



Oklahoma City Metropolitan Area Public Schools Trust

A discrete component unit of The City of Oklahoma City, Oklahoma

Annual Financial Report | for the Fiscal Year ended June 30, 2016

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, 2016

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

OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

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Introductory Section

OKLAHOMA CITY METROPOLITAN AREA PUBLIC SCHOOLS TRUST

November 18, 2016

Board of Trustees

Oklahoma City Metropolitan Area Public Schools Trust

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

The Trust's annual report includes the report of independent auditor's, management's discussion and analysis (MD&A), financial statements, related notes, and supplementary information. Management's narrative on the financial activities of the Trust for the fiscal years ended June 30, 2016 and 2015, is in the MD&A section of this report, immediately following the independent auditor's report on financial statements and supplementary information. The Trust's reporting entity is comprised of financial and operating activities conducted within the legal framework of the Trust. The Trust is a discretely presented component unit of the City of Oklahoma City (City) and, as such, is included within the City's Comprehensive Annual Financial Report (CAFR).

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

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

The current economic environment in Oklahoma City is positive; however, the economic outlook continues to be muted due to low oil and natural gas prices that are negatively impacting the many energy-related companies working in and around Oklahoma City. The cost of living rating is consistently below the national average and the City has a strong industry presence, low commuting times, convenient airline travel, high quality education, entertainment and sports opportunities, favorable weather, and is centrally located within the State of Oklahoma. According to the website Glassdoor, Oklahoma City came in at No. 10 on their 2016 list of "Best Cities for Jobs" and No. 3 in their study for "Best Large Cities to Start a Business". The list for best cities for jobs was based on factors such as hiring opportunity, cost of living and job satisfaction while the list for best large cities to start a business was focused on metrics such as office-space affordability and educational attainment of the local labor force.

In a report prepared by Dr. Russel Evans, Executive Director of the Steven C. Agee Economic Research & Policy Institute of Oklahoma City University (Institute), dated February 2, 2016, Dr. Evans reported that the U.S. economy was performing below its long run average. As people and economic activity move southwest across the United States, the I-35 corridor running from southern Texas through Oklahoma City and onto Kansas City will continue to be one of the fastest growing megalopolises in the U.S. Oklahoma City is expected to continue to establish an economic identity singular to all other areas of the state, in spite of short run economic weakness, in part due to its geographic location along the I-35 corridor. The Institute described Oklahoma's economic future - and by extension, Oklahoma City's fiscal future, as heavily influenced by the future path in oil markets, suggesting that prices must move higher as current oil prices don't work for domestic producers or budgets of oil dependent governments. The baseline forecast was for Oklahoma City to experience fiscal weakness and contract in 2016. Conditions are projected to stabilize in the fall of 2016 and then grow modestly into 2017 posting fiscal year sales tax growth of 1.37%. Nonfarm and private sector payrolls were stronger than expected with gains in manufacturing, retail, and other sectors outpacing losses in the mining sector. Nonfarm employment is expected to grow by 1.3% in 2017. Oklahoma City population is projected to grow at its long run average of 1.5% in 2017 and Oklahoma City per capita personal income is estimated to return to modest growth of 0.9% in 2017. Dr. Evans presented an update to the City Council on August 16, 2016, in which he stated the baseline expectations for sales tax growth seem reasonable given persistent uncertainties in both regional and national conditions.

Additionally, Chris Tatham, president of ETC Institute presented on August 30, 2016, the results of a Citizen Satisfaction Survey that was conducted in May and June of 2016. The report showed that among large U.S. cities, Oklahoma City's rating for the overall quality of city services and customer service are among the best.

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

A limited purpose sales tax of one-half percent was levied from January 1, 2002 until April 1, 2003; the sales tax levy increased to one percent from April 1, 2003, continuing until December 31, 2008, when it expired. On December 22, 2009, the City Council resolved to keep all residual tax collections in the City for administration. The sales tax was projected to generate more than \$500 million. Over the life of the tax the Trust collected/earned \$565.53 million to improve public schools. The program is in its 15th year and is substantially upgrading educational facilities throughout the City. The Trust has cumulatively acquired or constructed and transferred \$334.96 million in assets to the Oklahoma City Independent School District (District) as of June 30, 2016. The Trust also had \$5.01 million of projects in construction at June 30, 2016. To date the Trust granted \$154.96 million to suburban school districts and expended \$28.80 million for administration and non-capital items. The Trust is holding \$11.75 million for capital projects and \$27.09 million in completed projects not yet donated to public schools.

