



Edmond Public Schools
Oklahoma County, Oklahoma

Financial Statements
Year-End June 30, 2016

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Edmond Independent School District No. 12
Oklahoma County, Oklahoma
Table of Contents
June 30, 2016

Page

Independent Auditor's Report	1
Management's Discussion and Analysis (unaudited)	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Regulatory Basis	14
Statement of Activities – Regulatory Basis	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds – Regulatory Basis	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds – Regulatory Basis	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Regulatory Basis	18
Statement of Fiduciary Net Position – Regulatory Basis	19
Statement of Changes in Fiduciary Net Position – Regulatory Basis	20
Notes to the Financial Statements.....	21
OTHER SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund (unaudited).....	37
Budgetary Comparison Schedule – Other Appropriated Funds (unaudited).....	38
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet –	
Other Governmental Funds – Regulatory Basis	39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Other Governmental Funds – Regulatory Basis	40
Combining Balance Sheet –	
Other Capital Project Funds – Regulatory Basis	41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances –	
Other Capital Project Funds – Regulatory Basis	42
Combining Statement of Assets and Fund Balances – Activity Fund	43
Schedule of Expenditures of Federal Awards	44
OTHER INFORMATION	
Statement of Statutory Fidelity and Honesty Bonds (unaudited)	47

GOVERNMENT AUDITING STANDARDS SECTION

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*48

SINGLE AUDIT SECTION

Independent Auditor’s Report on Compliance for Each Major Program and on Internal
Control over Compliance Required by the Uniform Guidance50
Schedule of Findings and Questioned Costs52
Summary Schedule of Prior Year Findings54



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, 2016, 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.

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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, 2016, 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, 2016, 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 17, 2017, 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 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 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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

January 17, 2017

EDMOND PUBLIC SCHOOLS INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2016

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, 2016. 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, 2016

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

	<u>District-wide Statements</u>	<u>Fund Financial Statements 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 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 - are 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, 2016

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)

	2014	2015	2016
Current and other assets	\$137.7	\$145.6	\$152.2
Capital assets	331.6	355.3	379.9
Total assets	\$469.3	\$500.9	\$532.1
Long-term obligations	\$135.6	\$143.9	\$149.5
Other liabilities	20.9	19.0	19.1
Total liabilities	\$156.5	\$162.9	\$168.6
Net position:			
Invested in capital assets, net of debt	\$251.4	\$272.3	\$290.6
Restricted	33.5	34.6	37.8
Unrestricted	27.9	31.1	35.1
Total net position	\$312.8	\$338.0	\$363.5

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2016

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)

	2014	2015	2016
Revenues			
Program revenues			
Charges for services	\$12.3	\$12.3	\$13.5
Federal and State grants	13.7	14.8	14.0
General revenues			
Property taxes	102.6	108.2	115.2
Other taxes	16.0	16.4	18.7
Federal entitlement	--	--	--
State entitlement	44.8	45.7	43.6
Other general revenues	1.1	1.2	1.6
Total revenues	\$190.5	\$198.6	\$206.6
Expenses			
Program expenses			
Instruction	\$88.1	\$85.9	\$90.3
Support services	61.0	60.4	62.5
Non-instruction	12.5	13.1	13.8
Interest on long-term debt	2.4	2.4	2.5
Depreciation-unallocated	10.6	11.6	12.0
Total expenses	\$174.6	\$173.4	\$181.1
Increase in net position	\$15.9	\$25.2	\$25.5
Beginning Net Position	296.9	312.8	338.0
Ending Net Position	\$312.8	\$338.0	\$363.5

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2016

Changes in Net Position

In 2016 the District's revenues increased \$8.0 million from the prior year (See Table A-3). The most significant variance from the prior year was in property taxes. Revenue from property taxes increased \$7.0 million over the prior year. This increase resulted from an increase of 6.7% in the District's property valuation from \$1.639 billion to \$1.749 billion with no increase in the millage rate of 66.30 mills. Normally 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, but this year the sinking fund millage was unchanged from the prior year at 24.04 mills. 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 \$400,000 from the prior year which is the net of increases in charges for services and decreases in federal and state grants. The increases in charges for services included \$688,000 in school activity funds which is primarily fundraising income (in 2016 band, orchestra and vocal music students traveled to Rome), \$250,000 in reimbursements from insurance for flood damage expenses initially paid from the building fund, and \$135,000 in local student lunch collections in the child nutrition fund. These increases were offset by decreases in federal and state grants consisting of a \$465,000 decrease in Oklahoma City Metropolitan Area Public Schools (MAPS) Trust collections (2015 was the final funding draw from the sales tax program for capital improvement projects in school districts with attendance boundaries in the Oklahoma City limits), \$298,000 decrease in federal collections primarily due to the timing of reimbursements, and \$222,000 decrease in state program revenue due to funding cuts in response to state level budget shortfalls in 2016, offset by an increase in federal school lunch reimbursements of \$219,000. The increases in both the local collections and federal reimbursements in child nutrition resulted from five more days breakfast and lunch were served in 2016 versus 2015 because of snow days in 2015.

Other taxes increased \$2.3 million over the prior year. The primary sources of increase were motor vehicle collections of \$1.3 million, county 4-mill taxes of \$341,000, county property resale fund of \$284,000, county mortgage taxes of \$168,000, and state school land earnings of \$235,000. The \$1.3 million increase in motor vehicle collections was due to a change in allocation methodology by the Oklahoma Tax Commission which was challenged in court with the plaintiffs prevailing. The court ruling called for prospective rather than retroactive correction, meaning the gains to Edmond in 2016 will become decreases in 2017 and 2018.

State entitlement revenues decreased by \$2.1 million because of funding cuts necessitated by a state budget revenue failure. A state revenue failure is declared when collections fall below projections by more than 5%. The State then cuts the budgets of recipient agencies by the amount of the shortfall in excess of the 5% reserve. The State is statutorily obligated to pay teachers health insurance, so that funding actually increased by \$932,000 but the state aid decreased \$3 million.

Program expenses increased \$7.7 million. Approximately 84% of the increase was in the areas of instruction and support services. The remaining increase of 16% is largely due to increased bond activity, to include spending bond proceeds to construct and equip facilities, increased depreciation expense and debt service costs.

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2016

The increase in instructional program expense was \$4.4 million which primarily consisted of \$1.8 million in personnel costs, \$1.9 million in textbooks, \$221,000 in technology hardware, software and supplies, \$171,000 in uniforms, \$124,000 in educational contract services, and \$111,000 for communication expenses to include internet and wi-fi.

The increase in support services was \$2.1 million which primarily consisted of \$1.6 million in technology hardware, software and supplies, \$450,000 for adaptive playground equipment, \$386,000 for student out of district travel expenses (which correlates to the increased fundraising revenue for the student trip to Rome), \$311,000 in custodial contracts, net of supplies savings, \$208,000 for construction services, \$197,000 for buses and vehicles, \$149,000 for repair and maintenance contract services, \$144,000 for the Advancement Via Individual Determination (AVID) grant, and \$126,000 for co-curricular expenses. These increases were partially offset by decreases of \$457,000 in utilities, \$369,000 in fuel, \$128,000 in county revaluation fees (2015 fees included charges for a new software program), \$102,000 in books, \$103,000 in testing supplies and materials, \$151,000 in furniture and fixtures, \$166,000 in rental expenses.

