



***Edmond Public Schools
Oklahoma County, Oklahoma***

Financial Statements
Year-End June 30, 2019

Edmond Independent School District No. 12
Oklahoma County, Oklahoma
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June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Edmond Independent School District No. 12, Oklahoma County, Oklahoma
Edmond, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Edmond Independent School District No.12, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed by the Oklahoma State Department of Education described in Note 1; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 of 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by Edmond Independent School District No.12, Oklahoma County, Oklahoma, on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of Oklahoma State Department of Education. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Edmond Independent School District No.12, Oklahoma County, Oklahoma, as of June 30, 2019, the changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position on a regulatory basis of the governmental activities, each major fund, and the aggregate remaining fund information of the Edmond Independent School District No.12, Oklahoma County, Oklahoma, as of June 30, 2019, and the respective changes in regulatory basis financial position thereof for the year then ended, in accordance with the financial reporting provisions of Oklahoma State Department of Education as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Edmond Independent School District No.12, Oklahoma County, Oklahoma’s basic financial statements as a whole. The management discussion and analysis, budgetary comparison schedules, combining nonmajor fund financial statements, statement of changes in activity fund subaccounts and statement of statutory fidelity and honesty bonds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, statement of changes in activity fund subaccounts and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 financial statements or to the 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 financial statements as a whole.

The Oklahoma Department of Education requires management discussion and analysis, budgetary information and the statement of statutory fidelity and honesty bonds be presented to supplement the financial statements. Such information, although not considered part of the basic financial statements, is required by the Oklahoma Department of Education, who considers it an essential part of the financial reporting. We have applied certain limited procedures to this supplemental information which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2020, on our consideration of the Edmond Independent School District No.12, Oklahoma County, Oklahoma'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 solely 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 effectiveness of Edmond Independent School District No.12, Oklahoma County, Oklahoma's 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 Edmond Independent School District No.12, Oklahoma County, Oklahoma's internal control over financial reporting and compliance.

Mary E Johnson & Associates PLLC

Ardmore, Oklahoma

January 21, 2020

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2019

This section of Edmond Public Schools Independent School District No. 12's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

VIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts -- management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund regulatory financial statements* that focus on *individual parts* of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short term* as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed *data*. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma Department of Education as more fully described in Note 1 to the financial statements.

Figure A-1 summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12**

Management's Discussion and Analysis
June 30, 2019

**Figure A-1
Major Features of District-Wide and Fund Financial Statements**

| | <u>District-wide Statements</u> | <u>Fund Financial Statements</u> <u>Governmental Funds</u> |
|---|--|---|
| Scope | Entire district (except fiduciary funds) | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance |
| Required financial statements | 1) Statement of net position-regulatory basis 2) Statement of activities-regulatory basis | 1) Balance sheet-regulatory basis 2) Statement of revenues, expenditures, and changes in fund balances-regulatory basis |
| Accounting basis and measurement focus | Regulatory basis as described above | Regulatory basis as described above |
| Type of asset/liability information | All assets and liabilities, both financial and capital, short-term and long-term | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable |

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's capital assets and long-term liabilities.

The two district-wide statements report the District's net position. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are categorized as governmental activities.

Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

**EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12**

Management's Discussion and Analysis
June 30, 2019

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues.

Most of the District's basic services are included in *governmental funds*, which generally focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Table A-2
Edmond Public Schools
Net Position
(in millions of dollars)**

| | 2017 | 2018 | 2019 |
|---|----------------|----------------|----------------|
| Current and other assets | \$179.8 | \$192.1 | \$197.7 |
| Capital assets | 392.5 | 418.9 | 454.8 |
| Total assets | \$572.3 | \$611.0 | \$652.5 |
| Long-term obligations | \$158.9 | \$167.1 | \$169.5 |
| Other liabilities | 19.9 | 21.8 | 23.3 |
| Total liabilities | \$178.8 | \$188.9 | \$192.8 |
| Net position: | | | |
| Invested in capital assets, net of debt | \$311.2 | \$331.7 | \$366.1 |
| Restricted | 41.3 | 44.2 | 46.5 |
| Unrestricted | 41.0 | 46.2 | 47.1 |
| Total net position | \$393.5 | \$422.1 | \$459.7 |

**EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12**

Management's Discussion and Analysis
June 30, 2019

Net Position

The major contributor to the change in net position was the acquisition of new capital assets, primarily the construction of new facilities.

Table A-3
Edmond Public Schools
Changes in Net Position
(in millions of dollars)

| | 2017 | 2018 | 2019 |
|---------------------------------|---------------|---------------|---------------|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | \$15.2 | \$15.0 | \$21.9 |
| Federal and State grants | 13.6 | 12.9 | 15.4 |
| General revenues | | | |
| Property taxes | 122.6 | 129.4 | 133.8 |
| Other taxes | 19.1 | 20.1 | 20.3 |
| Federal entitlement | -- | -- | -- |
| State entitlement | 41.4 | 41.1 | 55.9 |
| Other general revenues | 1.8 | 3.4 | 4.3 |
| Total revenues | \$213.7 | \$221.9 | \$251.6 |
| Expenses | | | |
| Program expenses | | | |
| Instruction | \$93.4 | \$96.3 | \$111.4 |
| Support services | 61.5 | 67.2 | 71.5 |
| Non-instruction | 13.3 | 12.9 | 12.9 |
| Interest on long-term debt | 2.8 | 3.1 | 3.6 |
| Depreciation-unallocated | 12.7 | 13.8 | 14.6 |
| Total expenses | \$183.7 | \$193.3 | \$214.0 |
| Increase in net position | \$30.0 | \$28.6 | \$37.6 |
| Beginning Net Position | 363.5 | 393.5 | 422.1 |
| Ending Net Position | \$393.5 | \$422.1 | \$459.7 |

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2019

Changes in Net Position

In 2019 the District's revenues increased \$29.7 million from the prior year (See Table A-3). The most significant variance from the prior year was in state entitlement arising from a legislatively funded teacher pay raise. Of the \$14.8 million increase in state entitlement, \$13.9 million was related to increasing the state minimum teacher salary schedule by an average of \$6,100 and funding support personnel pay raises of \$1,250 per full-time support employee. Other state increases included the flexible benefit reimbursement for health insurance which increased by \$781,000.

Revenue from property taxes increased \$4.4 million over the prior year. This increase resulted from an increase of 2.9% in the District's property valuation from \$1.939 billion to \$1.996 billion and an increase in the millage rate from 67.08 mills to 67.22 mills. The millage rate varies from year to year because of the changing sinking fund levy as old bonds are retired and new bonds are added. When planning bond elections, the District strives to maintain the millage rates as level as possible within the range of 66.26 to 67.26 mills.

Overall program revenues increased \$9.4 million from the prior year, which is a combination of increases in charges for services and in federal and state grants. The increase in charges for services of \$6.9 million is substantially attributable to receipt of funds from the City of Edmond totaling \$7.1 million for architectural fees and construction costs for an indoor/outdoor tennis center that is being built by the District on land leased from the City of Edmond with funding from both the City contribution and District bond funds.

Increases in federal and state grants of \$2.5 million included almost \$1.6 million of restored funding for programs that had been cut in prior years. The restored program funding included \$1.2 million in state textbook funding that had been eliminated in the two prior years, National Board Certified Teacher (NBCT) bonus increases of \$229,000 as a result of legislation to restore bonus payments to speech pathologists and psychologists which had been eliminated in the two prior years, and Achieving Classroom Excellence (ACE) Technology funding of \$124,000 which was not funded in the prior year. Other increases resulted from growth in Title I, IDEA, Indian education, and federal lunch programs accounting for \$505,000 of the increase as well as competitive grants which contributed to the increase by \$406,000.

The largest component of other general revenues is investment income. Continued increases in interest rates produced a 52% increase in investment earnings over the prior year from \$2.3 million to \$3.5 million government-wide. However, netting against that increase was a decrease in premium and accrued interest on issuance of bonds of \$463,000. Together these account for \$737,000 of the \$900,000 increase in other general revenues.

Other taxes increased \$200,000 over the prior year, essentially from increases in motor vehicle collections.

Program expenses increased \$20.7 million. Approximately 94% of the increase was in the areas of instruction and support services. The remaining increase of 6% is largely due to increased bond

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2019

activity, to include spending bond proceeds to construct and equip facilities, increased depreciation expense, and debt service costs.

The increase in instructional program expense was \$15.1 million which primarily consisted of a \$14.6 million increase in personnel costs (legislated teacher pay raise plus additional District payroll cost for step raises and other salary adjustments, new personnel, and the Teachers' Retirement benefit on raises). The non-personnel related portion of the increase comes from increased spending for co-curricular supplies of \$386,000, books of \$131,000, technology-related and audiovisual supplies of \$198,000, and band uniforms of \$89,000, offset by a net decrease in supplemental textbooks of \$455,000.

Expenditures for support services increased by \$4.3 million, which primarily consisted of a \$6.0 million increase in support personnel costs due to a \$1.21 per hour pay raise as well as new positions and step increases. This was offset by spending decreases for technology-related supplies of \$1.5 million, repairs and maintenance of \$444,000, and audiovisual equipment of \$272,000. Another large decrease was due to the student trip to London in December 2017 which reflected \$1.0 million in expense in 2018, but was non-recurring in 2019. The District increased spending for security services by \$360,000, donations by \$233,000, construction contractor services by \$224,000, small furniture and fixtures by \$202,000, professional development by \$155,000, cleaning and laundry services by \$118,000, technical services by \$116,000 and electricity by \$108,000.

Non-instruction expenses overall did not fluctuate from the prior year. There was an increase in food and milk purchases of \$182,000 as a result of more serving days (2018 had nine teacher walk-out days and two inclement weather days, while 2019 had five inclement weather days plus two days that only Angie Debo Elementary was closed due to a water line break). There was also increased personnel cost due to the pay raises and step increases for non-instructional staff of \$672,000. However, offsetting much of those increases were reductions in merchandise purchased for resale and donations from the activity fund.

Interest costs increased \$600,000 over the prior year due to higher balances in bonds outstanding and increased interest rates on the more recent bond issues.

Depreciation expense increased \$800,000 due to capital asset construction and acquisition.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District's funds are reflected in the balance sheet for governmental funds report on page 16. The District's balance sheet for all funds reflects a combined fund balance of \$126.2 million, an increase of \$2.4 million over the prior year. The overall increase is attributed to a \$1.0 million increase in the general fund, a \$928,000 increase in the building fund, a \$787,000 increase in the capital project funds (bond funds), and a \$278,000 increase in the gift fund, offset by decreases of \$241,000 in the debt service fund, \$29,000 in the activity fund and \$267,000 in the child nutrition fund.

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2019

General Fund Budgetary Highlights for 2019

The 2018 legislative session was historic for education in Oklahoma. Successive years of budget cuts and teacher shortages pushed teachers into advocacy. Under this pressure, legislators approved a substantial teacher pay raise for 2019 and the tax measures necessary to fund it. The teacher pay raise ranged from \$5,001 to \$8,815, depending on the placement on the salary schedule with \$6,100 being the average raise. Raises for school support personnel of \$1,250 per full time employee were also legislated. The funding bill for 2019 also restored textbook funding which had been eliminated in the two prior years. The state economy improved in 2019 and for the first time since 2015, the original appropriations were funded without shortfalls or mid-year cuts.