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

At the close of fiscal year 2016, 61 new or renovated schools were substantially complete (at least 95%): Adams Elementary, Arthur Elementary, Belle Isle Middle School, Bodine Elementary, Britton Elementary, Buchanan Elementary, Capitol Hill Elementary, Cesar Chavez Elementary, Coolidge Elementary, Classen School of Advance Studies, Cleveland Elementary, Columbus at Jackson School, Downtown School, Edgemere Elementary, Edwards Elementary, Emerson Alternative School, Eugene Field Elementary, Fillmore Elementary, Gatewood Elementary, Green Pastures Elementary, Hawthorne Elementary, Hayes Elementary, Heronville Elementary, Hillcrest Elementary, Hoover Elementary, Horace Mann Elementary, Independence Charter Middle School, Jefferson Middle School, Kaiser Elementary, Lee Elementary, Linwood Elementary, Longfellow Elementary, Mark Twain Elementary, Martin Luther King Jr. Elementary, Monroe Elementary, Nichols Hills Elementary, North Highland Elementary, Northeast Academy, Northwest Classen High School, Oakridge Elementary, Parmalee Elementary, Pierce Elementary, Prairie Queen Elementary, Putnam Heights Elementary, Quail Creek Elementary, Rancho Village Elementary, Rockwood Elementary, Rogers Middle School, Roosevelt Middle School, Sequoyah Elementary, Shidler Elementary, Southeast High School, Southern Hills Elementary, Spencer Elementary, Stand Watie Elementary, Taft Middle School, Thelma R. Parks Elementary, Webster Elementary, West Nichols Hill Elementary, Wheeler Elementary, and Wilson Elementary.

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

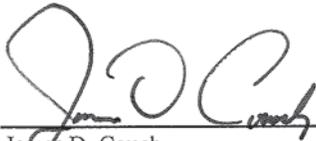
There were 16 early start roofing and 19 fire protection projects completed at 30 school sites: Adams Elementary, Bodine Elementary, Britton Elementary, Buchanan Elementary, Coolidge Elementary, Cleveland Elementary, Dunbar Elementary, Edwards Elementary, Green Pastures Elementary, Hawthorne Elementary, Independence Charter School, Jefferson Middle School, Lee Elementary, Linwood Elementary, Mark Twain Elementary, F.D. Moon Elementary, North Highland Elementary, Northwest Classen High School, Parmelle Elementary, Pierce Elementary, Putnam Heights Elementary, Rancho Village Elementary, Hoover Elementary, Rogers Elementary, Sequoyah Elementary, Shidler Elementary, Stand Watie Elementary, Spencer Elementary, Webster Elementary, and West Nichols Hills Elementary.

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

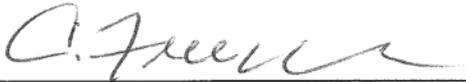
The Trust participates in the City's comprehensive accounting and budgetary system. Interim financial statements provide Trust management and other interested readers with regular financial analyses. Additionally, the Trust's management maintains budgetary controls to ensure compliance with legal provisions.

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

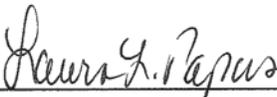
Respectfully submitted,



James D. Couch
General Manager



Craig Freeman
City of Oklahoma City
Finance Director



Laura L. Papas
City of Oklahoma City
Controller

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Financial Section

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Oklahoma City Metropolitan Area Public Schools Trust (the Trust), a discretely presented component unit of the City of Oklahoma City, Oklahoma (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Trust as of June 30, 2016 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note I.D.1.* to the financial statements, in 2016, the Trust adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Report on Prior-Period Information

The financial statements of the Trust, as of and for the year ended June 30, 2015 were audited by other auditors, whose report, dated December 4, 2015, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The schedule of revenues, expenditures, encumbrances and changes in fund balance – budget and actual, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The accompanying transmittal letter is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The transmittal letter has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 18, 2016
Wichita, KS

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, 2016 and 2015. 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 \$43,371,736 (net position) for 2016. This compares to the previous year when assets exceeded liabilities by \$111,369,978.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$4,530,058 and \$2,726,724 for 2016 and 2015, respectively, consists primarily of school construction and renovation projects.
 - (2) Net position restricted for capital projects of \$11,750,533 for 2016 and \$17,365,917 for 2015 represent the portion available to maintain the Trust's continuing obligations, restricted by constraints imposed by the city and schools sales tax.
 - (3) Net position restricted for education of \$27,091,145 and \$91,277,337 for 2016 and 2015, respectively, consists of completed school projects, held for donation to public schools.
- The Trusts's governmental fund reported total ending fund balance of \$11,229,320 this year. This compares to the prior year ending fund balance of \$16,648,191 showing a decrease of \$5,418,871 during the current year.