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 \$92.0 million, an increase of \$3.9 million over the prior year. The overall increase is attributed to a \$4.2 million increase in the general fund, a \$428,000 increase in the building fund, a \$327,000 increase in the debt service fund and a \$180,000 increase in the activity fund, offset by decreases of \$777,000 in the capital project funds (bond funds), \$284,000 in the child nutrition fund, and \$154,000 in the MAPS fund.

General Fund Budgetary Highlights for 2016

A significant funding shift in revenue has occurred since 2001. This is due in part to reduced state appropriations and revenue failures, and in part because under the state funding formula, local ad valorem levies reduce a district's state aid. In 2001, 59.1% of the District's revenue was provided by the state and 30.3% was from local sources. In 2016, state revenue comprised 40.4% of the District's total collections while local revenue comprised 46.1%. The greater reliance on ad valorem taxes which are primarily collected in the second half of the year (versus state funding which is collected ratably starting in August) necessitates a higher fund balance in order to pay expenses in the first half of the year. In planning the District's 2016 budget, the District targeted a fund balance that would provide reserves for the opening of Heartland Middle School in August 2016 and position the District to be able to respond to possible funding cuts and to carryover enough to meet obligations until revenue collections are sufficient to cover expenditures. That plan was successful and the District ended 2016 with a general fund balance of \$19.0 million which enabled the District to weather the state funding cuts while still providing first year operating funds for Heartland Middle School.

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2016

In the general fund, local revenue increased consistent with the increase in property valuations in the District. State revenue had decreases in state aid and state program funding but increases in health insurance reimbursement and motor vehicle collections for reasons mentioned in the discussion of changes in net position. Federal funding decreased \$298,000 which substantially related to timing differences between federal expenditures and claims reimbursements.

Employee wages and benefits continue to comprise the largest portion of the expenditure budget. Total 2016 payroll cost was \$131.4 million, 95.8% of the District's total general fund expenditures. This represents an increase of \$2.6 million over the prior year. The increase is primarily due to additional positions for Heritage Elementary which opened in 2016, step increases on the salary schedules of existing personnel, and new positions necessitated by enrollment growth. General fund expenditures were 73.7% instruction and student services, 7.0% facilities operations, 6.5% school administration, 4.3% student transportation, 4.1% food service and before/after care, 2.4% central services and 2% general administration.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During 2016, the District completed \$18.0 million in construction projects, including completion of Memorial High School classroom renovations and gym seating, HVAC replacement at Sunset Elementary School, and Phase I construction of Heritage Elementary School.

On June 30, 2016, the District had bond funds available, including accumulated interest, of \$58.8 million, which will be spent on capital projects including completion of Heartland Middle School; additions of classrooms and multi-purpose rooms which will dual purpose as storm shelters; site renovations; parking and road improvements; football stadium upgrade; tennis facilities; playground improvements; instructional, technology and transportation equipment; and land purchase for a future elementary/middle school site. Accumulated bond fund interest accounted for \$2.5 million of the bond funds available.

Edmond's seventeenth elementary school, Heritage Elementary, opened in August 2015. The District's sixth middle school, Heartland Middle School opened in August 2016 and the Santa Fe High School football stadium was opened September 2016.

Long-term Debt

At fiscal year end, the District had \$148.3 million in total long-term debt outstanding. This is a net increase of \$5.5 million from last year's amount of \$142.9 million. The District issued new bonds totaling \$43.1 million and retired \$37.7 million of outstanding bonds.

In February 2015, voters in the District approved the issuance of bonds totaling \$90,660,000, 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 \$35,460,000 was issued in March 2015, and the second installment of \$9,600,000 was issued in August 2015. The

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2016

third installment of \$33,520,000 was issued March 2016, and the fourth installment of \$12,080,000 was issued August 2016.

This election supported the first phase of a multi-year plan to meet space demands of enrollment growth while also providing storm shelters in all of our schools. These shelter spaces will be classrooms, media centers, gymnasiums, multi-purpose rooms, and a band room as determined by the particular needs of each school. Another bond election will be held in February 2017 to secure funding to complete the shelter plan and extend football stadium upgrades to the remaining high schools as well as continue financial support for technology, roofing, flooring, HVAC, school safety and security, and school equipment.

FACTORS BEARING ON THE DISTRICT'S FUTURE

Fiscal Year 2016 was certainly a rollercoaster for state finances. As the fiscal year began, there were doubts the 2016 state budget would be achievable based on emerging economic conditions. Unfortunately, the downturn proved to be more severe than projected at the time that school districts prepared their 2016 budgets. In January 2016, the first revenue failure was declared, and common education funding was cut by 3%. Then in March, another revenue failure resulted in an additional cut of 4%. At that time, an infusion from the State's Rainy Day Fund was authorized to help mitigate the cuts. Then as the fiscal year was coming to an end, common education was cut once again due to a revenue shortfall in another funding source. By the end of the year, the net cut to common education funding was \$74.5 million, or 3%.

While some districts were forced to make immediate budget cuts in order to merely finish the year, Edmond was fortunate enough to have fund balance reserves (largely in anticipation of opening Heartland Middle School in 2017) that softened the immediate impact and allowed thoughtful budget adjustments for the 2017 year. The District engaged in an exhaustive process to identify measures to save money, conserve resources, and generate revenue. The process included brainstorming, employee surveys, employee forums, networking with officials from other districts, and consultation with the EPS employee bargaining groups. The District's budget priorities were to protect student learning, maintain employee morale and make any cuts equitable across operational areas and employee groups with class size increases occurring only as a last resort. While very few employee positions were affected, class size targets were held constant. Additionally, employees of the District rallied to prop up the budget and avoid deeper personnel cuts by agreeing to reduce contract days in order to save money.

In total, the 2017 budget measures would produce \$3.1 million through a combination of savings and revenue generation with \$2.0 million being personnel savings and \$1.1 million being operational savings and revenue generation.

After the final 2016 state collections were known, it was determined that cuts to common education were deeper than necessary. Although options to repurpose the excess funds were discussed by state leaders, ultimately it was decided the excess funds should be redistributed to agencies based on the

EDMOND PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 12

Management's Discussion and Analysis
June 30, 2016

2016 cuts sustained. The result was \$40.2 million in 2016 funds being returned to common education in 2017.

Shortfalls in motor vehicle collections at the state level in 2016 prevented distributions of guaranteed prior year levels as provided in state statute. So the funds available were allocated based on the prior year average daily attendance numbers, which were more updated than the ratios used when the guarantee was legislated in 2000. This resulted in growing districts such as Edmond receiving a larger percentage of the motor vehicle revenue. EPS gained over \$1.3 million in motor vehicle collections in 2016 as a result. The allocation method was challenged in a court case and the plaintiffs prevailed. Adjustments will be made to allocations in 2017 and 2018 that will likely reduce the District's collections compared to 2016.

Recognizing that funding for common education is still inadequate to achieve the standards for class sizes and textbook and media/library spending put into law by House Bill 1017, the 2016 Legislature voted to continue the moratorium on those accreditation standards until the state funding factor per student reaches \$3,291.60. The factor rate for 2017 is \$3,050.60 as of January 9, 2017.

