

**OKLAHOMA CITY
METROPOLITAN AREA
PUBLIC SCHOOLS
TRUST**

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A Discrete Component Unit of
Oklahoma City, Oklahoma

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

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

Introductory Section

OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

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OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

December 2, 2010

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 accountants, 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 year ended June 30, 2011, is in the MD&A section of this report, immediately following the independent accountants' 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 economic environment and outlook for Oklahoma City are positive. Although the City experienced the economic downturn other cities faced over the last few years, the current year demonstrates a solid economy and recovery trend. Dr. Russell R. Evans, Director and Research Economist for the Center for Applied Economic Research at Oklahoma State University, reviewed the economic condition of the City and State in January 2011 and projected a modest national recovery in 2011. For Oklahoma, he projected employment and personal incomes to grow, unemployment to rise slightly then fall, and retail sales to continue their growth.

An unemployment rate of 5.7% in June 2011, annual personal income increase of 3.5%, significant gains in oil and natural gas rotary rig count from the same period last year, increased sales in motor vehicles, an additional 28,300 nonfarm jobs, and significant increases in sales tax revenues are strong indicators of economic growth. In fact, August 2011 sales tax collections were up 18 percent compared to the same month the previous year.

Several large commercial construction projects including a significant upgrade for airport retail shops and the opening of a new outlet mall with full occupancy of 82 new businesses contribute to the City's current economic condition. According to the June 21, 2011 Business Journal, these and other factors put Oklahoma City on the radar of every national retailer.

The City is also developing infrastructure for this growth through a major quality of life program funded by a temporary one-cent sales tax. This seven-year plan with improvements estimated to cost \$777 million, includes a 70-acre downtown park, a modern streetcar system, a new convention center, sidewalks, trails, improvements to the Oklahoma River, senior health and wellness centers, and expansion of the Oklahoma City Fairgrounds public event buildings.

The diversity of Oklahoma City's economy is reflected in the OKC Thunder, the City's NBA team, being ranked 6th-Best Pro Sports Franchise and 2nd Best in the NBA by ESPN.

Oklahoma City's continued high rankings among metropolitan cities in the United States promises an immediate and sustainable economic growth outlook for the next few years. The City was ranked number 1 in America's Most Affordable City by Forbes Magazine (October 28, 2010); #1 in Tech Job Growth by Tech-America Foundation (December 2, 2010), 1st in Real GDP Gains among the Top 50 Markets by The Bureau of Economic Analysis (February 23, 2011), 2nd-Best Place to Start a Small Business by The Fiscal Times (July 1, 2011), and # 3 Best Cities for Recent Grads by Newsweek (June 1, 2011).

Oklahoma City's central location at the intersection of Interstate highways I-35, I-44 and I-40, its regional transportation hub at Will Rogers World Airport, ample water supplies, numerous performing arts, entertainment, and recreational facilities all contribute to a positive economic outlook for the near future.

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. The sales tax was projected to generate more than \$500 million. Over the life of the tax the Trust collected/earned \$573 million to improve public schools. The program is in its 10th year and is substantially upgrading educational facilities throughout the City. The Trust has cumulatively acquired or constructed and transferred \$70,963,795 in assets to the Oklahoma City Independent School District (District) as of June 30, 2011. On December 22, 2009, the City Council resolved to keep all residual tax collections in the City for Trust administration.

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 2011, there were 32 new or renovated schools: Star Spencer High School, Douglass High School, John Marshall High School, U.S. Grant High School, Oklahoma Centennial High School, Wheeler Elementary, Ridgeview Elementary, Telstar Elementary, Martin Luther King, Jr. Elementary, Horace Mann Elementary, Bodine Elementary, Willow Brook Elementary, Edgemere Elementary, Quail Creek Elementary, Gatewood Elementary, Adams Elementary, Mark Twain Elementary, Heronville Elementary, Kaiser Elementary, Wilson Elementary, Nichols Hills Elementary, Stand Watie Elementary, Putman Heights Elementary, Edwards Elementary, Pierce Elementary, North Highland Elementary, Cesar Chavez Elementary, Green Pastures Elementary, Shidler Elementary, Hillcrest Elementary, and Southeast High School.