Overview of the Financial Statements

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

Trust-wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Fund

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

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

Notes to the Financial Statements

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

Financial Analysis

The Trust's net position for fiscal year 2016 is \$43,371,736. This is a decrease of \$67,998,242 over last year's net position, a decline in financial position. The Trust's net position will continue to decrease due to the nature of the Trust.

Summary of Net Position

	2016	2015	2016-2015 Amount of Change	2016-2015 %	2014	2015-2014 Amount of Change	2015-2014 %
Assets							
Current assets	\$11,774,276	\$17,885,281	(\$6,111,005)	(34.2%)	\$30,988,075	(\$13,102,794)	(42.3%)
Other non-current assets	27,091,145	91,277,337	(64,186,192)	(70.3)	120,095,365	(28,818,028)	(24.0)
Capital assets, net	<u>5,012,575</u>	<u>3,395,841</u>	<u>1,616,734</u>	47.6	<u>73,936,346</u>	<u>(70,540,505)</u>	(95.4)
Total assets	<u>43,877,996</u>	<u>112,558,459</u>	<u>(68,680,463)</u>	(61.0)	<u>225,019,786</u>	<u>(112,461,327)</u>	(50.0)
Liabilities							
Current liabilities	<u>506,260</u>	<u>1,188,481</u>	<u>(682,221)</u>	(57.4)	<u>5,172,356</u>	<u>(3,983,875)</u>	(77.0)
Net Position							
Net Investment in capital assets	4,530,058	2,726,724	1,803,334	66.1	68,735,200	(66,008,476)	(96.0)
Restricted for capital projects	11,750,533	17,365,917	(5,615,384)	(32.3)	31,016,868	(13,650,951)	(44.0)
Restricted for education	<u>27,091,145</u>	<u>91,277,337</u>	<u>(64,186,192)</u>	(70.3)	<u>120,095,362</u>	<u>(28,818,025)</u>	(24.0)
Total net position	<u>\$43,371,736</u>	<u>\$111,369,978</u>	<u>(\$67,998,242)</u>	(61.1)	<u>\$219,847,430</u>	<u>(\$108,477,452)</u>	(49.3)

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

The decrease in current assets of \$6.11 million at the end of fiscal year 2016 and \$13.10 million in 2015 is primarily due to reductions in cash and investments. The decrease of cash and investments of \$4.96 million and \$14.18 million at the end of fiscal year 2016 and 2015, respectively, is the result of continued decrease of resources as they are spent to fund construction projects. Intergovernmental receivables decreased \$1.15 million in 2016 and increased \$1.18 million in 2015. Intergovernmental receivables from suburban schools represent unspent advances to suburban schools; as the schools complete projects and earn the advanced funds, the receivable is reduced and expenditures are recognized. At June 30, 2016 and 2015, there were 6 suburban schools with advanced funding.

Substantially complete schools are transferred from construction in progress to other non-current assets. When the Board of Trustees officially approves the completion of school projects, the projects are then donated to the public schools and removed from other non-current assets. The decrease in other non-current assets of \$64.19 million at June 30, 2016 and \$28.82 million at June 30, 2015 is primarily the result of \$64.41 million and \$105.47 million donated to the Oklahoma City Public Schools, net of \$223 thousand and \$76.65 million in finalized but not yet donated public school projects in 2016 and 2015, respectively. The increase in capital assets at June 30, 2016, of \$1.62 million, and the decrease in capital assets at June 30, 2015, of \$70.54 million, is the result of capital project expenditures, net of finalized projects.

The decrease in current liabilities of \$682 thousand and \$3.98 million at the end of 2016 and 2015, respectively, is primarily due to fluctuations in construction payables. At the end of 2016 there were 5 active construction projects in comparison to 9 active construction projects at the end of 2015.