The State of Oklahoma is facing a crisis in teacher recruitment and retention. One of the main reasons is low teacher pay. Oklahoma teacher salaries are the lowest of all 50 states. A state question which proposed a \$5,000 teacher pay increase to be funded from an additional sales tax failed at the voting polls in November 2016, but the teacher pay discussion will continue in the 2017 Legislature. Legislation to increase teacher pay would almost certainly be accompanied by a funding mechanism.

The 2017 appropriation for common education is \$2.4 billion, 2.3% less than 2016 original appropriation and 1% less than 2016 final (including the return of excess cuts.) State revenue collections have trended below projections to date, but we are encouraged that oil output restrictions recently enacted by OPEC will stabilize oil prices, which will have a direct effect on the Oklahoma state economy.

Despite the uncertainties surrounding state funding, local property growth, both residential and commercial, in Edmond is still strong. Property valuation is anticipated to increase an average of 4% over the next two years.

Enrollment growth is projected to continue at the rate of around 400 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, and 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, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Investments	\$ 107,978,841
Investments	43,870,255
Other Current Assets	9,888
Inventories	338,608
Capital Assets:	
Land and Construction in Progress	67,569,899
Other Capital Assets, net of depreciation	312,346,431
	<hr/>
Total Assets	\$ 532,113,922
	<hr/>
LIABILITIES AND EQUITY	
Current Liabilities	
Warrants Outstanding	\$ 5,653,329
Salaries and Related Benefits	12,583,402
Vendor Obligations Payable	100,678
Reserve for Encumbrances	801,654
Long -term liabilities	
Due within One Year	40,703,000
Due in More than One Year	108,756,431
	<hr/>
Total Liabilities	\$ 168,598,494
	<hr/>
Net Position	
Net Investments in Capital Assets	\$ 290,569,913
Restricted for	
Debt Service	26,830,022
School Organizations	3,597,711
Child Nutrition	2,341,875
Buildings	4,984,128
Private Grants	84,876
Unrestricted	35,106,903
Total Net Position	<hr/> <hr/> \$ 363,515,428

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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities					
Instruction	\$ 90,278,508	\$ 106,125	\$ 9,147,130	\$ -	\$ (81,025,253)
Support Services	62,551,171	4,760,183	273,155	-	(57,517,833)
Non-Instruction Services	13,830,045	8,648,292	4,533,856	-	(647,897)
Interest on Long-Term Debt	2,490,163	-	-	-	(2,490,163)
Depreciation-Unallocated	11,985,280	-	-	-	(11,985,280)
Total Governmental Activities	<u>\$ 181,135,167</u>	<u>\$ 13,514,600</u>	<u>\$ 13,954,141</u>	<u>\$ -</u>	<u>\$ (153,666,426)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					\$ 64,219,983
Property taxes, levied for building purposes					9,168,180
Property taxes, levied for sinking fund purposes					41,803,175
General Taxes					18,725,869
Investment Earnings					1,632,672
State Aid - Formula grant					43,573,570
Gain on sale of property					8,411
Total General Revenues					<u>\$ 179,131,860</u>
Change in Net Position					<u>\$ 25,465,434</u>
Net Position - Beginning					338,049,994
Net Position - Ending					<u><u>\$ 363,515,428</u></u>

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Balance Sheet – Governmental Funds– Regulatory Basis
June 30, 2016

	General Fund	Debt Service Fund	2016A Bond Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Investments	36,063,206	\$ 14,658,615	\$ 24,369,411	\$ 32,887,609	\$ 107,978,841
Investments	1,507,021	\$ 29,302,370	7,618,071	5,442,793	43,870,255
Other Current Assets	8,289	-	-	1,598	9,887
Inventory	35,295	-	-	271,869	307,164
Total Assets	<u>\$ 37,613,811</u>	<u>\$ 43,960,985</u>	<u>\$ 31,987,482</u>	<u>\$ 38,603,869</u>	<u>\$ 152,166,147</u>
Liabilities					
Warrants Outstanding	\$ 17,758,816	\$ -	\$ -	\$ 477,913	\$ 18,236,729
Vendor Obligations Payable	17,579	-	-	83,099	100,678
Principal and Interest Accruals	-	41,005,252	-	-	41,005,252
Reserve for Encumbrances	801,654	-	-	-	801,654
Total Liabilities	<u>\$ 18,578,049</u>	<u>\$ 41,005,252</u>	<u>\$ -</u>	<u>\$ 561,012</u>	<u>\$ 60,144,313</u>
Fund Balances					
Nonspendable	\$ 35,296	\$ -	\$ -	\$ 271,869	\$ 307,165
Restricted	462,039	2,955,733	31,955,128	29,429,046	64,801,946
Committed	-	-	-	5,911,270	5,911,270
Assigned	18,538,427	-	32,354	2,430,672	21,001,453
Total Fund Balances	<u>\$ 19,035,762</u>	<u>\$ 2,955,733</u>	<u>\$ 31,987,482</u>	<u>\$ 38,042,857</u>	<u>\$ 92,021,834</u>
Total Liabilities and Fund Balances	<u>\$ 37,613,811</u>	<u>\$ 43,960,985</u>	<u>\$ 31,987,482</u>	<u>\$ 38,603,869</u>	
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>					
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 \$526,583,626 and accumulated depreciation is \$146,667,296					379,916,330
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.					31,443
Sinking Fund Principal and Interest Accruals are part of the net assets at the district-wide level					41,005,252
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	148,325,000	
			Compensated Absences	1,134,431	(149,459,431)
Net position of governmental activities.					<u>\$ 363,515,428</u>

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, 2016

	General Fund	Debt Service Fund	2016A Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUE					
Property Taxes	\$ 64,219,983	\$ 41,803,175	\$ -	\$ 9,168,180	115,191,338
Interest	95,607	158,173	32,354	199,407	485,541
County Revenue	6,701,843	-	-	-	6,701,843
State Revenue	57,193,136	4,014	-	74,197	57,271,347
Federal Revenue	6,575,933	-	-	3,078,652	9,654,585
Other	946,767	-	-	13,821,770	14,768,537
Total Revenue	<u>\$ 135,733,269</u>	<u>\$ 41,965,362</u>	<u>\$ 32,354</u>	<u>\$ 26,342,206</u>	<u>\$ 204,073,191</u>
EXPENDITURES					
Current					
Instruction	\$ 84,581,412	\$ -	\$ -	\$ 4,872,712	\$ 89,454,124
Support Services	46,021,981	-	633,471	18,333,784	64,989,236
Non-instruction Services	6,596,459	-	-	6,005,101	12,601,560
Capital Outlay	-	-	931,401	33,710,163	34,641,564
Other Outlays	33,330	8,426	-	20,601	62,357
Debt Service					
Interest Paid	-	2,490,163	-	-	2,490,163
Principal Retirement	-	37,660,000	-	-	37,660,000
Total Expenditures	<u>\$ 137,233,182</u>	<u>\$ 40,158,589</u>	<u>\$ 1,564,872</u>	<u>\$ 62,942,361</u>	<u>\$ 241,899,004</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (1,499,913)</u>	<u>\$ 1,806,773</u>	<u>\$ (1,532,518)</u>	<u>\$ (36,600,155)</u>	<u>\$ (37,825,813)</u>
Other Financing Sources					
Transfers In	\$ 5,672,871	\$ -	\$ -	\$ 1,713,176	\$ 7,386,047
Transfers Out	(335)	(104,704)	-	(7,281,008)	(7,386,047)
Accrued Principal & Interest	-	(2,521,532)	-	-	(2,521,532)
Premium on Bond Sales	-	1,146,846	33,520,000	-	34,666,846
Proceeds of Bonds	-	-	-	9,600,000	9,600,000
Total Other Financing Sources (Uses)	<u>\$ 5,672,536</u>	<u>\$ (1,479,390)</u>	<u>\$ 33,520,000</u>	<u>\$ 4,032,168</u>	<u>\$ 41,745,314</u>
Net Change in Fund Balances	\$ 4,172,623	327,383	31,987,482	(32,567,987)	3,919,501
Fund Balances - Beginning	14,863,139	2,628,349	-	70,610,844	88,102,332
Fund Balances - Ending	<u>\$ 19,035,762</u>	<u>\$ 2,955,732</u>	<u>\$ 31,987,482</u>	<u>\$ 38,042,857</u>	<u>\$ 92,021,833</u>