In the general fund, local revenue increased consistent with the increase in property valuations in the District. Investment earnings exceeded the budget by \$397,000 or 67% due to higher interest rates. Because there were no state aid cuts in the second half of the year as were anticipated in the budget, there was a positive variance of \$586,000 in state aid collections from budget. There were also favorable budget variances in the flexible benefit allowance for health insurance of \$177,000 due to increased participation, the NBCT bonus of \$259,000 due to inclusion of speech pathologists and psychologists, and competitive technology grants of \$124,000 due to increased state funding.

Employee wages and benefits continue to comprise the largest portion of the expenditure budget. Total 2019 payroll cost was \$159.0 million, 95% of the District's total general fund expenditures. This represents an increase of \$21.3 million over the prior year. The increase is primarily due to legislated pay raises which accounted for \$13.9 million of the increase with \$3.2 million in step raises and other increases. Another \$4.2 million of the increase in payroll was due to new positions. General fund expenditures, excluding those expenses reimbursed by other programs, were 74.2% instruction and student services, 4.6% instructional support, 6.5% facilities operations, 6.3% school administration, 4.6% student transportation, 2.6% central services and 1.2% general administration.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2019, the District completed \$28.9 million in construction projects, including completion of the football stadium and parking at North High School. Completed projects at elementary schools included additions at Ida Freeman, John Ross, Orvis Risner, and Heritage elementary schools and fire system upgrades at Clegern. Also completed were HVAC replacements at Ida Freeman Elementary and Cimarron Middle School and roofing and flooring projects at various sites.

On June 30, 2019, the District had bond funds available, including accumulated interest, of \$79.7 million, which will be spent on capital projects including a tennis center in conjunction with the City of Edmond; construction of the District's 18th elementary school; purchase of land for the District's 19th elementary school; additions of classrooms, gymnasiums, and multi-purpose rooms which will dual purpose as storm shelters; site renovations; parking and road improvements; completion of football stadium and track upgrades at Memorial High School; auditorium improvements at all three high schools; and instructional, technology and transportation equipment. Accumulated bond fund interest accounted for \$3.5 million of the bond funds available.

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2019

Edmond Memorial High School football stadium opened September 2019.

Long-term Debt

At fiscal year end, the District had \$168.4 million in total long-term debt outstanding. This is a net increase of \$2.3 million from last year's amount of \$166.1 million. The District issued new bonds totaling \$47.7 million and retired \$45.4 million of outstanding bonds.

In February 2019, voters in the District approved the issuance of bonds totaling \$93 million, to be issued in four series over a two-year period. The issuance plan minimized fluctuations in patrons' taxes and also staggered construction requirements. The first installment in the amount of \$25.2 million was issued in March 2019, and the second installment of \$17 million was issued in August 2019. The third installment of \$30.8 million will issued in March 2020, and the fourth installment of \$20 million will be issued in August 2020. Projects include land purchase for an elementary school, construction of two elementary schools, a multi-purpose room/storm shelter at Will Rogers Elementary, a multi-purpose/STEM room storm shelter at Cross Timbers Elementary, a classroom addition/storm shelter at Heritage elementary, a classroom addition at Summit Middle School, a practice gymnasium at Cheyenne Middle School, a classroom addition at Heartland Middle School, a secured entrance and classrooms at Memorial High School, auditorium improvements at Memorial, North and Santa Fe High Schools, gymnasium improvements at Boulevard Academy, improvements to the transportation facility, buses and district vehicles, school security upgrades, technology and school equipment, roofing, flooring, and HVAC replacements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2019 legislature continued to focus on education after the momentum of the teacher walkout in the prior year. The legislature balanced the desire to provide a teacher pay raise of \$1,220 with the tenant of local control by appropriating money to cover a pay raise at that level without legislating an increase to the state minimum teacher salary. There were no appropriations specific to support personnel pay raises, however, the legislature did provide funding for general operations. Additionally, the legislature appropriated funding for the Reading Sufficiency Act. Increased funding to Career Tech also had a positive impact for common education in restoring full funding to K-12 districts for pass-through programs.

Oklahoma's economic recovery continued strong through August 2019 but has started to slow due to declining oil prices. State collections are currently at levels which should allow for full funding of appropriations, but should be monitored closely for adverse changes. Interest rates have declined 35% since the first quarter of 2019.

Local property growth, both residential and commercial, in Edmond is still strong. Property valuation is anticipated to increase an average of 2.5% to 3% over the next two years.

In February 2018, the Court of Civil Appeals found that the Oklahoma Tax Commission had incorrectly allocated motor vehicle collections, to the benefit of some districts and the detriment of

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2019

others, and that adjustments to correct the previous payments would be made on 13 future payments to begin February 2019. The first correcting payment was made in February 2019, but then corrections were halted due to a petition filed with the Oklahoma Supreme Court alleging that "disadvantaged" districts were already compensated for the underpayments by function of the state aid equalization formula. By its decision in April 2019, the Supreme Court declined to stop the correcting payments and ordered that they resume for the 12 months beginning July 2019. The effect on Edmond is a reduction of \$2.441 million, of which \$2.253 million will occur in 2020. Because motor vehicle collections are equalized statewide as part of the state aid formula, the decrease in motor vehicle collections in 2020 will lessen the chargeables against state aid in the following year.

Enrollment growth is projected at the rate of about 300 students per year over the next couple of years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Smith, Treasurer, 1001 W. Danforth, Edmond, OK 73003.

BASIC FINANCIAL STATEMENTS

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Statement of Net Position – Regulatory Basis
June 30, 2019

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and Cash Investments | \$ 163,877,762 |
| Investments | 33,423,113 |
| Other Current Assets | 15,396 |
| Inventories | 417,402 |
| Capital Assets: | |
| Land and Construction in Progress | 66,237,859 |
| Other Capital Assets, net of depreciation | <u>388,576,768</u> |
| Total Assets | <u>\$ 652,548,300</u> |
| LIABILITIES AND EQUITY | |
| Current Liabilities | |
| Warrants Outstanding | \$ 7,095,552 |
| Salaries and Related Benefits | 15,541,634 |
| Vendor Obligations Payable | 210 |
| Reserve for Encumbrances | 727,634 |
| Long -term liabilities | |
| Due within One Year | 47,666,000 |
| Due in More than One Year | <u>121,863,215</u> |
| Total Liabilities | <u>\$ 192,894,245</u> |
| Net Position | |
| Net Investments in Capital Assets | \$ 366,092,115 |
| Restricted for | |
| Debt Service | 34,021,323 |
| School Organizations | 3,746,710 |
| Child Nutrition | 1,578,194 |
| Buildings | 6,675,180 |
| Instructional Grants | 416,665 |
| Unrestricted | <u>47,123,868</u> |
| Total Net Position | <u>\$ 459,654,055</u> |

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Statement of Activities– Regulatory Basis
For the Year Ended June 30, 2019

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position Primary Government |
|--|-------------------------|--|--|------|--|
| Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | | Governmental Activities |
| <i>Functions/Programs</i> | | | | | |
| <i>Primary Government</i> | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Instruction | \$ 111,383,922 | \$ 82,230 | \$ 9,657,226 | \$ - | \$ (101,644,466) |
| Support Services | 71,508,696 | 5,325,801 | 771,237 | - | (65,411,658) |
| Non-Instruction Services | 12,868,255 | 16,488,463 | 4,985,585 | - | 8,605,793 |
| Interest on Long-Term Debt | 3,634,900 | - | - | - | (3,634,900) |
| Depreciation-Unallocated | 14,633,206 | - | - | - | (14,633,206) |
| Total Governmental Activities | \$ 214,028,979 | \$ 21,896,494 | \$ 15,414,048 | \$ - | \$ (176,718,437) |
| <i>General Revenues</i> | | | | | |
| <i>Taxes</i> | | | | | |
| Property taxes, levied for general purposes | | | | | \$ 73,563,712 |
| Property taxes, levied for building purposes | | | | | 10,502,697 |
| Property taxes, levied for sinking fund purposes | | | | | 49,710,569 |
| General Taxes | | | | | 20,310,463 |
| Investment Earnings | | | | | 4,275,017 |
| State Aid - Formula grant | | | | | 55,901,433 |
| Loss on disposal of property | | | | | 40,625 |
| Total General Revenues | | | | | \$ 214,304,516 |
| Change in Net Position | | | | | \$ 37,586,079 |
| Net Position - Beginning | | | | | 422,067,976 |
| Net Position - Ending | | | | | \$ 459,654,055 |

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Balance Sheet – Governmental Funds– Regulatory Basis
June 30, 2019

| | General Fund | Debt Service Fund | 2019A Bond Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|----------------------|----------------------|-----------------------------|-----------------------------|
| Assets | | | | | |
| Cash and Cash Investments | \$ 41,748,141 | \$ 43,151,784 | \$ 22,554,639 | \$ 56,423,195 | \$ 163,877,759 |
| Investments | 11,956,957 | 8,000,502 | 999,940 | 12,465,714 | 33,423,113 |
| Other Current Assets | 8,963 | - | 715 | 5,718 | 15,396 |
| Inventory | 56,906 | - | - | 346,941 | 403,847 |
| Total Assets | \$ 53,770,967 | \$ 51,152,286 | \$ 23,555,294 | \$ 69,241,568 | \$ 197,720,115 |
| Liabilities | | | | | |
| Warrants Outstanding | \$ 21,995,614 | \$ - | \$ 143,809 | \$ 497,760 | \$ 22,637,183 |
| Vendor Obligations Payable | 210 | - | - | - | 210 |
| Principal and Interest Accruals | - | 48,144,187 | - | - | 48,144,187 |
| Reserve for Encumbrances | 727,634 | - | - | - | 727,634 |
| Total Liabilities | \$ 22,723,458 | \$ 48,144,187 | \$ 143,809 | \$ 497,760 | \$ 71,509,214 |
| Fund Balances | | | | | |
| Nonspendable | \$ 56,906 | \$ - | \$ - | \$ 346,941 | \$ 403,847 |
| Restricted | 455,894 | 3,008,099 | 23,370,276 | 59,670,220 | 86,504,489 |
| Committed | - | - | - | 5,292,183 | 5,292,183 |
| Assigned | 30,534,709 | - | 41,209 | 3,434,464 | 34,010,382 |
| Total Fund Balances | \$ 31,047,509 | \$ 3,008,099 | \$ 23,411,485 | \$ 68,743,808 | \$ 126,210,901 |
| Total Liabilities and Fund Balances | \$ 53,770,967 | \$ 51,152,286 | \$ 23,555,294 | \$ 69,241,568 | |

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is \$641,046,178 and accumulated depreciation is \$186,231,551 454,814,627

Federal commodities are distributed to the District to be used by the child nutrition program. Governmental funds are concerned with the flow of financial resources and, therefore, the receipt and usage of commodities are not reported in the governmental funds. 13,555

Sinking Fund Principal and Interest Accruals are part of the net assets at the district-wide level 48,144,187

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long term liabilities at year end consist of:

| | | | |
|--|----------------------|------------------|----------------------|
| | Bonds Payable | 168,400,000 | |
| | Compensated Absences | <u>1,129,215</u> | <u>(169,529,215)</u> |