Summary of Changes in Net Position

	<u>2016</u>	<u>2015</u>	2016-2015 Amount of <u>Change</u>	2016-2015 % <u>Change</u>	<u>2014</u>	2015-2014 Amount of <u>Change</u>	2015-2014 % <u>Change</u>
Revenues							
Operating Grants & Contributions	\$20,389	\$10,030	\$10,359	103.3%	\$167,448	(\$157,418)	(94.0%)
Capital Grants & Contributions	50,539	-	50,539	100.0	1,598,355	(1,598,355)	(100.0)
General revenues	<u>123,269</u>	<u>-</u>	<u>123,269</u>	100.0	<u>-</u>	<u>-</u>	0.0
Total revenues	194,197	10,030	184,167	1836.2	1,765,803	(1,755,773)	(99.4)
Program expenses	<u>68,192,439</u>	<u>108,487,482</u>	<u>(40,295,043)</u>	(37.1)	<u>84,259,995</u>	<u>24,227,487</u>	28.8
Change in net position	(67,998,242)	(108,477,452)	40,479,210	37.3	(82,494,192)	(25,983,260)	(31.5)
Beginning net position	<u>111,369,978</u>	<u>219,847,430</u>	<u>(108,477,452)</u>	(49.3)	<u>302,341,622</u>	<u>(82,494,192)</u>	(27.3)
Ending net position	<u>\$43,371,736</u>	<u>\$111,369,978</u>	<u>(\$67,998,242)</u>	(61.1)	<u>\$219,847,430</u>	<u>(\$108,477,452)</u>	(49.3)

The increase in operating grants and contributions in 2016 in the amount of \$10 thousand was a direct result of an increase in interest earnings. The decrease in 2015 of \$157 thousand was the result of a reduction in interest earnings of \$57 thousand and a decrease of \$100 thousand for payments from the City's City and Schools Sales Tax Fund for community outreach services received in 2014. At June 30, 2016, the increase in capital grants and contributions in the amount of \$51 thousand was due to the donation of the John W. Rex Charter playground. At June 30, 2015, the decrease in capital grants and contributions in the amount of \$1.60 million was due to a capital contribution for the construction of the John W. Rex Charter School in 2014. At June 30, 2016, the increase in general revenues of \$123 thousand was due to reimbursements from the City Information Technology Fund for an overcharge in prior years.

In fiscal year 2016 program expenses decreased \$40.30 million. The majority of this change consisted of a decrease in assets transferred to Oklahoma City Public Schools of \$41.06 million. In fiscal year 2015 program expenses increased by \$24.23 million. The majority of this change consisted of an increase in assets transferred to Oklahoma City Public Schools of \$25.52 million and an increase in distributed computer supplies to public schools of \$149 thousand, net of a decrease of \$1.30 million in distributions to suburban schools. In 2016 13 Oklahoma City Public Schools were donated compared to 20 schools in 2015.

Capital Assets

The Trust's investment in capital assets at June 30, 2016 and 2015, is \$5,012,575 and \$3,395,841, respectively.

	Capital Assets						
	<u>2016</u>	<u>2015</u>	<u>2016-2015</u> Amount <u>Change</u>	<u>2016-2015</u> %	<u>2014</u>	<u>2015-2014</u> Amount <u>Change</u>	<u>2015-2014</u> %
Construction in progress	<u>\$5,012,575</u>	<u>\$3,395,841</u>	<u>\$1,616,734</u>	47.6%	<u>\$73,936,346</u>	<u>(\$70,540,505)</u>	(95.4%)

The increase in capital assets of \$1.62 million in 2016 was due to construction expenditures of \$1.84 million, net of \$223 thousand in completed projects. In 2016 construction expenditures were primarily for the Emerson Alternative School's renovation and clinic, Downtown School, Columbus at Jackson School and the Cesar Chavez classroom and gym. During 2016 there was one project completed for the school paving at Jackson Elementary. The decrease in capital assets of \$70.54 million in 2015 was due to construction of \$6.11 million, net of \$76.65 million in completed projects. In 2015 construction expenditures were made for 12 schools. During 2015 projects were completed for 11 schools. See Note II. C. for more information regarding capital assets.

As of June 30, 2016 and 2015, the Trust was managing 5 and 9 construction projects, respectively. Since its inception, the Trust considered and approved nearly 519 suburban school project grants and has disbursed over \$166.03 million as of June 30, 2016.

Economic Factors

Due to the nature of the Trust, changes in the economy do not translate into an increased financial position in the Trust.