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, 2016

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

Net change in fund balances - total governmental funds			\$ 3,919,501
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.			
This is the amount by which capital outlays exceeds depreciation during the period.	Capital Outlay	\$ 36,610,536	
	Depreciation Expense	<u>(11,985,280)</u>	24,625,256
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.			(901)
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.			(137,519)
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.			
	Debt Issued	\$ (43,120,000)	
	Debt Repayments	<u>37,660,000</u>	(5,460,000)
The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the government-wide financial statements			(2,435)
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			<u>2,521,532</u>
Change in net position of governmental activities.			<u>\$ 25,465,434</u>

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Statement of Fiduciary Net Position – Regulatory Basis
June 30, 2016

	Private Purpose Trust
	<hr/>
Assets	
Cash and Cash Investments	\$ 468,274
	<hr/>
Total Assets	\$ 468,274
	<hr/>
Net Position	
Nonspendable Endowment	\$ 440,088
Restricted for Scholarships	28,186
	<hr/>
Total Net Position	\$ 468,274
	<hr/>

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, 2016

	<u>Private Purpose Trust</u>
Additions:	
Interest	<u>6,586</u>
Total Additions	<u>\$ 6,586</u>
Deductions	
Other Expenses	-
Changes in Net Position	<u>\$ 6,586</u>
Net Position-Beginning	<u>461,688</u>
Net Position -Ending	<u><u>\$ 468,274</u></u>

See Notes to Financial Statements

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2016

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, 2016

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.

2016A 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, 2016

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, 2016

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. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments.

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, 2016

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. U.S. Government Agency investments are held at amortized cost. Securities traded on a national exchange are valued at the last reported sales price. 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 40% 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, 2016

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, 2016

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 and sales tax 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.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12

Oklahoma County, Oklahoma

Notes to Financial Statements

June 30, 2016

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, 2016, fund balances are comprised of the following:

	General Fund	Debt Service Fund	2016A Fund	Other Governmental Funds	Total Governmental Funds
Nonexpendable					
Inventory	\$ 35,296	\$ -	\$ -	\$ 271,869	\$ 307,165
Restricted					
Capital Outlay and Property Maintenance	-	-	31,955,128	29,344,170	61,299,298
Debt Service	-	2,955,733	-	-	2,955,733
Federal and State Programs	462,039	-	-	-	462,039
Instruction	-	-	-	84,876	84,876
Total Restricted:	462,039	2,955,733	31,955,128	29,429,046	64,801,946
Committed					
Food Services	-	-	-	2,313,559	2,313,559
School Organizations	-	-	-	3,597,711	3,597,711
Total Committed:	-	-	-	5,911,270	5,911,270
Assigned					
Employee Compensation	801,654	-	-	-	801,654
Site Budget Carryover	125,904	-	-	-	125,904
Anticipated Federal Program Carryover	772,194	-	-	-	772,194
Appropriated Budget	16,838,675	-	-	-	16,838,675
Bond Costs and Capital Outlay	-	-	32,354	2,430,672	2,463,026
Total Assigned:	18,538,427	-	32,354	2,430,672	21,001,453
	<u>\$ 19,035,762</u>	<u>\$ 2,955,733</u>	<u>\$ 31,987,482</u>	<u>\$ 38,042,857</u>	<u>\$ 92,021,834</u>

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2016

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, 2016, 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 - The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk –Investments – 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, 2016 the District held U.S. Government agency investments in the following:

<u>Agency</u>	<u>Moodys Rating</u>	<u>Term</u>	<u>Balance</u>
Federal Home Loan Bank	AAA	8-18 months	\$ 11,669,449
Federal Home Loan Mortgage Corporation	AAA	13 months	29,302,370
Federal National Mortgage Association	AAA	8-15 months	2,891,154
Investment in U.S. Government Agencies			<u>\$43,862,973</u>
Investment in Judgments			<u>7,282</u>
Total Investments			<u>\$43,870,255</u>

The District held as an investment a judgment awarded against the District for obligations from prior years, and purchased from the plaintiff as investments of the general fund. The original judgment amount of \$10,923 is levied in the sinking fund ratably over three years at a statutory interest rate set annually. As of June 30, 2016 the balance to collect was \$7,282. The interest rate for 2016 was 5.25%.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2016

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	\$ 142,865,000	\$ 43,120,000	\$ 37,660,000	\$ 148,325,000	\$ 40,100,000
Compensated Absences	996,912	739,482	601,963	1,134,431	603,000
Total governmental activity long-term liabilities	<u>\$ 143,861,912</u>	<u>\$ 43,859,482</u>	<u>\$ 38,261,963</u>	<u>\$ 149,459,431</u>	<u>\$ 40,703,000</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, 2016 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, 2016
9,400,000	Building	8/1/2011	2,350,000	2,350,000	8/1/2016	1.5%-2%	2,350,000
23,380,000	Combined	3/1/2012	5,845,000	5,845,000	3/1/2017	.05%-2%	5,845,000
12,160,000	Building	8/1/2012	3,040,000	3,040,000	8/1/2017	.5%-2.5%	6,080,000
26,560,000	Combined	3/1/2013	6,640,000	6,640,000	3/1/2018	1.25%-1.5%	13,280,000
14,400,000	Building	8/1/2013	3,600,000	3,600,000	8/1/2018	2.00%	10,800,000
30,600,000	Building	3/1/2014	7,650,000	7,650,000	3/1/2019	1.0%-2.0%	22,950,000
8,440,000	Combined	8/1/2014	2,110,000	2,110,000	8/1/2019	1.0%-2.0%	8,440,000
35,460,000	Combined	3/1/2015	8,865,000	8,865,000	3/1/2020	2.00%	35,460,000
9,600,000	Building	8/1/2015	2,400,000	2,400,000	8/1/2020	1.5%-2.0%	9,600,000
33,520,000	Building	3/1/2016	8,380,000	8,380,000	3/1/2021	2.00%	33,520,000
							<u>\$ 148,325,000</u>

As of June 30, 2016, 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
2017	\$ 40,100,000	\$ 2,760,300	\$ 42,860,300
2018	42,685,000	1,956,113	44,641,113
2019	33,005,000	1,229,700	34,234,700
2020	21,755,000	605,600	22,360,600
2021	10,780,000	191,600	10,971,600
	<u>\$ 148,325,000</u>	<u>\$ 6,743,313</u>	<u>\$ 155,068,313</u>

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2016

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, 2016 is approximately \$174,924,000.

