



GROWING TOGETHER

Oklahoma City Metropolitan Area Public Schools Trust

Annual Financial Report | the City of Oklahoma City, Oklahoma | for the Fiscal Year ended June 30, 2012

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, 2012

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 10, 2012

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, 2012, 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 current economic environment and the economic outlook for Oklahoma City remain very positive. Because of a cost of living rating consistently below the national average; a strong industry presence; low commuting times; convenient airline travel; quality education, entertainment and sports opportunities; favorable weather; and a central location, Oklahoma City continues to receive numerous top accolades for metropolitan cities in the United States, many of which were a number one ranking. This promises an immediate and sustainable economic growth outlook for the next several years.

In a report of the 2012 Economic Forecast: State and Oklahoma City Outlook, prepared by The Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), the Institute reported the U.S. national economy is still in a recovery mode. However, the Institute reported in Oklahoma nearly all jobs have been recovered or projected shortly for recovery, indicating the issue for Oklahoma City is now one of sustainable trajectory. While there were impacts of the economy for Oklahoma City, many of the effects of the recession were largely passed over according to this report. In addition to job recovery and as a result of it, sales tax receipts have been impressive and were projected by the Institute to grow by 3.15% in FY 2012 and 1.84% in FY 2013. Sales tax receipts, which are evaluated to determine the health of the economy of Oklahoma City, exceeded these projections in FY 2012, increasing by 6.43%.

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 Trust 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 11th year and is substantially upgrading educational facilities throughout the City. The Trust has cumulatively acquired or constructed and transferred \$85.14 million in assets to the Oklahoma City Independent School District (District) as of June 30, 2012. The Trust also had \$194.18 million of projects in construction at June 30, 2012. To date the Trust granted \$145.47 million to suburban school districts and expended \$24.18 million for administration and non-capital items. The Trust is holding \$116.59 million for capital projects.

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 2012, 47 new or renovated schools were substantially complete (at least 95%): Adams Elementary, Bodine Elementary, Britton Elementary, Buchanan Elementary, Cesar Chavez Elementary, Coolidge Elementary, Douglass High School, Dunbar Elementary, Edgemere Elementary, Edwards Elementary, Eugene Field Elementary, Fillmore Elementary, Gatewood Elementary, Green Pastures Elementary, Heronville Elementary, Hillcrest Elementary, Hoover Elementary, Horace Mann Elementary, John Marshall High School, Johnson Elementary, Kaiser Elementary, Lee Elementary, Linwood Elementary, Longfellow Elementary, Mark Twain Elementary, Nichols Hills Elementary, North Highland Elementary, Northeast Academy, Northwest Classen High School, OK Centennial High School, Pierce Elementary, Putnam Heights Elementary, Quail Creek Elementary, Ridgeview Elementary, Sequoyah Elementary, Shidler Elementary, Southeast High School, Southern Hills Elementary, Stand Watie Elementary, Star Spencer High School, Telstar Elementary, Thelma R. Parks Elementary, U.S. Grant High School, Wheeler Elementary, Willard Alternative, Willow Brook 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.

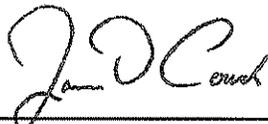
There were 45 early start roofing and fire protection projects completed at 39 school sites: Coolidge Elementary, Hoover Elementary, Rogers Elementary, Webster Elementary, Britton Elementary, Willard Elementary, Lee Elementary, Putnam Heights Elementary, Sequoyah Elementary, Hawthorne Elementary, Rancho 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.

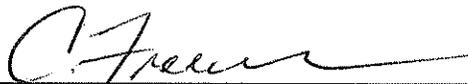
The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure compliance with legal provisions.