Contacting the Trust's Financial Management

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

Basic Financial Statements

Trust-wide Financial Statements

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

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

Fund Financial Statements

Governmental Fund Financial Statements

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

STATEMENTS OF NET POSITION
June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Non-pooled cash-----	\$10,292,569	\$15,263,525
Investments-----	59,632	49,738
Interest, dividends, and royalties receivable-----	34	-
Intergovernmental receivable and advanced funding-----	1,422,041	2,572,018
Total current assets-----	11,774,276	17,885,281
<u>NON-CURRENT ASSETS</u>		
Completed projects not yet donated to public schools-----	27,091,145	91,277,337
Capital assets:		
Land and construction in progress-----	5,012,575	3,395,841
Total non-current assets-----	32,103,720	94,673,178
Total assets-----	43,877,996	112,558,459
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses-----	433,969	1,135,117
Payable to City of Oklahoma City, General Fund-----	72,291	53,364
Total liabilities-----	506,260	1,188,481
<u>NET POSITION</u>		
Net investment in capital assets-----	4,530,058	2,726,724
Restricted for:		
Capital projects-----	11,750,533	17,365,917
Education-----	27,091,145	91,277,337
Total net position-----	\$43,371,736	\$111,369,978

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIES
For the Years Ended June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2016</u>	<u>2015</u>
<u>PROGRAM EXPENSES</u>		
<u>EDUCATION</u>		
Materials and supplies-----	\$1,326,034	\$975,587
Professional services-----	185,792	116,298
Payments to suburban schools-----	2,196,884	1,762,042
Payments to City of Oklahoma City, City and Schools Sales Tax Fund-----	74,380	148,511
Other services and charges-----	-	18,299
Assets donated to public schools-----	64,409,349	105,466,745
Total program expenses-----	68,192,439	108,487,482
<u>PROGRAM REVENUES</u>		
<u>OPERATING GRANTS AND CONTRIBUTIONS</u>		
Restricted investment income-----	20,389	10,030
Total operating grants and contributions-----	20,389	10,030
<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>		
Other capital grants and contributions-----	50,539	-
Total program revenues-----	70,928	10,030
Net program expense-----	(68,121,511)	(108,477,452)
<u>GENERAL REVENUES</u>		
Other-----	123,269	-
Changes in net position-----	(67,998,242)	(108,477,452)
Net position-beginning-----	111,369,978	219,847,430
Net position-ending-----	\$43,371,736	\$111,369,978

See accompanying notes to financial statements.

BALANCE SHEETS
June 30,

OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Non-pooled cash-----	\$10,292,569	\$15,263,525
Investments-----	59,632	49,738
Interest receivable-----	34	-
Intergovernmental receivable and advance funding-----	1,422,041	2,572,018
Total assets-----	<u><u>\$11,774,276</u></u>	<u><u>\$17,885,281</u></u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,</u>		
<u>AND FUND BALANCES</u>		
<u>LIABILITIES</u>		
Accounts payable-----	\$433,969	\$1,135,117
Payable to City of Oklahoma City, General Fund-----	72,291	53,364
Total liabilities-----	506,260	1,188,481
<u>DEFERRED INFLOWS OF RESOURCES-----</u>	<u>38,696</u>	<u>48,609</u>
<u>FUND BALANCES</u>		
Non-spendable-----	1,383,328	2,523,409
Restricted-----	9,845,992	14,124,782
Total fund balances-----	11,229,320	16,648,191
Total liabilities, deferred inflows of resources,		
fund balances-----	<u><u>\$11,774,276</u></u>	<u><u>\$17,885,281</u></u>
<u>RECONCILIATION OF THE BALANCE SHEETS TO</u>		
<u>THE STATEMENTS OF NET POSITION</u>		
Total fund balances-----	\$11,229,320	\$16,648,191
Capital assets-----	5,012,575	3,395,841
Earned but unavailable revenue-----	38,696	48,609
Completed projects not yet donated to public schools-----	27,091,145	91,277,337
Total net position-----	<u><u>\$43,371,736</u></u>	<u><u>\$111,369,978</u></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>2016</u>	<u>2015</u>
<u>REVENUES</u>		
Investment income-----	\$20,389	\$10,030
Capital revenue-----	50,539	-
Other-----	123,269	-
Total revenues-----	<u>194,197</u>	<u>10,030</u>
<u>EXPENDITURES</u>		
<u>CURRENT:</u>		
Materials and supplies-----	1,326,034	975,587
Professional services-----	185,792	116,298
Payments to City of Oklahoma City, City and Schools Sales Tax Fund-----	74,380	148,511
Payments to suburban schools-----	2,186,971	1,747,231
Other services and charges-----	-	18,299
Capital outlay-----	1,839,891	6,108,212
Total expenditures-----	<u>5,613,068</u>	<u>9,114,138</u>
Net change in fund balances-----	<u>(5,418,871)</u>	<u>(9,104,108)</u>
Fund balances, beginning-----	16,648,191	25,752,299
Fund balances, ending-----	<u>\$11,229,320</u>	<u>\$16,648,191</u>
<u>RECONCILIATION OF STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES</u>		
Net change in fund balances-----	(\$5,418,871)	(\$9,104,108)
Capital outlay-----	1,839,891	6,108,212
Assets donated to public schools-----	(64,409,349)	(105,466,745)
Recognition of earned but unavailable revenue-----	(9,913)	(14,811)
Change in net deficit-----	<u>(\$67,998,242)</u>	<u>(\$108,477,452)</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 (CITY)