Net position of governmental activities. \$ 459,654,055

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds– Regulatory Basis
For the Year Ended June 30, 2019

| | General Fund | Debt Service Fund | 2019A Bond Fund | Other Governmental Funds | Total Governmental Funds |
|--|-----------------------|-----------------------|----------------------|--------------------------------|-----------------------------|
| REVENUE | | | | | |
| Property Taxes | \$ 73,563,712 | \$ 49,710,569 | \$ - | \$ 10,502,697 | 133,776,978 |
| Interest | 987,551 | 918,639 | 41,209 | 1,691,935 | 3,639,334 |
| County Revenue | 6,984,991 | - | - | - | 6,984,991 |
| State Revenue | 70,454,280 | 1,129 | - | 69,236 | 70,524,645 |
| Federal Revenue | 7,454,578 | - | - | 3,421,827 | 10,876,405 |
| Other | 1,131,435 | - | - | 22,552,623 | 23,684,058 |
| Total Revenue | \$ 160,576,547 | \$ 50,630,337 | \$ 41,209 | \$ 38,238,318 | \$ 249,486,411 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Instruction | \$ 105,086,479 | \$ - | \$ 487,476 | \$ 5,159,562 | \$ 110,733,517 |
| Support Services | 54,730,566 | - | 369,051 | 19,458,808 | 74,558,425 |
| Non-instruction Services | 7,507,189 | - | - | 5,528,580 | 13,035,769 |
| Capital Outlay | - | - | 973,197 | 45,321,490 | 46,294,687 |
| Other Outlays | 55,592 | 3,819 | - | 5,440 | 64,851 |
| Debt Service | | | | | |
| Interest Paid | - | 3,634,900 | - | - | 3,634,900 |
| Principal Retirement | - | 45,420,000 | - | - | 45,420,000 |
| Total Expenditures | \$ 167,379,826 | \$ 49,058,719 | \$ 1,829,724 | \$ 75,473,880 | \$ 293,742,149 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (6,803,279) | \$ 1,571,618 | \$ (1,788,515) | \$ (37,235,562) | \$ (44,255,738) |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | \$ 7,897,139 | \$ - | \$ - | \$ 7,216,256 | \$ 15,113,395 |
| Transfers Out | (90,846) | (806,913) | (184,927) | (14,030,709) | (15,113,395) |
| Accrued Principal & Interest | - | (1,621,606) | - | - | (1,621,606) |
| Premium on Bond Sales | - | 616,208 | - | - | 616,208 |
| Proceeds of Bonds | - | - | 25,200,000 | 22,520,000 | 47,720,000 |
| Total Other Financing Sources (Uses) | \$ 7,806,293 | \$ (1,812,311) | \$ 25,015,073 | \$ 15,705,547 | \$ 46,714,602 |
| Net Change in Fund Balances | \$ 1,003,014 | (240,693) | 23,226,558 | (21,530,015) | 2,458,864 |
| Fund Balances - Beginning | 30,044,495 | 3,248,792 | 184,927 | 90,273,823 | 123,752,037 |
| Fund Balances - Ending | \$ 31,047,509 | \$ 3,008,099 | \$ 23,411,485 | \$ 68,743,808 | \$ 126,210,901 |

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds to the Statement of Activities– Regulatory Basis
For the Year Ended June 30, 2019

*Amounts reported for governmental activities
in the statement of activities are different because:*

| | | | | | | | | |
|---|--|----------------------|----------------|-----------------|--|----------------------|---------------------|-------------|
| Net change in fund balances - total governmental funds | | \$ 2,458,864 | | | | | | |
| <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p> | | | | | | | | |
| This is the amount by which capital outlays exceeds depreciation during the period. | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">Capital Outlay</td> <td style="width: 20%; text-align: right;">\$ 50,563,952</td> </tr> <tr> <td></td> <td style="text-align: right;">Depreciation Expense</td> <td style="text-align: right;"><u>(14,633,206)</u></td> </tr> </table> | | Capital Outlay | \$ 50,563,952 | | Depreciation Expense | <u>(14,633,206)</u> | 35,930,746 |
| | Capital Outlay | \$ 50,563,952 | | | | | | |
| | Depreciation Expense | <u>(14,633,206)</u> | | | | | | |
| <p>In the statement of activities, the gain from the disposal of assets is reported. In the governmental funds, proceeds from the disposal of assets, if any, are reported. Thus the change in net position differs by the net underpreciated costs of the assets disposed.</p> | | | | | | | | |
| | | (28,863) | | | | | | |
| <p>In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid). This year, vacation and sick leave earned exceeded amounts used.</p> | | | | | | | | |
| | | (92,555) | | | | | | |
| <p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. Debt issued this year exceeded repayments.</p> | | | | | | | | |
| | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">Debt Issued</td> <td style="width: 20%; text-align: right;">\$ (47,720,000)</td> </tr> <tr> <td></td> <td style="text-align: right;">Debt Repayments</td> <td style="text-align: right;"><u>45,420,000</u></td> </tr> </table> | | Debt Issued | \$ (47,720,000) | | Debt Repayments | <u>45,420,000</u> | (2,300,000) |
| | Debt Issued | \$ (47,720,000) | | | | | | |
| | Debt Repayments | <u>45,420,000</u> | | | | | | |
| <p>The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the government-wide financial statements</p> | | | | | | | | |
| | | (3,719) | | | | | | |
| <p>Resources provided in the debt service fund in accordance with Oklahoma Statute 62-431 are not a liability at the district-wide level but considered a component of restricted net assets</p> | | | | | | | | |
| | | <u>1,621,606</u> | | | | | | |
| Change in net position of governmental activities. | | <u>\$ 37,586,079</u> | | | | | | |

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Statement of Fiduciary Net Position – Regulatory Basis
June 30, 2019

| | <u>Private Purpose Trust</u> |
|-----------------------------|------------------------------|
| Assets | |
| Cash and Cash Investments | \$ 51,841 |
| Investments | <u>439,886</u> |
| Total Assets | <u>\$ 491,727</u> |
| Net Position | |
| Nonspendable Endowment | \$ 440,088 |
| Restricted for Scholarships | <u>51,639</u> |
| Total Net Position | <u>\$ 491,727</u> |

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
 Oklahoma County, Oklahoma
 Statement of Changes in Fiduciary Net Position – Regulatory Basis
 For the Year Ended June 30, 2019

| | <u>Private Purpose Trust</u> |
|-------------------------|------------------------------|
| Additions: | |
| Interest | 9,179 |
| Total Additions | \$ 9,179 |
| Deductions | |
| Other Expenses | - |
| Changes in Net Position | \$ 9,179 |
| Net Position-Beginning | 482,548 |
| Net Position -Ending | \$ 491,727 |

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies

The Reporting Entity - The Edmond Independent School District No. 12 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District. There are no component units included within the reporting entity.

Financial Statement Presentation - The District prepares its financial statements in a presentation format that is, in substance, the format established by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statement-Management's Discussion and Analysis-for State and Local Governments*.

GASB Statement No. 34 established a financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

Basic Financial Statements – Government-Wide Statements - The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District does not have any activities classified as business-type activities.

In the government-wide Statement of Net Position, the District's governmental activities are reported on cash receipts and disbursement basis modified as required by the regulations of the Oklahoma Department of Education to include long-term debt and obligations. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's programs and functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies (continued)
Basic Financial Statements – Government-Wide Statements

All interfund transactions are eliminated in the district-wide statements.

The net costs are normally covered by general revenue (property taxes, State and Federal aid, other taxes etc.).

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Basic Financial Statements – Fund Financial Statements - Governmental fund financial statements are reported using the cash receipts and disbursements basis of accounting modified as required by the Oklahoma Department of Education to include investments and inventories on hand, encumbrances issued, and warrants outstanding. The fund financial statements provide reports on the financial condition and results of operations of governmental and fiduciary fund categories on a basis required by the cash basis and budget laws of the State of Oklahoma. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the district-wide statements.

The District reports the following major governmental funds:

General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

2019A Bond Fund is used to account for the proceeds from long-term financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types which are included in other governmental funds:

Governmental Funds:

1. Special Revenue Funds – The District accounts for resources committed to, or designated for, specific purposes by the District or a grantor in a special revenue fund.
2. Capital Projects Funds – The proceeds from long-term financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies (continued)
Basic Financial Statements – Fund Financial Statements (continued)

Fiduciary Funds:

3. Private Purpose Trust Fund: The District accounts for resources held in a trust or custodial capacity for individuals or private organizations. These funds are primarily used for scholarships

Basis of Accounting - Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

As to the basis of accounting, the basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma Department of Education as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Vendor obligations due and payable for goods and services received are recorded as a reduction of the encumbrance when received and a payable until paid.
- Warrants/checks payable are recorded as liabilities when issued.
- Investments and inventories are recorded as assets when purchased and reduced when used.
- Capital assets in the government-wide statements are recorded when acquired and depreciated over their useful lives.
- Long-term debt reported in the government-wide statements is recorded when incurred.
- Financial resources provided in the debt service fund in accordance with Oklahoma Statute 62-431 are reported as fund liabilities. In the government-wide statements, these resources are shown as restricted net position.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which would have required the government-wide financial statements as well as the fiduciary fund financial statements to be presented on the accrual basis of accounting. The fund financial statements under accounting principles generally accepted in the United States of America would have been presented on the modified accrual basis of accounting. These financial statements are presented on the basis of accounting described above.

Inventories - Inventories consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the consumption method where materials and supplies are recorded as an asset when purchased.

On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue when received at fair value at the date of receipt and as an expense when used. USDA food commodities are not reported in the governmental funds.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies (continued)

Capital Assets - Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|---|----------|
| School Buildings | 45 years |
| Site Improvements | 20 years |
| Portable Classrooms | 25 years |
| Outdoor and Grounds Equipment | 15 years |
| Kitchen Equipment | 10 years |
| Audio Visual Equipment, Musical Instruments, Business Machines, Classroom and Athletic Equipment | 10 years |
| Computers and Peripheral Equipment | 5 years |
| Licensed Vehicles | 6 years |

Compensated Absences –Certified and permanent personnel are entitled to one day of sick leave for each working month, with the total annual leave allotment being available on the first day of the employee’s work year. New support employees accrue sick leave at the rate of one day per month, with leave being available after accrual. As an attendance incentive, employees are compensated \$35 per day for full-time, or \$17.50 per day for part-time, for up to 10 days of sick leave accumulated in excess of 110 days at the end of the fiscal year.

Employees assigned to twelve month positions accrue 10 days of vacation per year for the first 4 years of employment, 15 days beginning with the 5th through 14th year of employment, and 18 days beginning with the 15th year of employment. Upon termination of employment, unused accrued vacation is paid at the employee's current rate of pay.

Budgets and Budgetary Accounting - The District is required by state law to prepare an annual budget. No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting.

The final budget may be revised upon approval of the Board of Education in open meeting.

A budget that includes revenues and expenditures is legally adopted by the Board of Education for the General Fund, Building Fund, Child Nutrition and the Debt Service Fund.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies (continued)
Budgets and Budgetary Accounting (continued)

Budgets generally assume the expenditure of all available resources. Therefore, when the legal budget is prepared, it is assumed these funds will not have a carryover balance to a subsequent year. Program revenue received but not spent is deferred to the subsequent fiscal year.