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 obligations with the pledged revenues in current year was \$37,660,000 and \$2,490,163, respectively. As of June 30, 2016, \$148,325,000 general obligations were outstanding and \$12,080,000 of general obligations bonds were authorized but not issued. Subsequent to year end the District issued the final \$12,080,000 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 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

- After five years of credited service, members become 100% vested in benefits earned to date.
- 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, 2016

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 year 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, 2016. 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, 2016, qualifying employee contributions were reduced by a retirement credit of \$970,793 as provided in state statute and paid by the State of Oklahoma as on-behalf payments. 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 of the District.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12

Oklahoma County, Oklahoma

Notes to Financial Statements

June 30, 2016

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, 2016, 2015, and 2014 were \$15,047,972, \$14,869,886, and \$15,022,955, respectively, equal to the required contributions for each year.

Pension Reporting – GASB Statement 68, effective for fiscal years beginning after June 15, 2014, created new pension reporting standards for plans administered through trusts that have certain characteristics. In the District's opinion, statutory language and case law place the pension obligation for TRS on the State of Oklahoma. Under GASB 68, in financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability. Since the District does not present financial statements using the economic resources measurement focus and accrual basis of accounting, the deferred outflows and inflows of resources and pension liability are not included in the district's financial statements. In the District's opinion, there is no legal or factual way in Oklahoma for a school district to pay for any portion of the ultimate pension. According to TRS calculations, the amount of allocated pension liability attributable to the District for the year ended June 30, 2015 (the most current information available, which is the measurement date) was \$136,198,981.

Note 5 -- 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 6 -- 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 in the past three years.

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2016

Note 7 -- 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, 2016:

	Construction Commitments
2016 A Bond Fund	\$ 2,575,802
Other Governmental Funds	11,741,201
Total	<u>\$ 14,317,003</u>

Note 8 -- Schedule of Transfers

Transfer From	Transfer To	Amount	Nature of Transfer
Child Nutrition Fund	General Fund	\$3,880,343	Operating Transfer for Payroll
Student Activity Fund	General Fund	1,792,528	Operating Transfer
Student Activity Fund	Child Nutrition Fund	4,763	Operating Transfer
Student Activity Fund	Student Activity Fund	205,252	Operating Transfer
Child Nutrition Fund	Child Nutrition Fund	4,115	Operating Transfer
Debt Service Fund	Building Fund	104,704	Operating Transfer
2012A Bond Fund	Bond Residual Fund	900,793	Operating Transfer
2012 B Bond Fund	Bond Residual Fund	493,549	Operating Transfer
		<u>\$7,386,047</u>	

EDMOND INDEPENDENT SCHOOL DISTRICT NO. 12
Oklahoma County, Oklahoma
Notes to Financial Statements
June 30, 2016

Note 9 -- Capital Assets

Capital Asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 13,874,761	\$ 117,499	\$ -	\$ 13,992,260
Construction in progress	37,652,831	33,924,352	17,999,544	53,577,639
Total capital assets, not being depreciated	<u>\$ 51,527,592</u>	<u>\$ 34,041,851</u>	<u>\$ 17,999,544</u>	<u>\$ 67,569,899</u>
<i>Capital assets, being depreciated</i>				
Buildings	\$ 406,146,346	\$ 18,508,065	\$ -	\$ 424,654,411
Furniture	1,841,763	8,362	-	1,850,125
Musical Instruments	812,001	48,199	-	860,200
Equipment	16,929,939	777,427	318,305	17,389,061
Vehicles	13,033,754	1,226,176	-	14,259,930
Total capital assets, being depreciated	<u>\$ 438,763,803</u>	<u>\$ 20,568,229</u>	<u>\$ 318,305</u>	<u>\$ 459,013,727</u>
Less Accumulated Depreciation	<u>134,999,420</u>	<u>11,985,280</u>	<u>317,404</u>	<u>146,667,296</u>
Total capital assets, being depreciated, net	<u>\$ 303,764,383</u>	<u>\$ 8,582,949</u>	<u>\$ 901</u>	<u>\$ 312,346,431</u>
Governmental activities capital assets, net	<u>355,291,975</u>	<u>42,624,800</u>	<u>18,000,445</u>	<u>379,916,330</u>
Total Primary Government	<u><u>\$ 355,291,975</u></u>	<u><u>\$ 42,624,800</u></u>	<u><u>\$ 18,000,445</u></u>	<u><u>\$ 379,916,330</u></u>

Note 10 – Subsequent Events

Subsequent to the fiscal year end, the District issued the fourth installment of bonds from the February 10, 2015 bond election. Voters in the District approved the issuance of bonds totaling \$90,660,000, to be issued in four series over a two-year period. The bond issues provide for construction of the 8th grade wing, practice gym/storm shelter, parking and tennis courts at Heartland Middle School; stadium upgrades at Santa Fe High School; tennis courts and lockers at Memorial High School and North High School; and additions that double as storm shelters at several schools to include: multi-purpose rooms at Clyde Howell Early Childhood Center, Clegern Elementary and Russell Dougherty Elementary; media centers at Ida Freeman Elementary, Orvis Risner Elementary and Sunset Elementary; classrooms at John Ross Elementary, Frontier Elementary, Heritage Elementary and Santa Fe High School; and a band room at Memorial High School. In addition to the construction projects, the bond included funding for land purchase for a future elementary/middle school; parking and road improvements at Charles Haskell Elementary, Summit Middle School, Sequoyah Middle School, Will Rogers Elementary and Memorial High School; and playground installations at Clyde Howell Early Childhood Center, Russell Dougherty Elementary, Sunset Elementary and Cross Timbers Elementary. Bond proceeds will also be used for improvements to existing facilities as well as transportation and equipment purchases. The first installment in the amount of \$35,460,000 was issued in March 2015, and the second installment of \$9,600,000 was issued in August 2015. The third installment of \$33,520,000 was issued March 2016, and the fourth installment of \$12,080,000 was issued August 2016. Construction commitments subsequent to year end totaled \$6,910,028 in the 2015A and 2016A 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, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
REVENUE				
Property Taxes	\$ 58,720,531	\$ 58,720,531	\$ 64,219,983	\$ 5,499,452
Interest	58,000	58,000	95,607	37,607
County Revenue	6,070,880	6,070,880	6,701,843	630,963
State Revenue	55,313,704	55,313,704	57,193,136	1,879,432
Federal Revenue	6,577,600	6,577,600	6,575,933	(1,667)
Other	6,831,800	6,831,800	6,619,637	(212,163)
Total Revenue	<u>\$ 133,572,515</u>	<u>\$ 133,572,515</u>	<u>\$ 141,406,139</u>	<u>\$ 7,833,624</u>
EXPENDITURES				
Current				
Instruction	\$ 87,624,697	\$ 87,624,697	84,581,412	\$ 3,043,285
Support Services	47,857,581	47,857,581	46,021,981	1,835,600
Non-instruction Services	6,782,358	6,782,358	6,596,459	185,899
Other Outlays	6,106,398	6,106,398	33,664	6,072,734
Total Expenditures	<u>\$ 148,371,034</u>	<u>\$ 148,371,034</u>	<u>\$ 137,233,516</u>	<u>\$ 11,137,518</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (14,798,519)	\$ (14,798,519)	\$ 4,172,623	\$ 18,971,142
Budgetary Fund Balance - Beginning	14,798,519	14,798,519	14,863,139	64,620
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,035,762</u>	<u>\$ 19,035,762</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, 2016