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, 2012 and 2011, which collectively comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 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, 2012 and 2011, 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*, the previously issued 2011 financial statements have been restated. Our previously issued report on those financial statements dated December 2, 2011, is no longer to be relied upon because the previously issued statements were materially misstated and that report is replaced by this report on the restated 2011 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, 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* and should be considered in assessing the results of our audits.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The 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 audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

December 10, 2012

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, 2012 and 2011. 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 \$306,510,090 (net assets) for 2012. This compares to the previous year when assets exceeded liabilities by \$325,606,286.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets of \$177,469,999 and \$124,373,262 for 2012 and 2011, respectively, consist primarily of school construction and renovation projects.
 - (2) Net assets restricted for capital projects of \$129,040,091 for 2012 and \$201,233,024 for 2011 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 \$113,980,757 this year. This compares to the prior year ending fund balance of \$189,556,961 showing a decrease of \$75,576,204 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 2012 are \$306,510,090. This is a \$19,096,196 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. The 2011 balances have been adjusted to reflect the restatement of prior year balances related to a prior period adjustment. The 2010 balances presented in this discussion and analysis have not been adjusted to reflect the restatement of prior balances related to the prior period adjustment. See Note III for more information.

Summary of Net Assets

	2012	2011 (Restated)	2012-2011 Amount of Change	2012-2011 %	2010	2011-2010 Amount of Change	2011-2010 %
Assets							
Current assets	\$129,293,364	\$201,536,278	(\$72,242,914)	(35.8%)	\$269,987,804	(\$68,451,526)	(25.4%)
Capital assets, net	<u>192,414,325</u>	<u>135,532,819</u>	<u>56,881,506</u>	42.0	<u>92,694,158</u>	<u>42,838,661</u>	46.2
Total assets	<u>321,707,689</u>	<u>337,069,097</u>	<u>(15,361,408)</u>	(4.6)	<u>362,681,962</u>	<u>(25,612,865)</u>	(7.1)
Liabilities							
Current liabilities	<u>15,197,599</u>	<u>11,462,811</u>	<u>3,734,788</u>	32.6	<u>12,489,073</u>	<u>(1,026,262)</u>	(8.2)
Net assets							
Invested in capital assets	177,469,999	124,373,262	53,096,737	42.7	81,268,816	43,104,446	53.0
Restricted for capital projects	<u>129,040,091</u>	<u>201,233,024</u>	<u>(72,192,933)</u>	(35.9)	<u>268,924,073</u>	<u>(67,691,049)</u>	(25.2)
Total net assets	<u>\$306,510,090</u>	<u>\$325,606,286</u>	<u>(\$19,096,196)</u>	(5.9)	<u>\$350,192,889</u>	<u>(\$24,586,603)</u>	(7.0)

The decrease in current assets of \$72.24 million at the end of fiscal year 2012 and \$68.45 million in 2011 is primarily due to reductions in cash and investments. Investments continue to decrease as resources are spent to fund construction projects, coupled with decreases in interest receivable of \$790 thousand and \$969 thousand at June 30, 2012 and 2011, respectively. The increase in non-pooled cash to \$73.56 million at the end of fiscal year 2012 from \$16.08 million at the end of fiscal year 2011 is based upon projected completion of current projects. Those completions precluded the Trust from investing those funds in long term investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012 and 2011

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

The increase in capital assets at June 30, 2012 and 2011 of \$56.88 million and \$42.84 million, respectively, is primarily the result of public school capital project expenditures, net of transfers to the public schools for completed projects of \$13.10 million and \$22.31 million in 2012 and 2011, respectively.

The increase in current liabilities of \$3.73 million and the decrease of \$1.03 million at the end of 2012 and 2011, respectively, is primarily due to increased construction payables and a decrease in the prior accounts payable for construction projects and administrative costs.