Deposits - The District considers all cash on hand, demand deposits, money market checking, sweep accounts, and bank certificates of deposit which are subject to early withdrawal penalties no matter what the maturity period, to be cash. All short-term cash surpluses are maintained in a cash pool, the earnings from which are allocated to each fund based on average monthly deposit balances. State statutes require collateral for deposits in excess of insured amounts. The collateral's market value must exceed the uninsured deposit.

Investments - Short term investments are reported at cost. Securities traded on a national exchange are valued at cost, adjusted for amortization of interest coupons, if applicable. The District's investment policies are governed by Oklahoma Statute 70-5-115. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies.

Property Tax Revenues - The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. The county assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes is due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 1. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Oklahoma Statute 70-18. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 44% of the District's general fund revenue comes from state sources.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally, such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies (continued)
State Revenues (continued)

The District receives revenue from the State to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the programs for which the money is provided and require that any money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires that categorical educational program revenues be accounted for in the general fund.

Interfund Transfers - During the course of normal operations, the District has transactions between funds including reimbursement of expenditures made on behalf of another fund and transfers of resources to provide services and purchase assets. Transactions that are normal and recurring between funds are recorded as operating transfers.

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Position and Fund Balance –

District-Wide Financial Statements –

Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted for Debt Service – The component of net position that reports the amount of funds restricted for payment of principal and interest on debt. This amount is restricted by bond indentures.

Restricted for Buildings – The component of net position that reports the excess of property taxes and other revenue collected in excess of expenses for operation of the District's buildings. This amount is restricted by state law.

Restricted for School Organizations – The component of net position that reports the assets restricted for use by student organizations and extracurricular activities. This amount is restricted by regulations of the Oklahoma State Department of Education.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies (continued)
Net Position and Fund Balance (continued)

Restricted for Child Nutrition – The component of net position restricted for use by the child nutrition fund. This amount is restricted by regulations of the Oklahoma State Department of Education.

Restricted for Private Grants – The component of the net position restricted for use as specified in the original grant documents when grant was awarded. This amount is restricted by original grantor.

Unrestricted – The difference between assets and liabilities that is not reported as restricted for any particular purpose.

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because it was not used.

Fund Financial Statements–

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified Inventories as being nonspendable as these items are not expected to be converted to cash within the next year. Endowment principal is non-spendable by terms of the endowment bequest.

Restricted: This classification includes amounts for which constraints on the use of the resources are either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified school bond proceeds as being restricted because their use is restricted by state statute or legislation regarding use of expenditures. The building fund balance is restricted by state statute to capital outlay and property maintenance. Debt service resources are restricted by debt covenant to servicing general obligation bonds. Federal and state program revenues and gift fund grants are restricted by the granting agencies to program-specific expenditures. Endowment earnings are restricted for scholarship purposes by the contributor for scholarship purposes.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 1 -- Summary of Significant Accounting Policies (continued)
Net Position and Fund Balance (continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District has classified child nutrition and school program activities as being committed because their use is directed by the Board of Education.

Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. The District has assigned general funds for employee compensation, site budget carryover, anticipated federal program carryover and appropriated budget. Bond fund earnings other than bond proceeds (primarily investment earnings) are assigned for bond costs and expenditures consistent with those restricted by bond proposition.

Unassigned: This classification includes the residual fund balance for the general fund. The unassigned classification would also include any negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. The District does not have a formal stabilization arrangement regarding minimum funding requirements.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

As of June 30, 2019, fund balances are comprised of the following:

| | General Fund | Debt Service Fund | 2019A Fund | 2017A Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|----------------------|----------------------|---------------|--------------------------------|--------------------------------|
| Nonexpendable | | | | | | |
| Inventory | \$ 56,906 | \$ - | \$ - | \$ - | \$ 346,941 | \$ 403,847 |
| Restricted | | | | | | |
| Capital Outlay and Property Maintenance | - | - | 23,370,276 | - | 59,253,555 | 82,623,831 |
| Debt Service | - | 3,008,099 | - | - | - | 3,008,099 |
| Federal and State Programs | 455,894 | - | - | - | - | 455,894 |
| Instruction | - | - | - | - | 416,665 | 416,665 |
| Total Restricted: | <u>455,894</u> | <u>3,008,099</u> | <u>23,370,276</u> | <u>-</u> | <u>59,670,220</u> | <u>86,504,489</u> |
| Committed | | | | | | |
| Food Services | - | - | - | - | 1,545,473 | 1,545,473 |
| School Organizations | - | - | - | - | 3,746,710 | 3,746,710 |
| Total Committed: | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,292,183</u> | <u>5,292,183</u> |
| Assigned | | | | | | |
| Employee Compensation | 727,634 | - | - | - | - | 727,634 |
| Site Budget Carryover | 94,033 | - | - | - | - | 94,033 |
| Anticipated Federal Program Carryover | 897,714 | - | - | - | - | 897,714 |
| Appropriated Budget | 28,815,328 | - | - | - | - | 28,815,328 |
| Bond Costs and Capital Outlay | - | - | 41,209 | - | 3,434,464 | 3,475,673 |
| Total Assigned: | <u>30,534,709</u> | <u>-</u> | <u>41,209</u> | <u>-</u> | <u>3,434,464</u> | <u>34,010,382</u> |
| | <u>\$ 31,047,509</u> | <u>\$ 3,008,099</u> | <u>\$ 23,411,485</u> | <u>\$ -</u> | <u>\$ 68,743,808</u> | <u>\$ 126,210,901</u> |

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 2 -- Cash and Investments

Investments – The District’s investment policies are governed by state statute. Permissible investments include direct obligations of the United States Government, its agencies and instrumentalities; obligations guaranteed by the State of Oklahoma; repurchase agreements collateralized by federal or state investments identified above; deposits in banks and savings and loan associations which are collateralized or insured by FDIC or FSLIC; county, municipal and school district ad valorem bonds; money market mutual funds regulated by the SEC and consisting of investments identified above; warrants, bonds or judgments of the school district; qualified pooled investment programs consisting of investments identified above and governed through an interlocal cooperative agreement, and investment programs administered by the State Treasurer.

The District maintains cash and investment pools available for use by all funds. Each fund’s portion of the pool is displayed on the governmental fund balance sheet.

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State statutes require collateral for amounts in excess of federally insured amounts. The deposit policy for custodial credit risk requires compliance with the provision of state law. At June 30, 2019, the bank balance of deposits and cash pools was completely covered by federal depository insurance and by collateral held by the District’s third party agent in the District’s name.

Interest rate risk is the risk of fair value losses from increasing interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to interest rate risk.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its exposure arising from concentration of investments.

At June 30, 2019 the District held U.S. Government agency investments in the following:

| <u>Agency</u> | <u>Moodys Rating</u> | <u>Term</u> | <u>Balance</u> |
|--|----------------------|-------------|----------------------|
| United States Treasury Note | Aaa | 4-12 months | \$ 18,292,908 |
| Investment in U.S. Treasuries | | | <u>18,292,908</u> |
| Federal Farm Credit Bank | Aaa | 6 months | 2,000,573 |
| Federal Home Loan Bank | Aaa | 2-12 months | 6,131,802 |
| Federal Home Loan Mortgage Corporation | Aaa | 8-12 months | <u>7,434,276</u> |
| Investment in U.S. Government Agencies | | | <u>15,566,651</u> |
| Investment in Judgments | | | <u>3,441</u> |
| Total Investments | | | <u>\$ 33,863,000</u> |

Judgments that were awarded against the District for obligations from prior years were purchased from the plaintiffs as investments of the general fund. The original judgment amounts totaling \$10,322 are levied in the sinking fund ratably over three years at a statutory interest rate set annually. As of June 30, 2019 the balance to collect was \$3,441. The interest rates are from 5.25 to 5.50%.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 3 -- Long-term Liabilities

The long-term liability balances and activity for the year were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due within One Year |
|---|-----------------------|----------------------|----------------------|-----------------------|------------------------|
| General Obligation Debt | \$ 166,100,000 | \$ 47,720,000 | \$ 45,420,000 | \$ 168,400,000 | \$ 46,895,000 |
| Compensated Absences | 1,036,660 | 862,423 | 769,868 | 1,129,215 | 771,000 |
| Total governmental activity long-term liabilities | <u>\$ 167,136,660</u> | <u>\$ 48,582,423</u> | <u>\$ 46,189,868</u> | <u>\$ 169,529,215</u> | <u>\$ 47,666,000</u> |

Payments on bonds are made by the debt service fund from property tax collections. Compensated absences are generally liquidated by the general fund.

Bonds payable at June 30, 2019 are composed of the following individual general obligation bond issues:

| Issue Amount | Purpose | Issue Date | Annual Payment | Final Payment | Maturity Date | Interest Rates | Outstanding at June 30, 2019 |
|---------------|----------|------------|----------------|---------------|------------------|----------------|---------------------------------|
| \$ 8,440,000 | Combined | 8/1/2014 | \$ 2,110,000 | \$ 2,110,000 | 8/1/2019 | 1.0%-2.0% | \$ 2,110,000 |
| \$ 35,460,000 | Combined | 3/1/2015 | \$ 8,865,000 | \$ 8,865,000 | 3/1/2020 | 2.00% | \$ 8,865,000 |
| \$ 9,600,000 | Building | 8/1/2015 | \$ 2,400,000 | \$ 2,400,000 | 8/1/2020 | 1.5%-2.0% | \$ 4,800,000 |
| \$ 33,520,000 | Building | 3/1/2016 | \$ 8,380,000 | \$ 8,380,000 | 3/1/2021 | 2.00% | \$ 16,760,000 |
| \$ 12,080,000 | Combined | 8/1/2016 | \$ 3,020,000 | \$ 3,020,000 | 8/1/2021 | 1.5%-2.5% | \$ 9,060,000 |
| \$ 37,580,000 | Combined | 3/1/2017 | \$ 9,395,000 | \$ 9,395,000 | 3/1/2022 | 2.00% | \$ 28,185,000 |
| \$ 20,000,000 | Combined | 8/1/2017 | \$ 5,000,000 | \$ 5,000,000 | 8/1/2022 | 2.00% | \$ 20,000,000 |
| \$ 30,900,000 | Combined | 3/1/2018 | \$ 7,725,000 | \$ 7,725,000 | 3/1/2023 | 2.0%-3.0% | \$ 30,900,000 |
| \$ 22,520,000 | Building | 8/1/2018 | \$ 5,630,000 | \$ 5,630,000 | 8/1/2023 | 2.50-3.0% | \$ 22,520,000 |
| \$ 25,200,000 | Combined | 3/1/2019 | \$ 6,300,000 | \$ 6,300,000 | 3/1/2024 | 2.00% | \$ 25,200,000 |
| | | | | | | | <u>\$ 168,400,000</u> |

As of June 30, 2019, the annual requirements to amortize all bond debt outstanding, including interest payments, are as follows:

| Year Ending June 30 | Principal | Interest | Total Bonds Debt Service |
|------------------------|-----------------------|---------------------|-----------------------------|
| 2020 | \$ 46,895,000 | \$ 3,937,900 | \$ 50,832,900 |
| 2021 | 47,850,000 | 2,627,000 | 50,477,000 |
| 2022 | 37,070,000 | 1,568,000 | 38,638,000 |
| 2023 | 24,655,000 | 744,875 | 25,399,875 |
| 2024 | 11,930,000 | 196,375 | 12,126,375 |
| | <u>\$ 168,400,000</u> | <u>\$ 9,074,150</u> | <u>\$ 177,474,150</u> |

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 3 -- Long-term Liabilities (continued)

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General obligation bonded debt of the District is limited by state law to 10% of the assessed valuation of the District. The legal debt limit at June 30, 2019 is approximately \$199,550,831.

