u>559,767,879</u>			<u>578,739,897</u>	<u>18,972,018</u>
EXPENDITURES AND ENCUMBRANCES							
EDUCATION							
Oklahoma City Public School District:							
Other services and charges-----	1,710,236	-	1,710,236	\$1,710,236	\$ -	1,710,236	-
Supplies-----	23,963,361	-	23,963,361	23,425,968	340,174	23,766,142	197,219
Capital outlay-----	371,036,573	-	371,036,573	363,966,556	6,308,504	370,275,060	761,513
Suburban Public School Districts:							
Other services and charges-----	161,870,629	-	161,870,629	161,864,204	-	161,864,204	6,425
Trust Administration:							
Other services and charges-----	1,165,525	-	1,165,525	1,032,950	73,924	1,106,874	58,651
Capital outlay-----	21,555	-	21,555	21,555	-	21,555	-
Total education-----	<u>559,767,879</u>	<u>-</u>	<u>559,767,879</u>	<u>552,021,469</u>	<u>6,722,602</u>	<u>558,744,071</u>	<u>1,023,808</u>
Total expenditures and encumbrances-----	<u>559,767,879</u>	<u>-</u>	<u>559,767,879</u>	<u>\$552,021,469</u>	<u>\$6,722,602</u>	<u>558,744,071</u>	<u>1,023,808</u>
Ending fund balance including encumbrances-----	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>19,995,826</u>	<u>\$17,948,210</u>
RECONCILIATION OF FUND BALANCE NON-GAAP BUDGETARY BASIS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES							
Current year encumbrances included in expenditures-----						6,722,602	
Revenue and transfer accruals-----						1,392,562	
Expenditure and transfer accruals-----						(2,358,691)	
Fund balance, ending (GAAP basis)-----						<u>\$25,752,299</u>	

(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 basic financial statements of the Oklahoma City Metropolitan Area Public Schools Trust (the Trust), a blended component unit of the City of Oklahoma City, Oklahoma (the City), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated December 10, 2014.

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 opinion 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. 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.

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*.

Other Matters

We noted certain matters that we reported to the Trust’s management in a separate letter dated December 10, 2014.

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.

Purpose of this Report

The purpose of this report 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 on compliance. This report 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 10, 2014