	Summary of Changes in Net Assets						
		2011	2012-2011	2012-2011		2011-2010	2011-2010
	<u>2012</u>	<u>(Restated)</u>	<u>Amount of</u>	<u>%</u>	<u>2010</u>	<u>Amount of</u>	<u>%</u>
		<u>Change</u>	<u>Change</u>		<u>Change</u>	<u>Change</u>	
Revenues							
Operating Grants & Contributions	\$491,745	\$1,456,124	(\$964,379)	(66.2%)	\$3,085,821	(\$1,629,697)	(52.8%)
General revenues	-	<u>34,462</u>	<u>(34,462)</u>	(100.0)	<u>8,845</u>	<u>25,617</u>	289.6
Total revenues	491,745	1,490,586	(998,841)	(67.0)	3,094,666	(1,604,080)	(51.8)
Program expenses	<u>19,587,941</u>	<u>33,137,384</u>	<u>(13,549,443)</u>	(40.9)	<u>24,441,370</u>	<u>8,696,014</u>	35.6
Change in net assets	(19,096,196)	(31,646,798)	12,550,602	39.7	(21,346,704)	(10,300,094)	(48.3)
Beginning net assets							
As previously reported	325,606,286	350,192,889	(24,586,603)	(7.0)	371,539,593	(21,346,704)	(5.7)
Prior period adjustment	-	<u>7,060,195</u>	<u>(7,060,195)</u>	(100.0)	-	<u>7,060,195</u>	100.0
As restated	<u>325,606,286</u>	<u>357,253,084</u>	<u>(31,646,798)</u>	<u>(8.9)</u>	<u>371,539,593</u>	<u>(14,286,509)</u>	<u>(3.8)</u>
Ending net assets	<u>\$306,510,090</u>	<u>\$325,606,286</u>	<u>(\$19,096,196)</u>	(5.9)	<u>\$350,192,889</u>	<u>(\$31,646,798)</u>	(9.0)

The decrease in operating grants and contributions of \$964 thousand and \$1.63 million in 2012 and 2011, respectively, was the result of a significant reduction in interest earnings and was related to decreased investments available to invest and rate of return.

General revenues decreased \$34 thousand in 2012 and increased \$26 thousand in 2011. The Wilson Arts School reimbursed the Trust \$34 thousand for construction costs in 2011. The Wilson Arts School was complete in 2011. The Trust received \$100 thousand in 2012 from the Oklahoma City, City and Schools Sales Tax Fund to offset marketing expense.

In fiscal year 2012, program expense decreased by \$13.55 million. The majority of this change consisted of a decrease in assets transferred to Oklahoma City Public Schools of \$9.25 million, a decrease in distributed computer supplies of \$1.52 million and amounts distributed to suburban schools decreased \$3.09 million. In fiscal year 2011, program expense increased by \$8.70 million. The majority of this change consisted of an increase in assets transferred to Oklahoma City Public Schools of \$11.22 million, a decrease in distributed computer supplies of \$3.54 million and amounts distributed to suburban schools increased \$834 thousand.

Capital Assets

The Trust's investment in capital assets were 2012 and 2011 is \$192,414,325 and \$135,532,819, respectively.

	Capital Assets						
			2012-2011	2012-2011	2011-2010		2011-2010
	2012	2011	Amount	%	2010	Amount	%
			Change	Change		Change	Change
Construction in progress	<u>\$192,414,325</u>	<u>\$135,532,819</u>	<u>\$56,881,506</u>	42.0%	<u>\$92,694,158</u>	<u>\$42,838,661</u>	46.2%

The increase in capital assets of \$56.88 million and \$42.84 million in 2012 and 2011, respectively, was due to construction projects of \$69.98 million and \$65.15 million, net of \$13.10 million and \$22.31 million transferred to the school districts as projects are completed, respectively. See Note II. A. 4. for more information regarding capital assets.

As of June 30, 2012, the Trust was managing 24 construction projects and 3 schools were in various stages of architectural design. The Trust also considered and approved nearly 501 suburban school project grants and has disbursed over \$149.92 million as of June 30, 2012.

Economic Factors

The growth in the economy improved but did not translate to 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 ASSETS
June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
ASSETS		
CURRENT ASSETS		
Non-pooled cash-----	\$73,562,593	\$16,084,520
Investments-----	53,014,332	179,849,297
Accounts receivable, net-----	68,154	37,743
Interest, dividends, and royalties receivable-----	321,033	1,111,289
Intergovernmental receivables-----	2,327,252	4,453,429
Total current assets-----	129,293,364	201,536,278
NON-CURRENT ASSETS		
Capital assets:		
Land and construction in progress-----	192,414,325	135,532,819
Total assets-----	321,707,689	337,069,097
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable-----	14,959,236	11,328,120
Payable to primary government-----	238,363	134,691
Total liabilities-----	15,197,599	11,462,811
NET ASSETS		
Invested in capital assets, net of related debt-----	177,469,999	124,373,262
Restricted for capital projects-----	129,040,091	201,233,024
Total net assets-----	\$306,510,090	\$325,606,286