Proceeds of general obligation bond issues are recorded in the Capital Projects Fund and at least 85% of the proceeds are restricted to the use for which they were approved in the bond elections.

Pledged Revenues – Property tax revenues collected by the District are pledged to repay the District's general obligation bonds. The principal and interest paid on general obligation bonds with the pledged revenues in 2019 was \$45,420,000 and \$3,634,900, respectively. As of June 30, 2019, \$168,400,000 of general obligations were outstanding and \$67,800,000 of general obligation bonds were authorized but not issued. Subsequent to year end the District issued an additional \$17,000,000 of voter approved general obligation bonds.

Note 4 -- Employee Retirement System

Teachers' Retirement System of Oklahoma

Plan Description - The District contributes to the state-administered Oklahoma Teachers' Retirement System ("TRS"), a cost-sharing, multiple-employer defined benefit public employee retirement system. The System is administered by a board of trustees. TRS provides retirement, disability and death benefits to plan members and beneficiaries. Oklahoma State Statute 70-17 assigns the authority to establish and amend benefit provisions to the TRS Board of Trustees. The System issues a publicly available report that includes financial statements and required supplementary information for TRS. That report may be obtained by contacting the Oklahoma Teachers' Retirement System.

Benefits Provided – The System provides defined retirement benefits based on members' final compensation, age, and term of service. In addition, the retirement program provides for benefits upon disability and to survivors upon the death of eligible members. Title 70 O.S. Sec. 17-105 defines all retirement benefits. The authority to establish and amend benefit provisions rests with the State Legislature. Benefit provisions include:

- Members who began contributions prior to November 1, 2017 become 100% vested in benefits earned to date after five years of credited service. The vesting term for members who began contributions on or after November 1, 2017 is seven years.
- Members who joined the System prior to July 1, 1992 are eligible to retire at maximum benefits at the earlier of age 62 or when age and years of creditable service total 80. Members joining from July 1, 1992 to October 31, 2011 are eligible for maximum benefits at the earlier of age 62 or when their age and years of creditable service total 90. Members who joined the System on or after November 1, 2011 are eligible to retire with maximum benefits at the earlier of age 65 or when their age and years of creditable service total 90 as long as their age is at least 60.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 4 -- Employee Retirement System (continued)

- The maximum retirement benefit is 2% of final average compensation times the number of years of credited service. Reduced benefits are available at age 55 for members joining prior to November 1, 2011 or age 60 for members joining after October 31, 2011. Reduction factors vary depending on age and date of membership when joining the System.
- Final average compensation for members who joined the System prior to July 1, 1992 is defined as the average salary for three highest years of contributing compensation. For members joining the System after June 30, 1992 final average compensation is defined as the average of the five highest consecutive years of contributing compensation. Prior to July 1, 1995 all contributions were limited to salary caps of \$40,000 or \$25,000 depending on the member's election. Salary caps were removed starting July 1, 1995.
- Upon death, the designated beneficiary of a member who has not retired shall receive total contributions plus 100% of interest earned through the end of the fiscal year, with interest rates varying based on time of service. The surviving spouse may elect to receive the retirement benefit of the member, in lieu of the aforementioned benefits.
- Upon death of a retired member, the System will pay \$5,000 to the designated beneficiary in addition to the benefits provided by the retirement option selected by the member.
- A member is eligible for disability benefits after 10 years of credited Oklahoma service. The disability benefit is equal to 2% of final average compensation for the applicable years of credited service.
- Upon withdrawal from the system, a member's contributions are refundable with interest, based on the years of service.

Funding Policy –Under the System, contributions are made by the District, the State of Oklahoma, and the participating employees. Participation is required for all teachers and other certified employees and is optional for all other regular employees of public educational institutions who work at least 20 hours per week.

The contribution rates for the District and its employees, which are not actuarially determined, are established by statute and applied to the employee's earnings, plus employer-paid fringe benefits. The District is required by statute to contribute 9.5% of applicable compensation for the year ended June 30, 2019. Plan members are required to contribute 7% of their annual covered salary. The District pays full-time employees' contributions as allowed by statute.

For the year ended June 30, 2019, qualifying employee contributions were reduced by a retirement credit of \$973,903 as provided by enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments of the District. The government-wide financial statements include amounts representing on-behalf payments made to the System by the State of Oklahoma. These payments do not represent a direct or indirect payment to the District.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 4 -- Employee Retirement System (continued)

The District's contributions to TRS (net of retirement credit paid by the State of Oklahoma) for the years ended June 30, 2019, 2018, and 2017 were \$18,699,330, \$15,873,181, and \$15,338,645, respectively, equal to the required contributions for each year.

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

Note 5 – Other Post-Employment Benefits (OPEB)

In addition to the retirement plan described in Note 4, the District participates in the state-administered Supplemental Health Insurance Program (OPEB plan) within Teachers' Retirement System of Oklahoma (the OPEB system), which is a cost-sharing multiple-employer defined benefit OPEB plan.

Plan Description – The District as the employer, participates in the Supplemental Health Insurance Program—a cost-sharing multiple-employer defined benefit OPEB plan administered by the Oklahoma Teachers Retirement System (OTRS). Title 74 O. S. Sec. 1316.3 defines the health insurance benefits. The authority to establish and amend benefit provisions rests with the State Legislature. OTRS issues a publicly available financial report that can be obtained at www.ok.gov/OTRS.

Benefits Provided – OTRS pays a medical insurance supplement to eligible members who elect to continue their employer provided health insurance. The supplement payment is between \$100 and \$105 per month, remitted to the Oklahoma Management Enterprise Services Employees Group Insurance Division, provided the member has ten (10) years of Oklahoma service prior to retirement.

Contributions – Employer and employee contributions are made based upon the TRS Plan provisions contained in Title 70, as amended. However, the statutes do not specify or identify any particular contribution source to pay the health insurance subsidy. Based on the contribution requirements of Title 70, employers and employees contribute a single amount based on a single contribution rate as described in Note 4; from this amount OTRS allocates a portion of the contributions to the supplemental health insurance program.

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report that can be obtained at <http://www.ok.gov/trs/>.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
 Oklahoma County, Oklahoma
 Notes to Financial Statements
 June 30, 2019

Note 6 -- 403(b) Retirement Savings Plan

The District sponsors a 403(b) retirement savings plan in which all employees of the District are eligible to participate. Internal Revenue Code Section 403(b) annuity contracts are a “private” retirement vehicle available to public school district employees. The annuity contracts supplement and are separate from the Oklahoma Teachers’ Retirement System. Annuity contracts and 403(b) contributions are tax deferred and are funded through elective pre-income tax deductions up to limits set by federal law. The District does not make contributions into the plan. Participants may choose their investment provider from a list of approved investment providers under the plan. The plan provides for withdrawals only upon attainment of age 59½, severance from employment, total and permanent disability, death, a “qualified reservist” distribution, or financial hardship as defined by the plan. The District has contracted a third party administrator to provide administrative services. The agreement provides for a charge of \$12 per year for each participant, to be paid by the participants.

Note 7 -- Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. For occurrences prior to April 9, 2014 the District was covered under commercial insurance policies. Effective April 9, 2014, the District joined a joint self-insurance trust whose members consist of school districts in the state of Oklahoma for the purpose of insuring against property, general liability and automobile/fleet losses. Cash from member contributions and investment earnings is used to pay claims. The trust purchases reinsurance through a commercial insurer to limit its maximum loss and minimize exposure on larger risks. There have been no significant reductions in coverage from the prior year and insurance settlements have not exceeded coverage since joining the self-insurance trust.

Note 8 -- Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District believes the resolution of these matters will not have a material adverse effect on the financial condition of the District. Should a judgment be awarded against the District, it would be levied through the District’s sinking fund over a three-year period pursuant to state law.

The District has the following outstanding construction commitments as of June 30, 2019:

| | Construction Commitments |
|--------------------------|-----------------------------|
| 2019 A Bond Fund | \$ 1,480,451 |
| Other Governmental Funds | 38,591,890 |
| Total | \$ 40,072,341 |

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 9 -- Schedule of Transfers

| Transfer From | Transfer To | Amount | Nature of Transfer |
|-----------------------|-----------------------|---------------------|--------------------------------|
| Child Nutrition Fund | General Fund | \$4,525,100 | Operating Transfer for Payroll |
| Student Activity Fund | General Fund | 3,372,040 | Operating Transfer |
| Student Activity Fund | Student Activity Fund | 810,420 | Operating Transfer |
| Student Activity Fund | Child Nutrition Fund | 7,060 | Operating Transfer |
| Student Activity Fund | Gift Fund | 10,165 | Operating Transfer |
| Child Nutrition Fund | Child Nutrition Fund | 4,375 | Operating Transfer |
| Debt Service Fund | Building Fund | 806,913 | Operating Transfer |
| 2015A Bond Fund | Bond Residual Fund | 184,927 | Operating Transfer |
| 2015B Bond Fund | Bond Residual Fund | 5,392,395 | Operating Transfer |
| | | <u>\$15,113,395</u> | |

Note 10 -- Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|-----------------------------|-----------------------------|------------------------------|
| Government Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 14,421,465 | \$ 717,866 | \$ - | \$ 15,139,331 |
| Construction in progress | 33,178,233 | 46,829,665 | 28,909,370 | 51,098,528 |
| Total capital assets, not being depreciated | <u>\$ 47,599,698</u> | <u>\$ 47,547,531</u> | <u>\$ 28,909,370</u> | <u>\$ 66,237,859</u> |
| Capital assets, being depreciated | | | | |
| Buildings | \$ 505,002,505 | \$ 29,178,737 | \$ - | \$ 534,181,242 |
| Furniture | 2,612,105 | 325,795 | - | 2,937,900 |
| Musical Instruments | 1,056,557 | 109,014 | - | 1,165,571 |
| Equipment | 19,111,347 | 1,113,357 | 116,956 | 20,107,748 |
| Vehicles | 16,513,571 | 1,198,888 | 1,296,601 | 16,415,858 |
| Total capital assets, being depreciated | <u>\$ 544,296,085</u> | <u>\$ 31,925,791</u> | <u>\$ 1,413,557</u> | <u>\$ 574,808,319</u> |
| Less Accumulated Depreciation | <u>172,983,039</u> | <u>14,633,206</u> | <u>1,384,694</u> | <u>186,231,551</u> |
| Total capital assets, being depreciated, net | <u>\$ 371,313,046</u> | <u>\$ 17,292,585</u> | <u>\$ 28,863</u> | <u>\$ 388,576,768</u> |
| Governmental activities capital assets, net | <u>418,912,744</u> | <u>64,840,116</u> | <u>28,938,233</u> | <u>454,814,627</u> |
| Total Primary Government | <u>\$ 418,912,744</u> | <u>\$ 64,840,116</u> | <u>\$ 28,938,233</u> | <u>\$ 454,814,627</u> |

Construction of an indoor/outdoor tennis center in conjunction with the City of Edmond began in 2019. The agreement provides for the City to provide the land valued at \$2,500,000 under a 30-year lease agreement for \$1 per year, and also contribute cash for construction costs of \$6,752,500 plus a pro-rata share of the architectural and engineering fees. The District will contribute \$9,252,500 toward construction costs plus a pro-rata portion of the architectural and engineering fees. Design and construction was bid by and is coordinated through the District. The constructed assets will belong to the District. The facility will be operated by the City subject to an operating agreement with the District which stipulates operating guidelines and cost sharing responsibilities.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2019

Note 11 – Tax Abatement

The State of Oklahoma has authorized by Oklahoma State Statutes Title 31 to offer Homestead and Veterans exemptions to ad valorem property taxes. These exemptions reduce the ad valorem taxes remitted to the District. For the year ended June 30, 2019, the District had \$2,799,327 in abated ad valorem tax revenues.

