

LONE OAK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
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Greenville, Texas 75401
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LONE OAK INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board.....	3	
FINANCIAL SECTION		
<u>Independent Auditor’s Reports:</u>		
Report on Basic Financial Statements	5	
Report on Internal Controls and Compliance (<i>Government Auditing Standards</i>).....	8	
Report on Internal Control over Compliance in Accordance with Uniform Guidance	10	
Schedule of Findings and Questioned Costs.....	12	
Management’s Discussion and Analysis (Required Supplementary Information)	23	
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements:</u>		
Statement of Net Position.....	32	A-1
Statement of Activities	33	B-1
<u>Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds	34	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	35	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds.....	36	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	37	C-4
Statement of Net Position – Proprietary Funds.....	38	D-1
Statement of Revenues, Expenses and Changes in		
Fund Net Position – Proprietary Funds	39	D-2
Statement of Cash Flows – Proprietary Funds	40	D-3
Statement of Fiduciary Net Position – Fiduciary Funds	41	E-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	42	E-2
Notes to the Basic Financial Statements.....	43	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	71	G-1
Schedule of District’s Proportionate Share of the Net Pension Liability.....	72	G-2
Schedule of District Pension Contributions	73	G-3
Schedule of District’s Proportionate Share of the OPEB Liability	74	G-4
Schedule of District OPEB Contributions	75	G-5
Notes to Required Supplementary Information	76	
<u>Other Supplementary Information Section:</u>		
Schedule of Delinquent Taxes Receivable	78	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency		
School Breakfast and National School Lunch Program.....	79	J-3
Debt Service Fund	80	J-4
Schedule of Required Responses to Selected School FIRST Indicators	81	J-5
Schedule of Required Responses to State Mandated Program Requirements.....	82	J-6
FEDERAL AWARDS SECTION		
Schedule of Expenditures of Federal Awards	84	K-1
Notes to Schedule of Expenditures of Federal Awards	85	K-2

CERTIFICATE OF BOARD

Lone Oak Independent School District
Name of School District

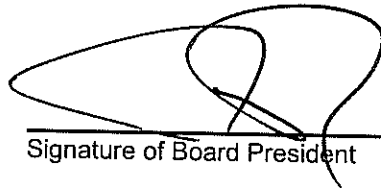
Hunt
County

116-906
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and **approved**/ **disapproved** for the year ended June 30, 2022, at a meeting of the board of school trustees of such school district on September 7, 2022



Signature of Board Secretary



Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Lone Oak Independent School District

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lone Oak Independent School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lone Oak Independent School District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note R to the financial statements, in 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charges with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other supplementary information included in the annual report. The other supplementary information comprises but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other supplementary information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other supplementary information and consider whether a material inconsistency exists between the other supplementary information and the basic financial statements, or the other supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other supplementary information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



August 23, 2022
Greenville, Texas

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

Members of the Board
Lone Oak Independent School District

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 the Lone Oak Independent School District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 23, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-1, 2022-2, 2022-3 and 2022-4.

District's Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on the response.

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.



August 23, 2022
Greenville, Texas

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

Members of the Board
Lone Oak Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lone Oak Independent School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the type 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, 2022.

Basis for Opinion on Each Major Federal Program

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 the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud, or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Internal Control over Compliance with the Uniform Guidance – Continued

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



August 23, 2022
Greenville, Texas

LONE OAK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2022

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	Yes

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	Yes
Identification of major programs	Education Stabilization Fund (ALN 84.425)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low-risk auditee	No
Pass-through Entity	Texas Education Agency

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Financial Finding (Section II)

2022-1

Expenditures over Appropriations

Criteria

Texas Education Code, Section 44.002 through 44.006 established the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.

Condition Found:

The District over expended functional expenditure categories during the year and at the year end.

Questioned Costs/Basis

None

Instances/Universe:

Expenditures of the legally required budgeted funds are distributed into twenty-one functional expenditure categories. The District over expended thirteen of the functional categories.

Effect:

The District appears to not have been in compliance with Texas Education Code, Section 44.002 through 44.006.