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
<u>PROGRAM EXPENSES</u>		
<u>EDUCATION</u>		
Materials and supplies-----	\$1,119,840	\$2,639,601
Professional services-----	414,588	61,190
Payments to suburban schools-----	4,745,316	7,832,667
Other services and charges-----	246,400	294,960
Assets transferred to Oklahoma City Public Schools-----	13,061,797	22,308,966
Total program expenses-----	19,587,941	33,137,384
<u>PROGRAM REVENUES</u>		
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Payments from the City of Oklahoma City, City and Schools Sales Tax Fund-----	100,000	-
Restricted investment income-----	391,745	1,456,124
Total operating grants and contributions-----	491,745	1,456,124
Total program revenues-----	491,745	1,456,124
Net program expense-----	(19,096,196)	(31,681,260)
<u>GENERAL REVENUES</u>		
Other-----	-	34,462
Changes in net assets-----	(19,096,196)	(31,646,798)
Beginning of year, as previously reported-----	325,606,286	350,192,889
Prior period adjustment-----	-	7,060,195
Beginning of year, as restated-----	325,606,286	357,253,084
Net assets-ending-----	\$306,510,090	\$325,606,286

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	2012	2011 (Restated)
<u>ASSETS</u>		
Non-pooled cash-----	\$73,562,593	\$16,084,520
Investments-----	53,014,332	179,849,297
Accounts receivable-----	68,154	37,743
Interest receivable-----	321,033	1,111,289
Intergovernmental receivable-----	2,327,252	4,453,429
Total assets-----	<u>\$129,293,364</u>	<u>\$201,536,278</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable-----	\$14,959,236	\$11,328,120
Payable to primary government-----	238,363	134,691
Deferred revenue-----	115,008	516,506
Total liabilities-----	<u>15,312,607</u>	<u>11,979,317</u>
<u>FUND BALANCES</u>		
Restricted-----	113,980,757	189,556,961
Total fund balances-----	<u>113,980,757</u>	<u>189,556,961</u>
Total liabilities and fund balances-----	<u>\$129,293,364</u>	<u>\$201,536,278</u>
<u>RECONCILIATION OF THE BALANCE SHEETS TO</u>		
<u>THE STATEMENTS OF NET ASSETS</u>		
Total fund balances-----	\$113,980,757	\$189,556,961
Capital assets-----	192,414,325	135,532,819
Deferred revenue earned but unavailable-----	115,008	516,506
Total net assets-----	<u>\$306,510,090</u>	<u>\$325,606,286</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>2012</u>	<u>2011 (Restated)</u>
REVENUES		
Investment income-----	\$793,243	\$1,893,829
Payments from City of Oklahoma City, General Fund-----	100,000	-
Other-----	-	34,462
Total revenues-----	<u>893,243</u>	<u>1,928,291</u>
EXPENDITURES		
CURRENT:		
Materials and supplies-----	1,119,839	2,639,601
Professional services-----	414,588	61,190
Other services and charges-----	4,950,035	8,127,627
Capital outlay-----	69,984,985	65,147,627
Total expenditures-----	<u>76,469,447</u>	<u>75,976,045</u>
Net change in fund balances-----	<u>(75,576,204)</u>	<u>(74,047,754)</u>
Beginning of year, as previously reported-----	189,556,961	256,544,520
Prior period adjustment-----	-	7,060,195
Beginning of year, as restated-----	<u>189,556,961</u>	<u>263,604,715</u>
Fund balances, ending-----	<u>\$113,980,757</u>	<u>\$189,556,961</u>
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES		
Net change in fund balances-----	(\$75,576,204)	(\$74,047,754)
Capital outlay-----	69,984,985	65,147,627
Assets transferred to public schools-----	(13,103,479)	(22,308,966)
Recognition of earned but unavailable deferred revenue-----	(401,498)	(437,705)
Change in net assets-----	<u>(\$19,096,196)</u>	<u>(\$31,646,798)</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.