There were 45 early start roofing and fire protection projects completed at 39 school sites: Coolidge Elementary, Hoover Elementary, Rogers Elementary, Webster Elementary, Britton Elementary, Willard Elementary, Lee Elementary, Putnam Heights Elementary, Sequoyah Elementary, Hawthorne Elementary, Rancho Village Elementary, Adams Elementary, Buchanan Elementary, Independence Middle School, Dunbar Elementary, Edwards Elementary, Mark Twain Elementary, Bodine Elementary, Cleveland Elementary, Linwood Elementary, Shidler Elementary, Stand Watie Elementary, Green Pastures Elementary, North Highland Elementary, Parmelee Elementary, Capitol Hill High School, Johnson Elementary, Classen SAS, Telstar Elementary, Willow Brook Elementary, Taft Middle School, Emerson High School, Jefferson Elementary, F. D. Moon Elementary, Pierce Elementary, Spencer 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 accountants 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 accountants.

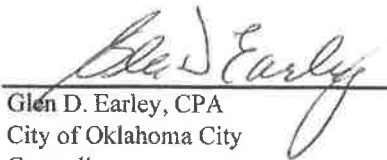
Respectfully submitted,



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 Accountants' Report on Financial Statements and Supplementary Information

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

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 (the City), as of and for the years ended June 30, 2011 and June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the 2011 and 2010 financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Oklahoma City Metropolitan Area Public Schools Trust as of June 30, 2011 and June 30, 2010, and the respective changes in financial position thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note III., in 2011, the Trust changed its method of accounting for fund balance under Governmental Accounting Standards Board Statement No. 54 (GASB 54) by retroactively restating prior years' financial statements. GASB 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2011, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

BKD, LLP

December 2, 2011

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, 2011 and 2010. 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 \$321,152,857 (net assets) for 2011. This compares to the previous year when assets exceeded liabilities by \$350,192,889.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets of \$124,373,262 and \$81,268,816 for 2011 and 2010, respectively, consist primarily of school construction and renovation projects.
 - (2) Net assets restricted for capital projects of \$196,779,595 for 2011 and \$268,924,073 for 2010 represent the portion available to maintain the Trust's continuing obligations, restricted by constraints imposed by the City, city and schools sales tax.
- The Trusts's governmental fund reported total ending fund balance of \$185,103,532 this year. This compares to the prior year ending fund balance of \$256,544,520 showing a decrease of \$71,440,988 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 assets, (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 assets. This is the statement of position presenting information that includes all of the Trust's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the 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 assets 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 assets for fiscal year 2011 are \$321,152,857. This is a \$29,040,032 decrease over last year's net assets, a decline in financial position. The Trust's net assets will continue to decrease due to the nature of the Trust. Net assets in 2010 and 2009 have been reclassified to report retainages and capital related accounts payable with net assets invested in capital assets instead of unrestricted net assets and unrestricted net assets to net assets restricted for capital projects. Restricted investment income has been reported with operating grants and contributions instead of general revenues.