The Trust was created as a public trust pursuant to Title 60 of the Oklahoma Statutes, Section 176, et seq. on August 14, 2001, with the 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 received sales taxes designated for education collected by the City and passed to the Trust.

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

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

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

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

Trust Administration

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

I. B. 2. BASIC FINANCIAL STATEMENTS

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

Trust-wide Financial Statements

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

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

Fund Financial Statements

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

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

Trust-wide Financial Statements

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

Fund Financial Statements

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

I. C. BUDGET LAW AND PRACTICE

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

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

I. D. 1. CASH AND INVESTMENTS

Implementation of New Accounting Standard

Effective July 1, 2015, the Trust implemented GASB statement number 72, Fair Value Measurement and Application. This statement is designed to enhance comparability of financial statements among governments by requiring consistent definitions of fair value and accepted valuation techniques in the measurement of fair value. It also provides additional disclosure to provide information about the impact of fair value measurements on financial position.

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

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting guidance establishes a consistent framework for measuring fair value and establishes a fair value hierarchy based on the observability of inputs used to measure fair value. These different levels of valuation hierarchy are described as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable.

Level 3 - Significant unobservable prices or inputs.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

I. D. 2. OTHER NON-CURRENT ASSETS

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

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

I. D. 3. CAPITAL ASSETS AND DEPRECIATION

The Trust capitalizes assets as purchases and construction outlays occur. The Trust's capital assets are entirely comprised of construction in progress and are not depreciable. It is the intent of the Trust to transfer ownership of constructed assets to the public schools. As capital projects are completed the assets are reclassified to other non-current assets. The assets are donated to the public schools and are reported as education expense in the statement of activities. These assets are not depreciating while held in the Trust.

I. D. 4. DEFERRED INFLOWS OF RESOURCES

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

I. D. 5. FUND EQUITY

Fund Balance

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

Fund Balance Usage

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

Net Position

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

Net Investments in Capital Assets

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

Restricted Net Position

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

I. D. 6. USE OF ESTIMATES

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

I. D. 7. RISK FINANCING

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

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

I. E. MAJOR REVENUES

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

I. F. TAX STATUS

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

I. G. RETAINAGES

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

II. ASSETS

II. A. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Trust's deposits may not be returned or the Trust will not be able to recover collateral securities in the possession of an outside party. The Trust's policy requires deposits to be 110 percent secured by collateral valued at market less the amount of the Federal depository insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health, as determined by the bank's institutional rating provided by commercially available bank rating services or on 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 by the City Treasurer of the institutions' financial strength in accordance with the investment policy.

At June 30, 2016 and 2015, the Trust's cash is collateralized with securities held by the pledging financial institution in the name of the Trust or the City, less Federal depository insurance.

Investments

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

The following tables provide cost and fair value measurement information for the System's assets.

		June 30, 2016						
	<u>Cost</u>	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Money market (4)(5)	<u>\$59,632</u>	<u>\$59,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	AAA/Aaa	1.47
		June 30, 2015						
	<u>Cost</u>	Fair Value/ Carrying Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Measured at NAV (1)	Average Credit Quality/ Ratings (2)	Weighted Average (months) (3)
Money market (4)(5)	<u>\$49,738</u>	<u>\$49,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	AAA/Aaa	1.77

- (1) The net asset value (NAV) is a practical expedient to estimate fair value.
- (2) Ratings are provided where applicable to indicate associated credit risk.
- (3) Interest rate risk is estimated using weighted average months to maturity.
- (4) Valued at cost.
- (5) Consists solely of U.S. Treasury securities.

Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value in the tables above. There have been no changes in the methodologies used at June 30, 2016 and 2015.

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Money market funds fair value approximates cost and therefore do not report a fair value measurement.

Investment Policy

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

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

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

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

Portfolio Structure (1)

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

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

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

Securities Held by Others

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

Compliance with State Requirements

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

II. B. INTERGOVERNMENTAL RECEIVABLES AND ADVANCE FUNDING

The Trust reported intergovernmental receivables for cost reimbursements from Oklahoma City Public Schools for shared costs related to project administration. The Trust reported \$38,713 and \$48,609 at June 30, 2016 and 2015, respectively.

The Trust reported intergovernmental advance funding related to amounts granted to suburban school districts that have not been expended by the suburban schools of \$1,383,328 and \$2,523,409 as of June 30, 2016 and 2015, respectively.

II. C. CAPITAL ASSETS

Changes in Capital Assets

	<u>2016</u>		<u>2015</u>
	Construction in Progress		Construction in Progress
Capital Assets		Capital Assets	
Balance, June 30, 2015	\$3,395,841	Balance, June 30, 2014	\$73,936,346
Increases	1,839,891	Increases	6,108,212
Decreases	<u>(223,157)</u>	Decreases	<u>(76,648,717)</u>
Balance, June 30, 2016	<u>\$5,012,575</u>	Balance, June 30, 2015	<u>\$3,395,841</u>

II. D. OTHER ASSETS

Completed Projects Not Yet Donated to Public Schools

The Trust reported \$27,091,145 and \$91,277,337 as of June 30, 2016 and 2015, respectively, related to completed public school projects that have not been formally donated to the public schools.

	<u>2016</u>		<u>2015</u>
Balance, June 30, 2015	\$91,277,337	Balance, June 30, 2014	\$120,095,365
Completed projects	223,157	Completed projects	76,648,717
Assets donated	<u>(64,409,349)</u>	Assets donated	<u>(105,466,745)</u>
Balance, June 30, 2016	<u>\$27,091,145</u>	Balance, June 30, 2015	<u>\$91,277,337</u>

III. LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources - Unavailable Revenues

Unavailable revenues are reported in governmental funds and represent revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Unavailable revenue received after 60 days is fully recognized as revenue in the government-wide statements. At June 30, 2016 and 2015, the Trust reported \$38,696 and \$48,609, respectively, as unavailable for amounts receivable from Oklahoma City Public Schools.

IV. FUND EQUITY

IV. A. FUND BALANCE

Non-Spendable

	<u>2016</u>	<u>2015</u>
Intergovernmental advance funding	<u>\$1,383,328</u>	<u>\$2,523,409</u>

Restricted

	<u>2016</u>	<u>2015</u>
Restricted for capital projects	<u>\$9,845,992</u>	<u>\$14,124,782</u>

Encumbrances of \$1,055,931 and \$3,660,329 at June 30, 2016 and 2015, respectively, are reported with restricted fund balance.

IV. B. NET POSITION

Net Investment in Capital Assets

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$5,012,575	\$3,395,841
Retainages and capital related accounts payable	(482,517)	(669,117)
	<u>\$4,530,058</u>	<u>\$2,726,724</u>

Restricted

	<u>2016</u>	<u>2015</u>
Restricted for capital projects	\$11,750,533	\$17,365,917
Restricted for education	<u>27,091,145</u>	<u>91,277,337</u>
	<u>\$38,841,678</u>	<u>\$108,643,254</u>

V. INTERFUND TRANSACTIONS

V. A. INTERFUND BALANCES

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

	<u>Purpose</u>	<u>2016</u>	<u>2015</u>
Payable to Primary Government			
City General Fund	Reimbursement for capital administration costs	<u>\$72,291</u>	<u>\$53,364</u>

V. B. INTERFUND PAYMENTS TO/FROM THE CITY

	<u>Purpose</u>	<u>2016</u>	<u>2015</u>
Payments to Primary Government			
City City and Schools Sales Tax Fund	Banking services, and information technology charges	<u>\$74,380</u>	<u>\$148,511</u>

VI. CONSTRUCTION COMMITMENTS

At June 30, 2016 and 2015, the Trust has outstanding construction commitments under contracts of \$811,398 and \$2,173,132, respectively.