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

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 assets 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 and depreciated over their useful lives.

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 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. D. 11. RISK FINANCING

The Trust's risk management activities are administered by the City Risk Management Fund and the Oklahoma City Municipal Facility Authority (OCMFA) Services Fund. These funds administer employee life, employee health, property and liability, workers' compensation, unemployment, and disability insurance programs for the City and related Trusts and Authorities. The Trust pays premiums to the City to cover its estimated share of the current costs incurred by the insurance programs.

Significant losses are covered by commercial insurance for the property and liability programs. The City offers three different employee health and life options, of which two of the three are fully insured. The third option, the indemnity healthcare option, is covered by stop-loss coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City and OCMFA record estimated liabilities for indemnity health care, worker's compensation, torts, and other claims against the City and related Trusts and Authorities. The Trust does not recognize any separate liabilities related to risk management.

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.

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 LIABILITIES

II. A. ASSETS

II. A. 1. 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, 2012 and 2011, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust, 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, 2012			
	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
Fannie Mae	\$20,069,125	\$20,169,100	AA+/Aaa	5.42
U.S. Treasury notes	5,012,695	5,012,109	N/A	2.57
Federal agency obligations	25,105,720	26,092,035	AA+/Aaa	5.32
Money market funds	<u>2,826,792</u>	<u>2,826,792</u>	AAA/Aaa	1.80
Total investments	<u>\$53,014,332</u>	<u>\$54,100,036</u>		

(continued)

Investments (continued)

	June 30, 2011			
	Fair Value/ <u>Carrying Amount</u>	<u>Cost</u>	<u>Ratings (1)</u>	Weighted Average Months to <u>Maturity (2)</u>
Fannie Mae	\$30,197,115	\$30,192,900	AAA/Aaa	11.36
U.S. Treasury notes	40,396,280	40,529,297	N/A	8.91
Federal agency obligations	106,581,340	108,844,400	AAA/Aaa	5.03
Money market funds	<u>2,674,562</u>	<u>2,674,562</u>	AAA/Aaa	1.43
Total investments	<u>\$179,849,297</u>	<u>\$182,241,159</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. Additionally, no more than 5% of the total Trust portfolio may be placed with any single financial institution. U.S. government securities, SLGS, City judgments, repurchase agreements, and money market funds 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. A. 2. ACCOUNTS RECEIVABLE

The Trust reported accounts receivable for cost reimbursements from Oklahoma City Public Schools for shared costs related to project administration. The Trust reported \$68,154 and \$37,743 at June 30, 2012 and 2011, respectively.

II. A. 3. INTERGOVERNMENTAL RECEIVABLES

The Trust reported intergovernmental receivables related to amounts granted to suburban school districts that have not been expended by the suburban schools of \$2,327,252 and \$4,453,429 as of June 30, 2012 and 2011, respectively.

II. A. 4. CAPITAL ASSETS

Changes in Capital Assets

	<u>2012</u>		<u>2011</u>
	<u>Construction in Progress</u>		<u>Construction in Progress</u>
Capital Assets		Capital Assets	
Balance, June 30, 2011	\$135,532,819	Balance, June 30, 2010	\$92,694,158
Increases	69,984,985	Increases	65,147,627
Decreases	<u>(13,103,479)</u>	Decreases	<u>(22,308,966)</u>
Balance, June 30, 2012	<u>\$192,414,325</u>	Balance, June 30, 2011	<u>\$135,532,819</u>

As capital projects are completed the assets are transferred to the school district and are reported as education expense in the statement of activities. These assets are not depreciating while held in the Trust.

II. B. UNEARNED REVENUES

The governmental fund reported deferred revenues related to receivable but unavailable investment income. At June 30, 2012 and 2011, the Trust reported \$115,008 and \$516,506, respectively, as deferred investment income.