Summary of Net Assets

	2011	2010	2011-2010 Amount of Change	2011-2010 %	2009	2010-2009 Amount of Change	2010-2009 %
Assets							
Current assets	\$197,082,849	\$269,987,804	(\$72,904,955)	(27.0%)	\$327,028,147	(\$57,040,343)	(17.4%)
Capital assets, net	<u>135,532,819</u>	<u>92,694,158</u>	<u>42,838,661</u>	46.2	<u>49,302,497</u>	<u>43,391,661</u>	88.0
Total assets	<u>332,615,668</u>	<u>362,681,962</u>	<u>(30,066,294)</u>	(8.3)	<u>376,330,644</u>	<u>(13,648,682)</u>	(3.6)
Liabilities							
Current liabilities	<u>11,462,811</u>	<u>12,489,073</u>	<u>(1,026,262)</u>	(8.2)	<u>4,791,051</u>	<u>7,698,022</u>	160.7
Net assets							
Invested in capital assets	124,373,262	81,268,816	43,104,446	53.0	45,518,989	35,749,827	78.5
Restricted for capital projects	<u>196,779,595</u>	<u>268,924,073</u>	<u>(72,144,478)</u>	(26.8)	<u>326,020,604</u>	<u>(57,096,531)</u>	(17.5)
Total net assets	<u>\$321,152,857</u>	<u>\$350,192,889</u>	<u>(\$29,040,032)</u>	(8.3)	<u>\$371,539,593</u>	<u>(\$21,346,704)</u>	(5.7)

The decrease in current assets of \$72.90 million in fiscal year 2011 and decrease of \$57.04 million in 2010 is primarily due to reductions in investments. Investments continue to decrease as resources are spent to fund construction projects, coupled with decreases in the government investment earnings in fiscal year 2011.

The increase in non-current assets in 2011 and 2010 of \$42.84 million and \$43.39 million, respectively, is primarily the result of public school capital project expenditures, net of transfers to the public schools for completed projects of \$22.31 million and \$11.08 million in 2011 and 2010, respectively.

The decrease in current liabilities of \$1.02 million in 2011 is primarily due to additional accounts payable for construction in fiscal year 2010.

	Summary of Changes in Net Assets						
	<u>2011</u>	<u>2010</u>	2011-2010 Amount of <u>Change</u>	2011-2010 %	<u>2009</u>	2010-2009 Amount of <u>Change</u>	2010-2009 %
Revenues							
Operating Grants & Contributions	\$1,456,124	\$3,085,821	(\$1,629,697)	(52.8%)	\$54,474,562	(\$51,388,741)	(94.3%)
General revenues	<u>34,462</u>	<u>8,845</u>	<u>25,617</u>	289.6	<u>2,949</u>	<u>5,896</u>	199.9
Total revenues	1,490,586	3,094,666	(1,604,080)	(51.8)	54,477,511	(51,382,845)	(94.3)
Program expenses	<u>30,530,618</u>	<u>24,441,370</u>	<u>6,089,248</u>	24.9	<u>23,941,474</u>	<u>499,896</u>	2.1
Change in net assets (deficit)	(29,040,032)	(21,346,704)	(7,693,328)	(36.0)	30,536,037	(51,882,741)	(169.9)
Beginning net assets	<u>350,192,889</u>	<u>371,539,593</u>	<u>(21,346,704)</u>	(5.7)	<u>341,003,556</u>	<u>30,536,037</u>	9.0
Ending net assets	<u>\$321,152,857</u>	<u>\$350,192,889</u>	<u>(\$29,040,032)</u>	(8.3)	<u>\$371,539,593</u>	<u>(\$21,346,704)</u>	(5.7)

The decrease in operating grants and contributions of \$1.63 million in 2011 was the result of a significant reduction in interest earnings. The decrease of \$51.39 million in 2010 occurred because sales tax collections ended in December 2008.

General revenues increased \$26 thousand and \$6 thousand in 2011 and 2010, respectively. The Wilson Arts School reimbursed the Trust \$34 thousand for construction costs resulting in the \$26 thousand increase. The \$6 thousand in 2010 was revenue from deposits forfeited on plans.

In fiscal year 2011, program expense increased by \$6.00 million. The majority of this change consisted of an increase of \$11.14 million in construction in progress, a decrease in distributed computer supplies of \$3.65 million and amounts distributed to suburban schools decreased \$1.77 million.

Capital Assets

The Trust's investment in capital assets were 2011 and 2010 is \$135,532,819 and \$92,694,158, respectively.