	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	\$ 8,384,389	\$ 9,168,180	\$ -	\$ -	\$ 40,051,772	41,803,175
Interest	9,100	12,182	5,900	8,324	-	158,174
State Revenue	200	881	108,700	73,315	-	4,014
Federal Revenue	-	-	2,996,770	3,078,652	-	-
Other	<u>135,600</u>	<u>379,349</u>	<u>4,621,017</u>	<u>4,609,825</u>	<u>-</u>	<u>(1,479,389)</u>
Total Revenue	<u>\$ 8,529,289</u>	<u>\$ 9,560,592</u>	<u>\$ 7,732,387</u>	<u>\$ 7,770,116</u>	<u>\$ 40,051,772</u>	<u>\$ 40,485,974</u>
EXPENDITURES						
Current						
Instruction	\$ 189,767	\$ 174,345	\$ -	\$ -	\$ -	\$ -
Support Services	10,113,190	8,874,697	-	-	-	-
Non-instruction Services	128,848	19,938	7,889,201	4,178,656	-	-
Capital Outlay	254,695	50,023	-	-	-	-
Other Outlays	<u>2,122,243</u>	<u>13,430</u>	<u>2,452,988</u>	<u>3,875,580</u>	<u>8,427</u>	<u>8,427</u>
Debt Service						
Interest Paid	-	-	-	-	2,571,694	2,490,163
Principal Retirement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,100,000</u>	<u>37,660,000</u>
Total Expenditures	<u>\$ 12,808,743</u>	<u>\$ 9,132,433</u>	<u>\$ 10,342,189</u>	<u>\$ 8,054,236</u>	<u>\$ 42,680,121</u>	<u>\$ 40,158,590</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,279,454)	428,159	(2,609,802)	(284,120)	(2,628,349)	327,384
Budgetary Fund Balance - Beginning	<u>4,279,454</u>	<u>4,555,969</u>	<u>2,609,802</u>	<u>2,669,159</u>	<u>2,628,349</u>	<u>2,628,349</u>
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ 4,984,128</u>	<u>\$ -</u>	<u>\$ 2,385,039</u>	<u>\$ -</u>	<u>\$ 2,955,733</u>

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Combining Balance Sheet– Other Governmental Funds – Regulatory Basis
For the Year Ended June 30, 2016

	Other Special Revenue Funds						Total Other Capital Project Funds	Total Other Governmental Funds
	Building	MAPS	Child Nutrition	Activity	Gift	Total		
Assets								
Cash and Cash Investments	\$ 2,641,255	\$ 171,199	\$ 2,405,058	\$ 3,688,764	\$ 84,956	\$ 8,991,232	\$ 23,896,377	\$ 32,887,609
Investments	2,393,944					2,393,944	3,048,849	5,442,793
Inventory	200,389	-	71,480	-	-	271,869	-	271,869
Total Assets	<u>\$ 5,235,588</u>	<u>\$ 171,199</u>	<u>\$ 2,476,538</u>	<u>\$ 3,688,764</u>	<u>\$ 84,956</u>	<u>\$ 11,657,045</u>	<u>\$ 26,946,824</u>	<u>\$ 38,603,869</u>
Liabilities								
Warrants Outstanding	\$ 249,686	\$ -	\$ 10,174	\$ 91,053	\$ 80	\$ 350,993	\$ 126,920	\$ 477,913
Vendor Obligations Payable	1,774	-	81,325	-	-	83,099	-	83,099
Total Liabilities	<u>\$ 251,460</u>	<u>\$ -</u>	<u>\$ 91,499</u>	<u>\$ 91,053</u>	<u>\$ 80</u>	<u>\$ 434,092</u>	<u>\$ 126,920</u>	<u>\$ 561,012</u>
Fund Balances								
Nonspendable	\$ 200,389	\$ -	\$ 71,480	\$ -	\$ -	\$ 271,869	\$ -	\$ 271,869
Restricted	4,783,739	171,199	-	-	84,876	5,039,814	24,389,232	29,429,046
Committed	-	-	2,313,559	3,597,711	-	5,911,270	-	5,911,270
Assigned	-	-	-	-	-	-	2,430,672	2,430,672
Total Fund Balances	<u>4,984,128</u>	<u>171,199</u>	<u>2,385,039</u>	<u>3,597,711</u>	<u>84,876</u>	<u>11,222,953</u>	<u>26,819,904</u>	<u>38,042,857</u>
Total Liabilities and Fund Balances	<u>\$ 5,235,588</u>	<u>\$ 171,199</u>	<u>\$ 2,476,538</u>	<u>\$ 3,688,764</u>	<u>\$ 84,956</u>	<u>\$ 11,657,045</u>	<u>\$ 26,946,824</u>	<u>\$ 38,603,869</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, 2016

	Other Special Revenue Funds						Total Other Capital Project Funds	Total Other Governmental Funds
	Building	MAPS	Child Nutrition	Activity	Gift	Total		
REVENUE								
Property Taxes	\$ 9,168,180	\$ -	\$ -	\$ -	\$ -	\$ 9,168,180	\$ -	\$ 9,168,180
Interest	12,182	533	8,324	12,478	186	33,703	165,704	199,407
State Revenue	881	-	73,316	-	-	74,197	-	74,197
Federal Revenue	-	-	3,078,652	-	-	3,078,652	-	3,078,652
Other	274,643	-	4,609,824	8,752,665	125,220	13,762,352	59,418	13,821,770
Total Revenue	<u>\$ 9,455,886</u>	<u>\$ 533</u>	<u>\$ 7,770,116</u>	<u>\$ 8,765,143</u>	<u>\$ 125,406</u>	<u>\$ 26,117,084</u>	<u>\$ 225,122</u>	<u>\$ 26,342,206</u>
EXPENDITURES								
Current								
Instruction	\$ 174,345	\$ -	\$ -	1,306,683	91,066	1,572,094	\$ 3,300,618	\$ 4,872,712
Support Services	8,874,697	-	-	3,704,419	9,387	12,588,503	5,745,281	18,333,784
Non-instruction Services	19,938	-	4,178,656	1,734,988	-	5,933,582	71,519	6,005,101
Capital Outlay	50,023	154,274	-	34,113	-	238,410	\$ 33,471,753	33,710,163
Other Outlays	13,427	-	-	7,174	-	20,601	-	20,601
Total Expenditures	<u>\$ 9,132,430</u>	<u>\$ 154,274</u>	<u>\$ 4,178,656</u>	<u>\$ 6,787,377</u>	<u>\$ 100,453</u>	<u>\$ 20,353,190</u>	<u>\$ 42,589,171</u>	<u>\$ 62,942,361</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	323,456	(153,741)	3,591,460	1,977,766	24,953	5,763,894	(42,364,049)	(36,600,155)
Other Financing Sources								
Transfers In	104,704	-	8,878	205,252	-	318,834	1,394,342	1,713,176
Transfers Out	-	-	(3,884,458)	(2,002,208)	-	(5,886,666)	(1,394,342)	(7,281,008)
Proceeds of Bonds	-	-	-	-	-	-	9,600,000	9,600,000
Total Other Financing Sources	<u>104,704</u>	<u>-</u>	<u>(3,875,580)</u>	<u>(1,796,956)</u>	<u>-</u>	<u>(5,567,832)</u>	<u>9,600,000</u>	<u>4,032,168</u>
Net Change in Fund Balances	428,160	(153,741)	(284,120)	180,810	24,953	196,062	(32,764,049)	(32,567,987)
Fund Balances, Beginning	4,555,968	324,940	2,669,159	3,416,901	59,923	11,026,891	59,583,953	70,610,844
Fund Balances, Ending	<u>\$ 4,984,128</u>	<u>\$ 171,199</u>	<u>\$ 2,385,039</u>	<u>\$ 3,597,711</u>	<u>\$ 84,876</u>	<u>\$ 11,222,953</u>	<u>\$ 26,819,904</u>	<u>\$ 38,042,857</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, 2016