Note 12 – Subsequent Events

Subsequent to the fiscal year end, the District issued the second installment of bonds from the February 12, 2019 bond election. Voters in the District approved the issuance of bonds totaling \$93,000,000, to be issued in four series over a two-year period. The bond issues provide for a land purchase and construction to two new elementary schools, one in the northeast part of the district and one in the southwest part of the district. Both are slated to open in August 2021. The election also included elementary school additions consisting of a STEM room/storm shelter at Cross Timbers, a classroom addition/storm shelter at Heritage, and a multi-purpose room/storm shelter at Will Rogers; middle school additions consisting of classrooms at Heartland, classrooms/storm shelter at Summit, and a practice gym at Cheyenne; and high school auditorium improvements at all three high schools plus offices and front entrance improvements at Memorial and gym renovations at Boulevard Academy.

The first installment in the amount of \$25,200,000 was issued in March 2019, and the second installment of \$17,000,000 was issued in August 2019. The third installment of \$30,800,000 is planned for March 2020, and the final installment of \$20,000,000 is planned for August 2020.

Construction commitments subsequent to year end totaled \$27,305,921 from bond funds.

OTHER SUPPLEMENTARY INFORMATION

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Budgetary Comparison Schedule –General Fund (Unaudited) – Regulatory Basis
For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget |
|--|-----------------------|-----------------------|-----------------------|----------------------------------|
| | Original | Final | | |
| REVENUE | | | | |
| Property Taxes | \$ 67,257,676 | \$ 67,257,676 | \$ 73,563,712 | \$ 6,306,036 |
| Interest | 591,000 | 591,000 | 987,551 | 396,551 |
| County Revenue | 7,283,636 | 7,283,636 | 6,984,991 | (298,645) |
| State Revenue | 68,448,837 | 68,448,837 | 70,454,280 | 2,005,443 |
| Federal Revenue | 7,230,300 | 7,230,300 | 7,454,578 | 224,278 |
| Other | <u>8,812,806</u> | <u>8,812,806</u> | <u>9,028,575</u> | <u>215,769</u> |
| Total Revenue | <u>\$ 159,624,255</u> | <u>\$ 159,624,255</u> | <u>\$ 168,473,687</u> | <u>\$ 8,849,432</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | \$ 105,194,269 | \$ 105,194,269 | 105,086,479 | \$ 107,790 |
| Support Services | 55,545,873 | 55,545,873 | 54,730,566 | 815,307 |
| Non-instruction Services | 8,096,259 | 8,096,259 | 7,507,189 | 589,070 |
| Other Outlays | <u>20,766,236</u> | <u>20,766,236</u> | <u>146,438</u> | <u>20,619,798</u> |
| Total Expenditures | <u>\$ 189,602,637</u> | <u>\$ 189,602,637</u> | <u>\$ 167,470,672</u> | <u>\$ 22,131,965</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (29,978,382) | \$ (29,978,382) | \$ 1,003,015 | \$ 30,981,397 |
| Budgetary Fund Balance - Beginning | <u>29,978,382</u> | <u>29,978,382</u> | <u>30,044,494</u> | <u>66,112</u> |
| Budgetary Fund Balance - Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 31,047,509</u> | <u>\$ 31,047,509</u> |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Budgetary Comparison Schedule – Other Appropriated Funds (unaudited) – Regulatory Basis
For the Year Ended June 30, 2019

| | Building Fund | | Child Nutrition Fund | | Debt Service Fund | |
|--|------------------------------|----------------------|------------------------------|---------------------|------------------------------|----------------------|
| | Original and Final Budget | Actual | Original and Final Budget | Actual | Original and Final Budget | Actual |
| REVENUE | | | | | | |
| Property Taxes | \$ 9,601,903 | \$ 10,502,697 | \$ - | \$ - | \$ 47,435,177 | 49,710,569 |
| Interest | 38,800 | 132,825 | 22,400 | 49,403 | - | 918,639 |
| State Revenue | 180 | 241 | 73,575 | 68,995 | - | 1,129 |
| Federal Revenue | - | - | 3,459,945 | 3,421,827 | - | - |
| Other | <u>557,400</u> | <u>863,282</u> | <u>5,204,851</u> | <u>4,766,481</u> | - | <u>(1,812,310)</u> |
| Total Revenue | <u>\$ 10,198,283</u> | <u>\$ 11,499,045</u> | <u>\$ 8,760,771</u> | <u>\$ 8,306,706</u> | <u>\$ 47,435,177</u> | <u>\$ 48,818,027</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Instruction | \$ 122,237 | \$ 82,733 | \$ - | \$ - | \$ - | \$ - |
| Support Services | 12,346,724 | 9,962,717 | - | - | - | - |
| Non-instruction Services | - | - | 8,713,125 | 4,055,206 | - | - |
| Capital Outlay | 7,039 | 526,077 | - | - | - | - |
| Other Outlays | <u>3,206,937</u> | <u>-</u> | <u>1,833,716</u> | <u>4,518,066</u> | <u>7,462</u> | <u>3,819</u> |
| Debt Service | | | | | | |
| Interest Paid | - | - | - | - | 3,781,506 | 3,634,900 |
| Principal Retirement | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>46,895,000</u> | <u>45,420,000</u> |
| Total Expenditures | <u>\$ 15,682,937</u> | <u>\$ 10,571,527</u> | <u>\$ 10,546,841</u> | <u>\$ 8,573,272</u> | <u>\$ 50,683,968</u> | <u>\$ 49,058,719</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (5,484,654) | 927,518 | (1,786,070) | (266,566) | (3,248,791) | (240,692) |
| Budgetary Fund Balance - Beginning | <u>5,484,654</u> | <u>5,747,662</u> | <u>1,786,070</u> | <u>1,905,809</u> | <u>3,248,791</u> | <u>3,248,791</u> |
| Budgetary Fund Balance - Ending | <u>\$ -</u> | <u>\$ 6,675,180</u> | <u>\$ -</u> | <u>\$ 1,639,243</u> | <u>\$ -</u> | <u>\$ 3,008,099</u> |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Combining Balance Sheet– Other Governmental Funds – Regulatory Basis
For the Year Ended June 30, 2019

| | Other Special Revenue Funds | | | | | Total Other Capital Project Funds | Total Other Governmental Funds |
|--|-----------------------------|----------------------------|----------------------------|--------------------------|-----------------------------|---|--------------------------------------|
| | Building | Child Nutrtrion | Activity | Gift | Total | | |
| Assets | | | | | | | |
| Cash and Cash Investments | \$ 6,577,632 | \$ 1,553,408 | \$ 3,599,437 | \$ 419,070 | \$ 12,149,547 | \$ 44,273,648 | \$ 56,423,195 |
| Other Receivable | - | - | - | 3,035 | 3,035 | 2,683 | 5,718 |
| Investments | - | - | 299,922 | - | 299,922 | 12,165,792 | 12,465,714 |
| Inventory | 253,171 | 93,770 | - | - | 346,941 | - | 346,941 |
| Total Assets | <u>\$ 6,830,803</u> | <u>\$ 1,647,178</u> | <u>\$ 3,899,359</u> | <u>\$ 422,105</u> | <u>\$ 12,799,445</u> | <u>\$ 56,442,123</u> | <u>\$ 69,241,568</u> |
| Liabilities | | | | | | | |
| Warrants Outstanding | \$ 155,623 | \$ 7,935 | \$ 152,649 | \$ 5,440 | \$ 321,647 | \$ 176,113 | \$ 497,760 |
| Vendor Obligations Payable | - | 0 | - | - | - | - | - |
| Total Liabilities | <u>\$ 155,623</u> | <u>\$ 7,935</u> | <u>\$ 152,649</u> | <u>\$ 5,440</u> | <u>\$ 321,647</u> | <u>\$ 176,113</u> | <u>\$ 497,760</u> |
| Fund Balances | | | | | | | |
| Nonspendable | \$ 253,171 | \$ 93,770 | \$ - | \$ - | \$ 346,941 | \$ - | \$ 346,941 |
| Restricted | 6,422,009 | - | - | 416,665 | 6,838,674 | 52,831,546 | 59,670,220 |
| Committed | - | 1,545,473 | 3,746,710 | - | 5,292,183 | - | 5,292,183 |
| Assigned | - | - | - | - | - | 3,434,464 | 3,434,464 |
| Total Fund Balances | <u>6,675,180</u> | <u>1,639,243</u> | <u>3,746,710</u> | <u>416,665</u> | <u>12,477,798</u> | <u>56,266,010</u> | <u>68,743,808</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,830,803</u> | <u>\$ 1,647,178</u> | <u>\$ 3,899,359</u> | <u>\$ 422,105</u> | <u>\$ 12,799,445</u> | <u>\$ 56,442,123</u> | <u>\$ 69,241,568</u> |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
– Other Governmental Funds– Regulatory Basis
For the Year Ended June 30, 2019