	Capital Assets						
	<u>2011</u>	<u>2010</u>	2011-2010 Amount <u>Change</u>	2011-2010 %	<u>2009</u>	2010-2009 Amount <u>Change</u>	2010-2009 %
Construction in progress	<u>\$135,532,819</u>	<u>\$92,694,158</u>	<u>\$42,838,661</u>	46.2%	<u>\$49,302,497</u>	<u>\$43,391,661</u>	88.0%

The increase in capital assets of \$42.98 million and \$43.39 million in 2011 and 2010, respectively, was due to construction projects of \$64.29 million and \$54.48 million, net of \$22.31 million and \$11.08 million transferred to the school districts as projects are completed, respectively. See Note II. A. 3. for more information regarding capital assets.

As of June 30, 2011, the Trust was managing 24 construction projects and 14 schools were in various stages of architectural design. The Trust also considered and approved nearly 475 suburban school project grants and has disbursed over \$151 million as of June 30, 2011.

Economic Factors

Increased fuel costs have resulted in an overall decline in local construction projects. This decline resulted in increased bids for contracts, leveling the overall costs of construction for 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.

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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 ASSETS
June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Non-pooled cash-----	\$16,084,520	\$1,038,442
Investments-----	179,849,297	266,594,994
Accounts receivable, net-----	37,743	274,452
Interest, dividends, and royalties receivable-----	1,111,289	2,079,916
Total current assets-----	197,082,849	269,987,804
<u>NON-CURRENT ASSETS</u>		
Capital assets:		
Land and construction in progress-----	135,532,819	92,694,158
Total assets-----	332,615,668	362,681,962
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable-----	11,328,120	12,297,147
Payable to primary government-----	134,691	129,150
Unearned revenue-----	-	62,776
Total liabilities-----	11,462,811	12,489,073
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt-----	124,373,262	81,268,816
Restricted for capital projects-----	196,779,595	268,924,073
Total net assets-----	\$321,152,857	\$350,192,889

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2011</u>	<u>2010</u>
<u>PROGRAM EXPENSES</u>		
<u>EDUCATION</u>		
Materials and supplies-----	\$2,639,601	\$6,178,549
Professional services-----	61,190	61,333
Payments to suburban schools-----	5,225,901	6,999,023
Other services and charges-----	294,960	118,423
Assets transferred to Oklahoma City Public Schools-----	22,308,966	11,084,042
Total program expenses-----	30,530,618	24,441,370
<u>PROGRAM REVENUES</u>		
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City, City and Schools Sales Tax Fund-----	-	116,649
Restricted investment income-----	1,456,124	2,969,172
Total operating grants and contributions-----	1,456,124	3,085,821
Total program revenues-----	1,456,124	3,085,821
Net program expense-----	(29,074,494)	(21,355,549)
<u>GENERAL REVENUES</u>		
Other-----	34,462	8,845
Total general revenues-----	34,462	8,845
Changes in net assets-----	(29,040,032)	(21,346,704)
Net assets-beginning-----	350,192,889	371,539,593
Net assets-ending-----	\$321,152,857	\$350,192,889