II. C. INTERFUND BALANCES

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

	<u>Payable to Primary Government</u>	
	<u>2012</u>	<u>2011</u>
Primary Government		
<i>Governmental Activities</i>		
General Fund	\$235,460	\$100,496
Internal service funds	<u>2,903</u>	<u>34,195</u>
Total Governmental Activities	<u>238,363</u>	<u>134,691</u>
Total	<u>\$238,363</u>	<u>\$134,691</u>

III. FUND EQUITY

Prior Period Adjustment

The financial statements for 2011 have been restated for the effect of a prior period adjustment which resulted in a decrease in beginning net assets as of July 1, 2010 of (\$7,060,195). The Trust grants and disburses funds to suburban school districts for projects developed by the suburban school district.

In prior years, the Trust expensed funds when disbursed to the suburban school districts. Amounts disbursed that have not been expended by the suburban school districts are reported as intergovernmental receivables. The effect of the prior period adjustment increased previously reported 2011 changes in net assets and fund balance by \$2,606,766 and previously reported net assets and fund balances as of June 30, 2011 by \$4,453,429.

Beginning net assets and fund balance

Intergovernmental receivables **\$7,060,195**

Changes in net assets and fund balance

Other services and charges - payments to suburban school districts **\$2,606,766**

III. A. FUND BALANCE

Restricted

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
Restricted for capital projects	<u>\$113,980,757</u>	<u>\$189,556,961</u>

Encumbrances of \$46,731,026 and \$61,997,512 at June 30, 2012 and 2011, respectively, are reported with restricted fund balance.

III. B. NET ASSETS

Invested in Capital Assets, Net of Related Debt

	<u>2012</u>	<u>2011</u>
Capital assets, net	\$192,414,325	\$135,532,819
Retainages and capital related accounts payable	<u>(14,944,326)</u>	<u>(11,159,557)</u>
	<u>\$177,469,999</u>	<u>\$124,373,262</u>

Restricted

	<u>2012</u>	<u>2011</u> <u>(Restated)</u>
Restricted for capital projects	<u>\$129,040,091</u>	<u>\$201,233,024</u>

IV. INTERFUND PAYMENTS TO/FROM THE CITY

The Trust received \$100,000 from the City's City and School Sales Tax Fund in 2012 for Community Outreach Services.

V. CONSTRUCTION COMMITMENTS

At June 30, 2012 and 2011, the Trust has outstanding construction commitments under contracts of \$38,271,536 and \$55,202,283, 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, 2012**