| | Other Special Revenue Funds | | | | | Total Other Capital Project Funds | Total Other Governmental Funds |
|--|-----------------------------|---------------------|----------------------|-------------------|----------------------|--------------------------------------|-----------------------------------|
| | Building | Child Nutrition | Activity | Gift | Total | | |
| REVENUE | | | | | | | |
| Property Taxes | \$ 10,502,697 | \$ - | \$ - | \$ - | \$ 10,502,697 | \$ - | \$ 10,502,697 |
| Interest | 132,825 | 49,403 | 93,243 | 4,036 | 279,507 | 1,412,428 | 1,691,935 |
| State Revenue | 241 | 68,995 | - | - | 69,236 | - | 69,236 |
| Federal Revenue | - | 3,421,827 | - | - | 3,421,827 | - | 3,421,827 |
| Other | 56,369 | 4,766,481 | 10,122,681 | 398,422 | 15,343,953 | 7,208,670 | 22,552,623 |
| Total Revenue | <u>\$ 10,692,132</u> | <u>\$ 8,306,706</u> | <u>\$ 10,215,924</u> | <u>\$ 402,458</u> | <u>\$ 29,617,220</u> | <u>\$ 8,621,098</u> | <u>\$ 38,238,318</u> |
| EXPENDITURES | | | | | | | |
| Current | | | | | | | |
| Instruction | \$ 82,733 | \$ - | 1,182,732 | 101,683 | 1,367,148 | \$ 3,792,414 | \$ 5,159,562 |
| Support Services | 9,962,717 | - | 4,348,612 | 27,750 | 14,339,079 | 5,119,729 | 19,458,808 |
| Non-instruction Services | - | 4,055,206 | 1,405,546 | - | 5,460,752 | 67,828 | 5,528,580 |
| Capital Outlay | 526,077 | - | 10,100 | - | 536,177 | \$ 44,785,313 | 45,321,490 |
| Other Outlays | - | - | - | 5,440 | 5,440 | - | 5,440 |
| Total Expenditures | <u>\$ 10,571,527</u> | <u>\$ 4,055,206</u> | <u>\$ 6,946,990</u> | <u>\$ 134,873</u> | <u>\$ 21,708,596</u> | <u>\$ 53,765,284</u> | <u>\$ 75,473,880</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 120,605 | 4,251,500 | 3,268,934 | 267,585 | 7,908,624 | (45,144,186) | (37,235,562) |
| Other Financing Sources | | | | | | | |
| Transfers In | 806,913 | 11,435 | 810,421 | 10,165 | 1,638,934 | 5,577,322 | 7,216,256 |
| Transfers Out | - | (4,529,501) | (4,108,813) | - | (8,638,314) | (5,392,395) | (14,030,709) |
| Proceeds of Bonds | - | - | - | - | - | 22,520,000 | 22,520,000 |
| Total Other Financing Sources | <u>806,913</u> | <u>(4,518,066)</u> | <u>(3,298,392)</u> | <u>10,165</u> | <u>(6,999,380)</u> | <u>22,704,927</u> | <u>15,705,547</u> |
| Net Change in Fund Balances | 927,518 | (266,566) | (29,458) | 277,750 | 909,244 | (22,439,259) | (21,530,015) |
| Fund Balances, Beginning | 5,747,662 | 1,905,809 | 3,776,168 | 138,915 | 11,568,554 | 78,705,269 | 90,273,823 |
| Fund Balances, Ending | <u>\$ 6,675,180</u> | <u>\$ 1,639,243</u> | <u>\$ 3,746,710</u> | <u>\$ 416,665</u> | <u>\$ 12,477,798</u> | <u>\$ 56,266,010</u> | <u>\$ 68,743,808</u> |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Combining Balance Sheet – Other Capital Project Funds– Regulatory Basis
For the Year Ended June 30, 2019

| | <u>2015B Bond</u> | <u>2016A Bond</u> | <u>2016B Bond</u> | <u>2017A Bond</u> | <u>2017B Bond</u> | <u>2018A Bond</u> | <u>2018B Bond</u> | <u>Bond Residual</u> | <u>Capital Project Funds</u> |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|----------------------|----------------------|----------------------|------------------------------|
| Assets | | | | | | | | | |
| Cash and Cash Investments | \$ - | \$ 962,472 | \$ 280,519 | \$ 8,047,328 | \$ 4,663,571 | \$ 12,541,645 | \$ 4,678,987 | \$ 13,099,126 | \$ 44,273,648 |
| Other Receivable | - | - | - | - | 954 | 1,523 | - | 206 | 2,683 |
| Investments | - | - | - | - | - | - | 12,165,792 | - | 12,165,792 |
| Total Assets | \$ - | \$ 962,472 | \$ 280,519 | \$ 8,047,328 | \$ 4,664,525 | \$ 12,543,168 | \$ 16,844,779 | \$ 13,099,332 | \$ 56,442,123 |
| Liabilities | | | | | | | | | |
| Warrants Outstanding | \$ - | \$ 9,216 | \$ - | \$ 60,812 | 10,178 | \$ 7,506 | \$ 88,401 | \$ - | \$ 176,113 |
| Vendor Obligations Payable | - | - | - | 0 | 0 | - | - | - | - |
| Total Liabilities | \$ - | \$ 9,216 | \$ - | \$ 60,812 | \$ 10,178 | \$ 7,506 | \$ 88,401 | \$ - | \$ 176,113 |
| Fund Balances | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | 630,449 | 172,080 | 7,292,297 | 4,265,278 | 11,953,570 | 16,503,693 | 12,014,179 | 52,831,546 |
| Committed | - | - | - | - | - | - | - | - | - |
| Assigned | - | 322,807 | 108,439 | 694,219 | 389,069 | 582,092 | 252,685 | 1,085,153 | 3,434,464 |
| Total Fund Balances | - | 953,256 | 280,519 | 7,986,516 | 4,654,347 | 12,535,662 | 16,756,378 | 13,099,332 | 56,266,010 |
| Total Liabilities and Fund Balances | \$ - | \$ 962,472 | \$ 280,519 | \$ 8,047,328 | \$ 4,664,525 | \$ 12,543,168 | \$ 16,844,779 | \$ 13,099,332 | \$ 56,442,123 |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
– Other Capital Project Funds – Regulatory Basis
For the Year Ended June 30, 2019

| | 2015B Bond | 2016A Bond | 2016B Bond | 2017A Bond | 2017B Bond | 2018A Bond | 2018B Bond | Bond Residual | Total Other Capital Project Funds |
|--|----------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------------------------------|
| REVENUE | | | | | | | | | |
| Interest | \$ - | \$ 54,879 | \$ 12,580 | \$ 266,428 | \$ 201,245 | \$ 442,531 | \$ 252,685 | \$ 182,080 | \$ 1,412,428 |
| Other | - | - | - | - | 9,486 | 44,146 | - | 7,155,038 | 7,208,670 |
| Total Revenue | \$ - | \$ 54,879 | \$ 12,580 | \$ 266,428 | \$ 210,731 | \$ 486,677 | \$ 252,685 | \$ 7,337,118 | \$ 8,621,098 |
| EXPENDITURES | | | | | | | | | |
| Current | | | | | | | | | |
| Instruction | \$ - | \$ 331,829 | \$ 165,278 | \$ 327,561 | \$ 189,504 | \$ 640,502 | \$ 2,133,089 | \$ 4,651 | \$ 3,792,414 |
| Support Services | - | 206,620 | 403,557 | 345,407 | 987,401 | 2,201,060 | 777,964 | 197,720 | 5,119,729 |
| Non-instruction Services | - | - | 67,828 | - | - | - | - | - | 67,828 |
| Capital Outlay | - | 2,184,500 | 725,703 | 11,853,195 | 9,940,980 | 14,718,507 | 3,105,254 | 2,257,174 | 44,785,313 |
| Other Outlays | - | - | - | - | - | - | 0 | - | - |
| Total Expenditures | \$ - | \$ 2,722,949 | \$ 1,362,366 | \$ 12,526,163 | \$ 11,117,885 | \$ 17,560,069 | \$ 6,016,307 | \$ 2,459,545 | \$ 53,765,284 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | (2,668,070) | (1,349,786) | (12,259,735) | (10,907,154) | (17,073,392) | (5,763,622) | 4,877,573 | (45,144,186) |
| Other Financing Sources | | | | | | | | | |
| Transfers In | - | - | - | - | - | - | - | 5,577,322 | 5,577,322 |
| Transfers Out | (5,392,395) | - | - | - | - | - | - | - | (5,392,395) |
| Proceeds of Bonds | - | - | - | - | - | - | 22,520,000 | - | 22,520,000 |
| Total Other Financing Sources | \$ (5,392,395) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 22,520,000 | \$ 5,577,322 | \$ 22,704,927 |
| Net Change in Fund Balances | (5,392,395) | (2,668,070) | (1,349,786) | (12,259,735) | (10,907,154) | (17,073,392) | 16,756,378 | 10,454,895 | (22,439,259) |
| Fund Balances, Beginning | 5,392,395 | 3,621,326 | 1,630,305 | 20,246,251 | 15,561,501 | 29,609,054 | - | 2,644,437 | 78,705,269 |
| Fund Balances, Ending | \$ - | \$ 953,256 | \$ 280,519 | \$ 7,986,516 | \$ 4,654,347 | \$ 12,535,662 | \$ 16,756,378 | \$ 13,099,332 | \$ 56,266,010 |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Combining Statement of Assets and Fund Balances
– Activity Fund
For the Year Ended June 30, 2019

| ASSETS | Balance 6/30/18 | Total Receipts | Total Disbursements | Balance 6/30/19 |
|--|--------------------|-------------------|------------------------|--------------------|
| Activities: | | | | |
| Academic Team | 4,371 | 7,004 | 6,850 | 4,525 |
| Advanced Placement/Enrichment | 160,541 | 328,753 | 317,197 | 172,097 |
| Alternative School | 7,540 | 3,903 | 3,438 | 8,005 |
| Art | 44,148 | 55,244 | 63,875 | 35,517 |
| Athletics | 507,013 | 1,137,063 | 1,177,052 | 467,024 |
| Before/After School Programs | 800,054 | 3,616,759 | 3,649,695 | 767,118 |
| Broadcasting Club | - | 2,678 | 2,090 | 588 |
| Central Office | 19,752 | 113,798 | 108,419 | 25,131 |
| Charitable/Community/Service | 27,380 | 977,323 | 974,208 | 30,495 |
| Cheerleading/Pom/Pep | 74,794 | 247,386 | 208,825 | 113,355 |
| Chess Club | 7,073 | 4,418 | 3,017 | 8,474 |
| Concessions/Vending | 309,669 | 356,287 | 357,272 | 308,684 |
| Donations/Grants | 63,324 | 227,041 | 237,108 | 53,257 |
| Drama/Debate/Speech | 56,503 | 49,906 | 57,953 | 48,456 |
| Ethnic Heritage Clubs | 5,023 | 2,771 | 1,955 | 5,839 |
| Faculty | 5,705 | 17,477 | 8,797 | 14,385 |
| FBLA/DECA | 39,146 | 218,404 | 230,354 | 27,196 |
| FCCLA-Family, Career & Community Leaders | 9,099 | 43,575 | 42,051 | 10,623 |
| FFA Future Farmers of America | 37,432 | 168,809 | 160,663 | 45,578 |
| Foreign Language Clubs | 20,778 | 26,844 | 27,953 | 19,669 |
| Freshman Class | 1,408 | 5,700 | 2,268 | 4,840 |
| Games, Enrichment and Community (GEAC) | - | 1,236 | 1,230 | 6 |
| General Activity | 318,957 | 739,603 | 739,718 | 318,842 |
| Home Arts/Technology Ed/Wood Tech | 27,434 | 133,760 | 134,298 | 26,896 |
| Interest | 112,577 | 82,282 | 32,170 | 162,689 |
| Junior Class | 113,108 | 38,778 | 30,125 | 121,761 |
| Math Club | 917 | - | - | 917 |
| Media Center | 92,251 | 176,566 | 169,465 | 99,352 |
| Music | 275,002 | 1,083,338 | 1,066,227 | 292,113 |
| Musical Productions | 61,534 | 95,107 | 101,676 | 54,965 |
| National Forensic League | 2,378 | 18,747 | 15,078 | 6,047 |
| National Honor Society | 13,170 | 13,360 | 15,379 | 11,151 |
| Newspaper | 1,643 | 7,527 | 6,688 | 2,482 |
| Odyssey of the Mind | 3,681 | 40 | - | 3,721 |
| Parking | 14,720 | 140,487 | 153,717 | 1,490 |
| Photo Lab | 14,468 | 22,465 | 23,758 | 13,175 |
| Prom Fund | 27,966 | 31,319 | 27,458 | 31,827 |
| PSAT Counselor | 21,363 | 26,405 | 23,463 | 24,305 |
| Refunds | 4,240 | 15,034 | 16,941 | 2,333 |
| Robotics Team | 9,789 | 9,152 | 16,841 | 2,100 |
| ROTC | 40,142 | 57,944 | 77,188 | 20,898 |
| Scholarships | 19,797 | 10,050 | 18,969 | 10,878 |
| Science/Environmental | 10,715 | 15,932 | 16,186 | 10,461 |
| Senior Class | 17,498 | 33,376 | 34,012 | 16,862 |
| Sophomore Class | 366 | (268) | - | 98 |
| Special Education | 23,279 | 23,895 | 21,134 | 26,040 |
| Special Projects | 3,561 | 7,253 | 7,161 | 3,653 |
| Student Council | 14,977 | 126,192 | 123,077 | 18,092 |
| Student Tech Protection Plan | - | 275,462 | 272,118 | 3,344 |
| Summer School | 101,160 | 82,170 | 147,950 | 35,380 |
| Writing | 2,167 | 3,675 | 2,558 | 3,284 |
| Yearbook | 224,663 | 133,854 | 109,661 | 248,856 |
| Young Democrats/Republicans/Government | 1,892 | 10,462 | 10,518 | 1,836 |
| Total Assets | 3,776,168 | 11,026,346 | 11,055,804 | 3,746,710 |
| FUND BALANCES | | | | |
| Designated for School Organizations | 3,776,168 | 11,026,346 | 11,055,804 | 3,746,710 |
| Total Fund Balances | 3,776,168 | 11,026,346 | 11,055,804 | 3,746,710 |