	2012A Bond	2012B Bond	2013A Bond	2013B Bond	2014A Bond	2014B Bond	2015A Bond	2015B Bond	Bond Residual	Total Other Capital Project Funds
Assets										
Cash and Cash Investments	\$ -	\$ -	\$ 415,314	\$ 186,965	\$ 2,562,603	\$ 914,906	\$ 7,944,606	\$ 8,689,759	\$ 3,182,224	\$ 23,896,377
Other Receivable	-	-	-	-	-	-	-	-	1,598	1,598
Investments	-	-	-	-	-	-	3,048,849	-	-	3,048,849
Total Assets	\$ -	\$ -	\$ 415,314	\$ 186,965	\$ 2,562,603	\$ 914,906	\$ 10,993,455	\$ 8,689,759	\$ 3,183,822	\$ 26,946,824
Liabilities										
Warrants Outstanding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,307	\$ 124,048	\$ 978	\$ 587	\$ 126,920
Vendor Obligations Payable	-	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,307	\$ 124,048	\$ 978	\$ 587	\$ 126,920
Fund Balances										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	361,722	150,688	2,444,471	892,448	10,772,196	8,668,062	1,099,645	24,389,232
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	53,592	36,277	118,132	21,151	97,211	20,719	2,083,590	2,430,672
Total Fund Balances	-	-	415,314	186,965	2,562,603	913,599	10,869,407	8,688,781	3,183,235	26,819,904
Total Liabilities and Fund Balances	\$ -	\$ -	\$ 415,314	\$ 186,965	\$ 2,562,603	\$ 914,906	\$ 10,993,455	\$ 8,689,759	\$ 3,183,822	\$ 26,946,824

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, 2016

	2012A Bond	2012B Bond	2013A Bond	2013B Bond	2014A Bond	2014 B Bond	2015A Bond	2015B Bond	Bond Residual	Total Other Capital Project Funds
REVENUE										
Interest	\$ -	\$ -	2,554	\$ 1,318	\$ 35,481	\$ 6,547	\$ 87,995	\$ 20,719	\$ 11,090	\$ 165,704
Other	-	-	-	-	4,500	830	-	-	54,088	59,418
Total Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ 1,318</u>	<u>\$ 39,981</u>	<u>\$ 7,377</u>	<u>\$ 87,995</u>	<u>\$ 20,719</u>	<u>\$ 65,178</u>	<u>\$ 225,122</u>
EXPENDITURES										
Current										
Instruction	\$ -	\$ -	\$ 432,161	\$ 54,069	\$ 486,132	\$ 286,155	\$ 2,002,786	\$ 2,891	\$ 36,424	\$ 3,300,618
Support Services	-	-	124,714	365,455	116,457	901,960	2,904,209	755,830	576,656	5,745,281
Non-instruction Services	-	-	-	-	-	71,519	-	-	-	71,519
Capital Outlay	-	-	1,080,767	729,213	9,986,490	3,472,660	17,587,906	173,217	441,500	33,471,753
Other Outlays	-	-	-	0	-	-	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,637,642</u>	<u>\$ 1,148,737</u>	<u>\$ 10,589,079</u>	<u>\$ 4,732,294</u>	<u>\$ 22,494,901</u>	<u>\$ 931,938</u>	<u>\$ 1,054,580</u>	<u>\$ 42,589,171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(1,635,088)	(1,147,419)	(10,549,098)	(4,724,917)	(22,406,906)	(911,219)	(989,402)	(42,364,049)
Other Financing Sources										
Transfers In	-	-	-	-	-	-	-	-	1,394,342	1,394,342
Transfers Out	(900,793)	(493,549)	-	-	-	-	-	-	-	(1,394,342)
Proceeds of Bonds	-	-	-	-	-	-	-	9,600,000	-	9,600,000
Total Other Financing Sources	<u>\$ (900,793)</u>	<u>\$ (493,549)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,600,000</u>	<u>\$ 1,394,342</u>	<u>\$ 9,600,000</u>
Net Change in Fund Balances	(900,793)	(493,549)	(1,635,088)	(1,147,419)	(10,549,098)	(4,724,917)	(22,406,906)	8,688,781	404,940	(32,764,049)
Fund Balances, Beginning	900,793	493,549	2,050,402	1,334,384	13,111,701	5,638,516	33,276,313	-	2,778,295	59,583,953
Fund Balances, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 415,314</u>	<u>\$ 186,965</u>	<u>\$ 2,562,603</u>	<u>\$ 913,599</u>	<u>\$ 10,869,407</u>	<u>\$ 8,688,781</u>	<u>\$ 3,183,235</u>	<u>\$ 26,819,904</u>

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Combining Statement of Assets and Fund Balances
– Activity Fund
For the Year Ended June 30, 2016

ASSETS	Balance 6/30/15	Total Receipts	Total Disbursements	Balance 6/30/16
Activities:				
Academic Team	3,820	11,010	11,275	3,555
Advanced Placement/Enrichment	100,226	276,505	260,484	116,247
Alternative School	4,946	2,537	3,749	3,734
Art	19,622	62,772	54,739	27,656
Athletics	341,121	1,110,100	1,042,382	408,839
Before/After School Programs	1,225,337	2,256,221	2,253,768	1,227,790
Central Office	34,092	93,518	107,026	20,584
Charitable/Community/Service	19,332	991,383	990,126	20,589
Cheerleading/Pom/Pep	64,633	197,387	201,222	60,798
Chess Club	5,069	10,243	9,957	5,355
Concessions/Vending	310,933	372,861	390,446	293,348
Donations/Grants	110,946	52,708	125,431	38,223
Drama/Debate/Speech	29,217	134,558	111,152	52,623
Driver Education	295	-	295	-
Ethnic Heritage Clubs	3,049	2,965	2,153	3,861
Faculty	6,523	1,118	1,163	6,478
FBLA/DECA	26,873	155,306	151,675	30,504
FCCLA-Family, Career & Community Leaders	6,197	42,269	41,883	6,582
FFA Future Farmers of America	25,943	170,872	163,637	33,178
Foreign Language Clubs	16,042	23,372	21,224	18,191
Freshman Class	1,423	385	385	1,423
General Activity	287,763	687,378	674,041	301,100
Home Arts/Technology Ed/Wood Tech	19,551	89,827	68,387	40,991
Interest	54,499	11,199	2,882	62,815
Junior Class	76,392	48,558	35,143	89,807
Math Club	1,451	-	-	1,451
Media Center	80,972	159,238	142,574	97,636
Music	138,979	1,040,308	1,002,345	176,942
Musical Productions	70,681	85,020	93,872	61,829
National Forensic League	5,736	17,232	18,341	4,627
National Honor Society	9,462	14,136	10,444	13,154
Newspaper	1,396	3,564	3,777	1,182
Parking	120	152,025	151,925	220
Photo Lab	14,550	21,690	21,219	15,021
Prom Fund	6,799	24,148	22,214	8,732
PSAT Counselor	16,954	30,923	32,464	15,413
Refunds	2,862	38,723	36,898	4,687
Robotics Team	8,932	25,864	21,640	13,155
ROTC	3,107	14,316	16,927	496
Scholarships	36,366	(319)	14,736	21,312
Science/Environmental	6,954	8,510	8,724	6,741
Senior Class	12,323	22,633	23,465	11,490
Sophomore Class	416	602	872	145
Special Education	10,184	16,792	13,051	13,924
Special Projects	6,620	8,783	11,681	3,722
Student Council	24,940	131,776	134,667	22,049
Summer School	16,993	108,625	108,828	16,790
Transcripts	-	227	227	-
Writing	1,678	2,025	2,217	1,486
Yearbook	142,426	223,567	157,702	208,291
Young Democrats/Republicans/Government	2,158	14,937	14,149	2,947
Total Assets	3,416,901	8,970,396	8,789,586	3,597,711
FUND BALANCES				
Designated for School Organizations	\$ 3,416,901	\$ 8,970,396	\$ 8,789,586	\$ 3,597,711
Total Fund Balances	\$ 3,416,901	\$ 8,970,396	\$ 8,789,586	\$ 3,597,711