BALANCE SHEETS
June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Non-pooled cash-----	\$16,084,520	\$1,038,442
Investments-----	179,849,297	266,594,994
Accounts receivable-----	37,743	274,452
Interest receivable-----	1,111,289	2,079,916
Total assets-----	<u>\$197,082,849</u>	<u>\$269,987,804</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable-----	\$11,328,120	\$12,297,147
Payable to primary government-----	134,691	129,150
Deferred revenue-----	516,506	1,016,987
Total liabilities-----	<u>11,979,317</u>	<u>13,443,284</u>
<u>FUND BALANCES</u>		
Restricted-----	185,103,532	256,544,520
Total fund balances-----	<u>185,103,532</u>	<u>256,544,520</u>
Total liabilities and fund balances-----	<u>\$197,082,849</u>	<u>\$269,987,804</u>
<u>RECONCILIATION OF THE BALANCE SHEETS TO</u>		
<u>THE STATEMENTS OF NET ASSETS</u>		
Total fund balances-----	\$185,103,532	\$256,544,520
Capital assets-----	135,532,819	92,694,158
Deferred revenue earned but unavailable-----	516,506	954,211
Total net assets-----	<u>\$321,152,857</u>	<u>\$350,192,889</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>2011</u>	<u>2010</u>
<u>REVENUES</u>		
Investment income-----	\$1,893,829	\$3,473,998
Payments from City of Oklahoma City, City and Schools Sales Tax Fund-----	-	116,649
Other-----	34,462	8,845
Total revenues-----	<u>1,928,291</u>	<u>3,599,492</u>
<u>EXPENDITURES</u>		
<u>CURRENT:</u>		
Materials and supplies-----	2,639,601	6,178,548
Professional services-----	61,190	61,333
Other services and charges-----	5,520,861	7,117,447
Capital outlay-----	65,147,627	54,475,703
Total expenditures-----	<u>73,369,279</u>	<u>67,833,031</u>
Net change in fund balances-----	<u>(71,440,988)</u>	<u>(64,233,539)</u>
Fund balances, beginning-----	256,544,520	320,778,059
Fund balances, ending-----	<u>\$185,103,532</u>	<u>\$256,544,520</u>
<u>RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES</u>		
Net change in fund balances-----	(\$71,440,988)	(\$64,233,539)
Capital outlay-----	65,147,627	54,475,703
Assets transferred to public schools-----	(22,308,966)	(11,084,042)
Recognition of earned but unavailable deferred revenue-----	(437,705)	(504,826)
Change in net assets-----	<u>(\$29,040,032)</u>	<u>(\$21,346,704)</u>

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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. Net assets have been reclassified to report retainages and capital related accounts payable with net assets invested in capital assets instead of unrestricted net assets and unrestricted net assets to report as restricted for capital projects for 2010. Restricted investment income for the year ended June 30, 2010 has been reclassified from general revenues to operating grants and contributions. Governmental fund balances have been restated to conform to current year presentation.

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 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 assets, 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 assets reports both short and long-term assets and liabilities specifically including capital assets acquired or constructed by the Trust that have not yet been transferred or 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

The financial statements of the Trust are prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The statement of net assets and statement of activities reports use 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.

The balance sheet and statement of revenues, expenditures, and changes in fund balances report 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 AND LIABILITIES

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 March 2011.

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. 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 school districts when construction is complete.

I. D. 3. 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 Assets

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

Net Assets Invested in Capital Assets, Net of Related Debt

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 assets.

Restricted Net Assets

Amounts reported as restricted for debt service include those amounts held in restricted accounts as required by the debt instrument. Restricted amounts held to pay bond interest are reduced by accrued interest payable. Net assets restricted for capital projects include unspent debt proceeds legally restricted for capital outlays. Restricted net assets also include purpose restrictions from enabling legislation and other external sources.

I. D. 4. 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. 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. After that time collections did not accrue to the Trust, however, the Trust will continue in existence until all funds are expended. On December 22, 2009, the City Council resolved to keep residual tax revenues in the City for administrative charges.