Basis of Presentation

The above schedule and format is required by the Oklahoma State Department of Education and is not intended to represent a financial statement in accordance with accounting principles prescribed by the Oklahoma State Department of Education.

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

| Federal Grantor/Pass- Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Project Number | Balance 6/30/18 | Federal Grant Receipts | Federal Grant Expenditures | Balance 6/30/19 |
|---|---------------------------|--|--------------------|---------------------------|-------------------------------|--------------------|
| <u>U.S. Department of Education</u> | | | | | | |
| Direct Programs | | | | | | |
| Indian Education, Grants to Local Educational Agencies | 84.060 | 561 | \$ (62,507) | \$ 312,880 | \$ 290,307 | \$ (39,934) |
| Passed Through Oklahoma Department of Career and Technology Education | | | | | | |
| Vocational Education - Basic Grant to States | 84.048 | 421/424 | \$ (27,389) | \$ 122,550 | \$ 125,513 | \$ (30,352) |
| Passed Through Oklahoma State Department of Education | | | | | | |
| Title I, Improving Basic Programs | 84.010 | 511/512/518/785 | \$ (334,298) | \$ 2,004,205 | \$ 2,017,651 | \$ (347,744) |
| Title I Cluster | | | \$ (334,298) | \$ 2,004,205 | \$ 2,017,651 | \$ (347,744) |
| | | 615/621/ | | | | |
| Special Education - Grants to States | 84.027 | 623/625 | \$ (857,185) | \$ 4,156,723 | \$ 4,233,295 | \$ (933,757) |
| Special Education - Preschool Grants | 84.173 | 641/642 | - | 83,465 | 102,552 | (19,087) |
| Special Education Cluster | | | \$ (857,185) | \$ 4,240,188 | \$ 4,335,847 | \$ (952,844) |
| Title II, Part A Teacher and Principal Training and Recruiting Fund | 84.367 | 541 | \$ (21,928) | \$ 337,297 | \$ 373,137 | \$ (57,768) |
| Part A, English Language Acquisition, Language Enhancement and Academic Achievement | 84.365 | 571/572 | \$ (3,866) | \$ 153,672 | \$ 158,085 | \$ (8,279) |
| Student Support and Academic Enrichment | 84.424A | 551/552 | - | \$ 142,663 | \$ 154,094 | \$ (11,431) |
| Passed Through Oklahoma Department of Rehabilitation Services | | | | | | |
| Job Training | 84.126 | 456 | \$ 81,375 | \$ 33,942 | \$ 46,855 | \$ 68,462 |
| Total U.S. Department of Education | | | \$ (1,225,798) | \$ 7,347,397 | \$ 7,501,489 | \$ (1,379,890) |
| <u>U.S. Department of Health and Human Services</u> | | | | | | |
| Passed through the Oklahoma Health Care Authority | | | | | | |
| Medical Assistance Program | 93.778 | 698 | \$ 2,335 | - | \$ 2,166 | \$ 169 |
| <u>U.S. Department of the Interior</u> | | | | | | |
| Direct Programs | | | | | | |
| Indian Education - Assistance to Schools | | | | | | |
| Johnson O'Malley Program | 15.130 | 563/564 | \$ 35,848 | \$ 5,666 | \$ 21,205 | \$ 20,309 |
| <u>U.S. Department of Agriculture</u> | | | | | | |
| Passed through the Oklahoma State Department of Education | | | | | | |
| Breakfast Program | 10.553 | 764 | \$ - | \$ 675,263 | \$ 675,263 | \$ - |
| Lunch Program | 10.555 | 763 | - | 2,722,469 | 2,722,469 | - |
| Summer Food Program | 10.559 | 766 | - | 24,095 | 24,095 | - |
| Passed through the Oklahoma Department of Human Services | | | | | | |
| Lunch Program | 10.555 | | \$ 17,100 | \$ 562,421 | \$ 566,108 | \$ 13,413 |
| Summer Food Program | 10.559 | | 175 | 4,978 | 5,010 | 143 |
| Child Nutrition Cluster | | | \$ 17,275 | \$ 3,989,226 | \$ 3,992,945 | \$ 13,556 |
| Total U.S. Department of Agriculture | | | \$ 17,275 | \$ 3,989,226 | \$ 3,992,945 | \$ 13,556 |
| Total Expenditures of Federal Awards | | | \$ (1,170,340) | \$ 11,342,289 | \$ 11,517,805 | \$ (1,345,856) |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Edmond Independent School District No.12 Oklahoma County, Oklahoma under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Edmond Independent School District No.12 Oklahoma County, Oklahoma, it is not intended to and does not present the basic financial statements as listed in the table of contents.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported using the cash basis of accounting. Some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Nonmonetary assistance is reported in the schedule at the fair market value of commodities received.

Note C: Indirect Cost Rate

Edmond Independent School District No.12 Oklahoma County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Subrecipients

Edmond Independent School District No.12 Oklahoma County, Oklahoma did not have any awards that have been passed through to subrecipients.

OTHER INFORMATION

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Statement of Statutory Fidelity and Honesty Bonds (unaudited)
For the Year Ended June 30, 2019

The District has a public employee dishonesty bond with Ohio Casualty Insurance Company covering all district employees not individually bonded. This bond coverage is \$100,000 per loss with a \$2,500 deductible per employee. The bond number is 3884485 and the term is from July 1, 2018 until cancelled.

The treasurer and assistant treasurer are bonded under separate surety bonds, each for \$500,000, with Ohio Casualty Insurance Company. The bonds (numbered 3863216 and 87C002416, respectively) are effective for the period from July 1 through June 30 and are renewed annually.

The superintendent was bonded under Ohio Casualty Insurance Company surety bond number 87C002471 with a coverage amount of \$100,000. The bond is effective for the period from July 1 through June 30 and is renewed annually.



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 Education
Edmond Independent School District No.12, Oklahoma County, Oklahoma
Edmond, 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 governmental activities, each major fund, and the aggregate remaining fund information of Edmond Independent School District No.12, Oklahoma County, Oklahoma, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Edmond Independent School District No.12, Oklahoma County, Oklahoma’s basic financial statements and have issued our report thereon dated January 21, 2020. Our report included an adverse opinion on U.S. generally accepted accounting principles because the District prepares its financial statements on a prescribed regulatory basis of accounting.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Edmond Independent School District No.12, Oklahoma County, Oklahoma’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edmond Independent School District No.12, Oklahoma County, Oklahoma’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Edmond Independent School District No.12, Oklahoma County, Oklahoma’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Edmond Independent School District No.12, Oklahoma County, Oklahoma'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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mary E Johnson & Associates PLLC

Ardmore, Oklahoma
January 21, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Edmond Independent School District No.12, Oklahoma County, Oklahoma
Edmond, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited Edmond Independent School District No.12, Oklahoma County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Edmond Independent School District No.12, Oklahoma County, Oklahoma's major federal programs for the year ended June 30, 2019. Edmond Independent School District No.12, Oklahoma County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Edmond Independent School District No.12, Oklahoma County, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Edmond Independent School District No.12, Oklahoma County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Edmond Independent School District No.12, Oklahoma County, Oklahoma's compliance.

Opinion on Each Major Federal Program

In our opinion, Edmond Independent School District No.12, Oklahoma County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Edmond Independent School District No.12, Oklahoma County, Oklahoma, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Edmond Independent School District No.12, Oklahoma County, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Edmond Independent School District No.12, Oklahoma County, Oklahoma's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mary E Johnson & Associates PLLC

Ardmore, Oklahoma
January 21, 2020

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I Summary of Auditor's Results

Financial Statements:

| | | |
|---|-----------|-----------------------------|
| Type of audit report: | | Unmodified Regulatory Basis |
| Internal control over financial reporting: | | |
| Material weakness(es) identified? | _____ Yes | ___X___ No |
| Significant Deficiency(ies) identified that are not considered to be material weaknesses? | _____ Yes | ___X___ None Reported |
| Noncompliance material to financial statement | _____ Yes | ___X___ No |

Federal Awards:

| | | |
|---|-----------|-----------------------|
| Internal control over major program: | | |
| Material weakness(es) identified? | _____ Yes | ___X___ No |
| Significant Deficiency(ies) identified that are not considered to be material weaknesses? | _____ Yes | ___X___ None Reported |

| | | |
|--|-----------|------------|
| Type of auditors' report issued on compliance for major programs: | | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | _____ Yes | ___X___ No |

| | | |
|-----------------------------------|--|--|
| Identification of Major Programs: | | |
| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> | |
| 84.027;84.173 | Special Education Cluster (IDEA) | |
| 84.367 | Supporting Effective Instruction State Grants (Title II, Part A) | |

| | | |
|--|-----------|------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ | 750,000 |
| Auditee qualified as a low-risk auditee? | _____ Yes | ___X___ No |

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Summary Schedule of Prior Year Findings
Year Ended June 30, 2019

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)
For the Year Ended June 30, 2019

State of Oklahoma)

County of Carter)

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Edmond Independent School District No.12 for the audit year 2018-2019.

MARY E. JOHNSON & ASSOCIATES, PLLC

BY: Mary E Johnson
Authorized Agent

Subscribed and sworn to before me on this 27th day of, January, 2020.

Jillian Luker
Notary Public

Commission Number: _____
My commission expires on: _____ of _____, 20____.