Supplementary Information

**SCHEDULE OF REVENUES, EXPENDITURES,
ENCUMBRANCES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Inception to June 30, 2016**

**OKLAHOMA CITY METROPOLITAN
AREA PUBLIC SCHOOLS TRUST**

	Original Budget	Revisions	Revised Budget (1)	Expenditures	Encumbrances	Total Actual	Variance
REVENUES							
PAYMENTS FROM CITY OF OKLAHOMA CITY							
Oklahoma City Public School District-----	\$349,787,876	\$ -	\$349,787,876			\$349,911,145	\$123,269
Suburban Public School Districts-----	150,050,871	-	150,050,871			150,115,252	64,381
Trust Administration-----	999,867	-	999,867			1,085,291	85,424
Total payments from City of Oklahoma City-----	<u>500,838,614</u>	<u>-</u>	<u>500,838,614</u>			<u>501,111,688</u>	<u>273,074</u>
INVESTMENT INCOME							
Oklahoma City Public School District-----	49,225,229	-	49,225,229			49,447,870	222,641
Suburban Public School Districts-----	5,179,306	-	5,179,306			5,232,483	53,177
Trust Administration-----	(16,283)	-	(16,283)			(15,737)	546
Total investment income-----	<u>54,388,252</u>	<u>-</u>	<u>54,388,252</u>			<u>54,664,616</u>	<u>276,364</u>
Educare-----	579,673	-	579,673			579,673	-
Wilson Arts-----	735,477	-	735,477			735,477	-
GRANT REVENUE							
Oklahoma City Public School District-----	126,301	-	126,301			1,972,350	1,846,049
OTHER REVENUE							
Oklahoma City Public School District-----	2,748,888	-	2,748,888			9,107,947	6,359,059
Suburban Public School Districts-----	10,957,411	-	10,957,411			11,066,557	109,146
Trust Administration-----	100	-	100			100	-
Total other revenue-----	<u>13,706,399</u>	<u>-</u>	<u>13,706,399</u>			<u>20,174,604</u>	<u>6,468,205</u>
Total revenues-----	<u>570,374,716</u>	<u>-</u>	<u>570,374,716</u>			<u>579,238,408</u>	<u>8,863,692</u>
EXPENDITURES AND ENCUMBRANCES							
EDUCATION							
Oklahoma City Public School District:							
Other services and charges-----	2,003,354	-	2,003,354	\$1,950,514	\$ -	1,950,514	52,840
Supplies-----	25,866,004	-	25,866,004	25,727,588	105,243	25,832,831	33,173
Capital outlay-----	375,312,530	-	375,312,530	374,320,130	950,688	375,270,818	41,712
Suburban Public School Districts:							
Other services and charges-----	166,051,929	-	166,051,929	166,028,736	-	166,028,736	23,193
Trust Administration:							
Other services and charges-----	1,119,344	-	1,119,344	1,097,481	-	1,097,481	21,863
Capital outlay-----	21,555	-	21,555	21,555	-	21,555	-
Total education-----	<u>570,374,716</u>	<u>-</u>	<u>570,374,716</u>	<u>569,146,004</u>	<u>1,055,931</u>	<u>570,201,935</u>	<u>172,781</u>
Total expenditures and encumbrances-----	<u>570,374,716</u>	<u>-</u>	<u>570,374,716</u>	<u>\$569,146,004</u>	<u>\$1,055,931</u>	<u>570,201,935</u>	<u>172,781</u>
Ending fund balance including encumbrances-----	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>9,036,473</u>	<u>\$9,036,473</u>

RECONCILIATION OF FUND BALANCE NON-GAAP BUDGETARY BASIS TO GENERALLY

ACCEPTED ACCOUNTING PRINCIPLES

Current year encumbrances included in expenditures-----	1,055,931
Revenue and transfer accruals-----	1,383,367
Expenditure and transfer accruals-----	(246,451)
Fund balance, ending (GAAP basis)-----	<u>\$11,229,320</u>

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

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

To the Board of Trustees

Oklahoma City Metropolitan Area Public Schools Trust
Oklahoma City, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Oklahoma City Metropolitan Area Public Schools Trust (Trust) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 18, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

November 18, 2016
Wichita, Kansas