**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-----	\$348,273,829	\$ -	\$348,273,829			\$349,787,876	\$1,514,047
Suburban Public School Districts-----	149,858,008	-	149,858,008			149,915,252	57,244
Trust Administration-----	1,072,659	-	1,072,659			1,085,291	12,632
Total payments from City of Oklahoma City-----	<u>499,204,496</u>	<u>-</u>	<u>499,204,496</u>			<u>500,788,419</u>	<u>1,583,923</u>
INVESTMENT INCOME							
Oklahoma City Public School District-----	19,340,600	-	19,340,600			49,174,885	29,834,285
Suburban Public School Districts-----	3,407,674	-	3,407,674			5,208,086	1,800,412
Trust Administration-----	-	-	-			(6,526)	(6,526)
Total investment income-----	<u>22,748,274</u>	<u>-</u>	<u>22,748,274</u>			<u>54,376,445</u>	<u>31,628,171</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-----	69,914	-	69,914			7,083,787	7,013,873
Suburban Public School Districts-----	3,474,287	-	3,474,287			10,585,210	7,110,923
Trust Administration-----	100	-	100			100	-
Total other revenue-----	<u>3,544,301</u>	<u>-</u>	<u>3,544,301</u>			<u>17,669,097</u>	<u>14,124,796</u>
Total revenues-----	<u>526,812,221</u>	<u>-</u>	<u>526,812,221</u>			<u>576,121,461</u>	<u>49,309,240</u>
EXPENDITURES AND ENCUMBRANCES							
EDUCATION							
Oklahoma City Public School District:							
Other services and charges-----	1,256,017	-	1,256,017	\$1,256,017	\$ -	1,256,017	-
Supplies-----	23,659,237	-	23,659,237	21,975,587	1,683,650	23,659,237	-
Capital outlay-----	344,062,685	-	344,062,685	279,298,496	45,028,388	324,326,884	19,735,801
Suburban Public School Districts:							
Other services and charges-----	156,739,967	-	156,739,967	156,052,244	-	156,052,244	687,723
Trust Administration:							
Other services and charges-----	1,072,760	-	1,072,760	926,611	18,988	945,599	127,161
Capital outlay-----	21,555	-	21,555	21,555	-	21,555	-
Total education-----	<u>526,812,221</u>	<u>-</u>	<u>526,812,221</u>	<u>459,530,510</u>	<u>46,731,026</u>	<u>506,261,536</u>	<u>20,550,685</u>
Total expenditures and encumbrances-----	<u>526,812,221</u>	<u>-</u>	<u>526,812,221</u>	<u>\$459,530,510</u>	<u>\$46,731,026</u>	<u>506,261,536</u>	<u>20,550,685</u>
Ending fund balance including encumbrances-----	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>69,859,925</u>	<u>\$28,758,555</u>
RECONCILIATION OF FUND BALANCE NON-GAAP BUDGETARY BASIS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES							
Current year encumbrances included in expenditures-----						46,731,026	
Revenue and transfer accruals-----						(46,846)	
Expenditure and transfer accruals-----						(2,563,348)	
Fund balance, ending (GAAP basis)-----						<u>\$113,980,757</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 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 the governmental activities and major fund of the Oklahoma City Metropolitan Area Public Schools Trust (the Trust), a component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2012, which collectively comprise the Trust's basic financial statements and have issued our report thereon dated December 10, 2012, which contained an explanatory paragraph disclosing that the 2011 financial statements have been restated. 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

Management of the Trust is responsible for establishing and maintaining effective 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 12-01 and 12-02 to be material weaknesses.

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 10, 2012.

The separately issued Independent Accountants' Report on Internal Control over Financial Reporting and 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Trust's responses and, accordingly, we express no opinion on them.

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 10, 2012

Oklahoma City Metropolitan Area Public Schools Trust
Schedule of Findings and Responses
Year Ended June 30, 2012

Reference Number	Finding
12-01	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – Payments made to suburban school districts were not properly recorded within the Trust’s financial statements to reflect unspent payments. Payments made to suburban school districts were being expensed when distributed rather than expensed when services were performed. This matter required a restatement of the prior year’s financial statements to properly reflect this asset.</p> <p>Context – Accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.</p> <p>Effect – Material misstatements in the financial statements resulted from errors that occurred and were not detected and/or corrected in a timely manner, resulting in a restatement of the 2011 financial statements.</p> <p>Cause – Misunderstanding of the facts surrounding how the payments to suburban schools were handled, which resulted in improper accounting treatment.</p> <p>Recommendation – We recommend working closely with the operations department to track suburban school projects for which funds have been issued but not yet expended by suburban school districts to ensure proper year end reporting of unspent payments.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree with the change in treatment and have recorded these transactions in the current year and will record the appropriate amounts in the future.</p>

Oklahoma City Metropolitan Area Public Schools Trust
Schedule of Findings and Responses
Year Ended June 30, 2012

Reference Number	Finding
12-02	<p>Criteria or Specific Requirement – Management is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – In an effort to improve reporting of unrecorded payables, the City and the Trust changed the method used to identify certain payables to be accrued at year-end. The City and Trust implemented a process whereby the department managers provided estimates of payables based on the progress on projects. The Accounting Services Division relied on the payable information provided by the department managers. Based on our testing of payables we identified certain instances where payables recorded under this new method were both overstated and understated.</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 – Insufficient education of department managers regarding what information was actually needed and the testing of the new process methodology was not completed.</p> <p>Recommendation – We recommend that new processes implemented be clearly communicated and results tested to ensure the accuracy of the information being generated by the new process.</p> <p>Views of Responsible Officials and Planned Corrective Actions – We agree the process needs improvement and will implement year end training and a process that includes requiring documentation of amounts provided by departments in order to validate accuracy of information.</p>