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, 2016

Federal Grantor/Pass- Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Project Number	Balance 6/30/15	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/16
<u>U.S. Department of Education</u>						
Direct Programs						
Indian Education, Grants to Local Educational Agencies	84.060	561	\$ (30,014)	\$ 255,594	\$ 237,450	\$ (11,870)
Passed Through Oklahoma Department of Career and Technology Education Vocational Education - Basic Grant to States	84.048	421/424	\$ (88,967)	\$ 156,174	\$ 168,965	\$ (101,758)
Passed Through Oklahoma State Department of Education						
Title I, Improving Basic Programs	84.010	511/512/518/785	\$ (375,681)	\$ 1,559,736	\$ 1,922,593	\$ (738,538)
Title I Cluster			\$ (375,681)	\$ 1,559,736	\$ 1,922,593	\$ (738,538)
		615/621/				
Special Education - Grants to States	84.027	623/625	\$ (822,482)	\$ 3,942,776	\$ 3,953,632	\$ (833,338)
Special Education - Preschool Grants	84.173	641/642	(14,177)	67,595	67,481	(14,063)
Special Education Cluster			\$ (836,659)	\$ 4,010,371	\$ 4,021,113	\$ (847,401)
Title II, Part A Teacher and Principal Training and Recruiting Fund	84.367	541	\$ (28,797)	\$ 152,474	\$ 380,485	\$ (256,808)
Mathematics and Science Partnerships	84.366	544/545	-	\$ 157,794	\$ 196,796	\$ (39,002)
Part A, English Language Acquisition, Language Enhancement and Academic Achievement	84.365	571/572/785	\$ (12,523)	\$ 151,602	\$ 144,127	\$ (5,048)
Passed Through Oklahoma Department of Rehabilitation Services						
Job Training	84.126	456	\$ 60,869	\$ 23,593	\$ 7,158	\$ 77,304
Total U.S. Department of Education			\$ (1,311,772)	\$ 6,467,338	\$ 7,078,687	\$ (1,923,121)
<u>U.S. Department of Health and Human Services</u>						
Passed through the Oklahoma Health Care Authority						
Medical Assistance Program	93.778	698	\$ 4,563	\$ -	\$ -	\$ 4,563
<u>U.S. Department of the Interior</u>						
Direct Programs						
Indian Education - Assistance to Schools						
Johnson O'Malley Program	15.130	563/564	\$ 35,335	\$ 20,989	\$ 25,377	\$ 30,947
<u>U.S. Department of Agriculture</u>						
Passed through the Oklahoma State Department of Education						
Breakfast Program	10.553	764	\$ -	\$ 609,343	\$ 609,343	\$ -
Lunch Program	10.555	763	-	2,443,199	2,443,199	-
Summer Food Program	10.559	766	-	26,010	26,010	-
Passed through the Oklahoma Department of Human Services						
Lunch Program	10.555		\$ 33,516	\$ 406,374	\$ 408,783	\$ 31,107
Summer Food Program	10.559		360	4,326	4,352	334
Child Nutrition Cluster			\$ 33,876	\$ 3,489,252	\$ 3,491,687	\$ 31,441
Passed through the Oklahoma State Department of Education						
Child Nutrition Discretionary Grants Limited Availability	10.579		\$	\$ 100	\$ 100	\$
Total U.S. Department of Agriculture			\$ 33,876	\$ 3,489,252	\$ 3,491,687	\$ 31,441
Total Expenditures of Federal Awards			\$ (1,237,998)	\$ 9,977,679	\$ 10,595,851	\$ (1,856,170)

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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, 2016. 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, of Edmond Independent School District No.12 Oklahoma County, Oklahoma.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on using the statutory 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, 2016

<u>Type</u>	<u>Amount</u>	<u>Number</u>	<u>Company</u>	<u>Effective Date</u>
Superintendent	\$ 100,000	87C002471	The Ohio Casualty Insurance Company	7/1/15-6/30/16
Treasurer	\$ 500,000	3863216	The Ohio Casualty Insurance Company	7/1/15-6/30/16
Assistant Treasurer	\$ 500,000	87C002416	The Ohio Casualty Insurance Company	7/1/15-6/30/16
Public Employee not individually bonded	\$ 100,000	3884485	The Ohio Casualty Insurance Company	7/1/15-6/30/16



**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, 2016, 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 17, 2017. 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.

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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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
January 17, 2017



**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, 2016. 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.

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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, 2016.

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.

Rakhal Henderson Johnson, PLLC

Ardmore, Oklahoma
January 17, 2017

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12

Oklahoma County, Oklahoma
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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 section 510(a) of Circular A-133?

_____ Yes X No

Identification of Major Programs:

CFDA Number
10.553, 10.555, 10.559
84.367
84.010

Name of Federal Program or Cluster
Child Nutrition Cluster
Improving Teacher Quality State Grants
Title I Grant to Local Educational Agencies

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, 2016

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Summary Schedule of Prior Year Findings
Year Ended June 30, 2016

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

EDMOND INDEPENDENT SCHOOL DISTRICT NO.12
Oklahoma County, Oklahoma
Schedule of Accountant's Professional Liability Insurance Affidavit (unaudited)
For the Year Ended June 30, 2016

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 2015-2016.

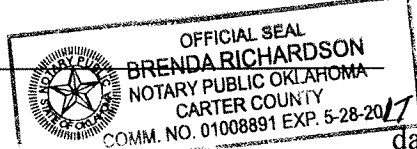
RAHHAL HENDERSON JOHNSON, PLLC

BY: Mary E. Johnson
Authorized Agent

Subscribed and sworn to before me on this 23rd day of, January, 2017.

 OFFICIAL SEAL
BRENDA RICHARDSON
NOTARY PUBLIC OKLAHOMA
CARTER COUNTY
COMM. NO. 01008891 EXP. 5-28-2017

Commission Number: _____

My commission expires on:  day of, _____, 20____.