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

**OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST**

Inception to June 30, 2011

	Original Budget	Revisions	Revised Budget (1)	Expenditures	Encumbrances	Total Actual	Variance
REVENUES							
PAYMENTS FROM CITY OF OKLAHOMA CITY							
Oklahoma City Public School District-----	\$296,198,256	\$ -	\$296,198,256			\$349,787,876	\$53,589,620
Suburban Public School Districts-----	146,495,396	-	146,495,396			149,915,252	3,419,856
Trust Administration-----	897,291	-	897,291			985,291	88,000
Total payments from City of Oklahoma City-----	<u>443,590,943</u>	<u>-</u>	<u>443,590,943</u>			<u>500,688,419</u>	<u>57,097,476</u>
INVESTMENT INCOME							
Oklahoma City Public School District-----	-	-	-			48,808,336	48,808,336
Suburban Public School Districts-----	2,464,688	-	2,464,688			5,182,902	2,718,214
Trust Administration-----	-	-	-			(6,526)	(6,526)
Total investment income-----	<u>2,464,688</u>	<u>-</u>	<u>2,464,688</u>			<u>53,984,712</u>	<u>51,520,024</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-----	23,114	-	23,114			6,891,906	6,868,792
Suburban Public School Districts-----	1,911,663	-	1,911,663			8,034,645	6,122,982
Trust Administration-----	-	-	-			100	100
Total other revenue-----	<u>1,934,777</u>	<u>-</u>	<u>1,934,777</u>			<u>14,926,651</u>	<u>12,991,874</u>
Total revenues-----	449,305,558	-	449,305,558			572,887,282	123,581,724
EXPENDITURES AND ENCUMBRANCES							
EDUCATION							
Oklahoma City Public School District:							
Other services and charges-----	1,057,592	-	1,057,592	\$1,023,397	\$ -	1,023,397	34,195
Supplies-----	23,656,333	-	23,656,333	20,443,750	3,212,583	23,656,333	-
Capital outlay-----	272,801,041	-	272,801,041	209,256,411	58,724,344	267,980,755	4,820,286
Suburban Public School Districts:							
Other services and charges-----	150,871,746	-	150,871,746	150,871,746	-	150,871,746	-
Trust Administration:							
Other services and charges-----	897,291	-	897,291	829,182	60,585	889,767	7,524
Capital outlay-----	21,555	-	21,555	21,555	-	21,555	-
Total education-----	<u>449,305,558</u>	<u>-</u>	<u>449,305,558</u>	<u>382,446,041</u>	<u>61,997,512</u>	<u>444,443,553</u>	<u>4,862,005</u>
Total expenditures and encumbrances-----	449,305,558	-	449,305,558	\$382,446,041	\$61,997,512	444,443,553	4,862,005
Ending fund balance including encumbrances-----	\$ -	\$ -	\$ -			128,443,729	\$118,719,719

RECONCILIATION OF FUND BALANCE NON-GAAP BUDGETARY BASIS TO GENERALLY

ACCEPTED ACCOUNTING PRINCIPLES

Current year encumbrances included in expenditures-----	61,997,512
Revenue and transfer accruals-----	(478,764)
Expenditure and transfer accruals-----	(4,858,945)
Fund balance, ending (GAAP basis)-----	\$185,103,532

- (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.

**Independent Accountants' 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 the financial statements of 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, 2011, and have issued our report thereon dated December 2, 2011, which contained an explanatory paragraph regarding a change in accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Trust's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a deficiency in internal control over financial reporting described in the accompanying schedule of findings and responses as item 11-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

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*.

We also noted certain matters that we reported to the Trust's management in a separate letter dated December 2, 2011.

The Independent Accountants' 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 Trust's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Trust's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, the City and others within the Trust and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 2, 2011

Oklahoma City Metropolitan Area Public Schools Trust
Schedule of Findings and Responses
Year Ended June 30, 2011

Reference Number	Finding
11-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Based on our identification of unrecorded payables during our search for unrecorded liabilities, management discovered an error in their system query that is designed to identify unrecorded payables. Management corrected the query and identified additional unrecorded payables.</p> <p>Context – Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Potential material misstatements in the financial statements due to error could occur and not be detected and/or corrected in a timely manner.</p> <p>Cause – Review of query criteria may not be sufficient to support the timely identification of unrecorded payables.</p> <p>Recommendation – We recommend reviews of system queries related to the accounts payable cycle be enhanced.</p> <p>View of Responsible Officials and Planned Corrective Actions – A change was made in the information coded into accounts payable transactions in an effort to provide better information for the unrecorded payables. This added information caused the unrecorded payables search process to work improperly. We will review the process each year before using to ensure it works properly. In addition, we will research a more reliable method for identifying unrecorded payables.</p>