Recommendation:

The District made several decisions to increase spending throughout the year with no corresponding budget amendments. Items such as the purchase of land, while approved by the Board, did not include an action to amend the budget for the transaction. We recommend for future actions not included in the original budget the Board include language in their motion that would provide the budget amendment to allow for the expenditures of available funds.

Because of the pandemic and various operational changes to the delivery of educational services, increased federal funds, free lunches and other related expenditures, the operational budgets were exceeded. The Board should review the budget monthly and, if necessary, amend the budget where needed. The review should occur monthly with appropriate action taken to direct administration toward their expenditure of available funds.

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Financial Finding (Section II)

2022-2

Capital Expenditures – Federal Food Service Program

Criteria

USDA requires any capital expenditure to be preapproved by the grantor agency (Texas Department of Agriculture (TDA)) prior to the expenditures of the funds.

Condition Found:

The District purchased capital equipment during the year without the proper TDA approval. Capital equipment is defined in the *Administrators Reference Manual* as “Costs exceeding \$ 5,000 for a single item that are incurred to acquire (1) capital assets or equipment or (2) to make improvements, additions, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.”

Questioned Costs/Basis

\$ 17,321

Instances/Universe:

The District purchased a convection steamer for their food service operation without submitting the item to the TDA for approval prior to purchase. This was the only capital expenditure requiring TDA's prior approval from the Child Nutrition Fund during the year.

Effect:

The District appears to not have been in compliance with TDA regulations.

Recommendation:

The District should review the administrative manual concerning the requirements of capital expenditure purchases and comply with the requirement when procuring future capital equipment. Any approval received from TDA should be maintained and attached to the invoice as support for the payments in procuring capital equipment.

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Financial Finding (Section II)

2022-3

Competitive Procurement over \$50,000

Criteria

Texas Education Code, Section 44.031 and Texas Government Code, Chapter 2269.101 through Chapter 2269.401 establish the legal basis for purchasing within the State for public school districts. No funds may be expended in any manner other than those provided in above sections. Texas Government Code Chapter 2269 specifically identifies and describes the processes for any construction projects undertaken by a district. The Chapter describes the six methods for procuring construction services.

Condition Found:

The District contracted with a vendor for the dismantling, relocation and installation of the home bleachers in the football stadium. The District issued bonds for the purpose of improving the football field and the surrounding seating. As a part of this construction, the District contractor was to remove the present football field bleachers. During this period, the bleachers were to be moved to the visitor side of the football field thus saving the District the cost of replacing the section. The engaged contractor (Construction manager at risk) declined to complete this task as proposed. Facing this dilemma, the District hired a local contractor to complete the removal and reinstallation on the visitor side of the field. However, the contract for this reinstallation exceeded the \$ 50,000 level that requires the District to submit the contract to a competitive procurement process. No advertising in a newspaper of general circulation within the District was completed prior to issuing the contract. This appears to be a violation of the Texas statutes related to competitive procurement of services in excess of \$ 50,000.

Questioned Costs/Basis

\$ 147,677

Instances/Universe:

The District paid a contractor a total of \$ 147,677 comprising 3 checks of \$ 106,827, \$ 3,350 and \$ 37,500. No other payments were made under this contract for the removal and reinstallation of the bleachers.

Effect:

The District appears to not have been in compliance with Texas Education Code, Section 44.031 and Texas Government Code, Chapter 2269.101 through Chapter 2269.401.

Recommendation:

The District should review the procurement standards for construction services and attend a training session with knowledgeable parties. All future contracts for construction services and any related projects need to be evaluated and considered with the applicable statutes prior to the construction process beginning.

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Financial Finding (Section II)

2022-4

Federal Program – Cash Management

Criteria

Under the Uniform Guidance for federal grant programs, a grantee can only maintain a positive cash balance for a three-day period without violating the general compliance standards. This cash management standard is applicable to all federal grant programs that do not specifically allow for advances under the grant.

Condition Found:

The District maintained a positive cash balance in the grant fund bank account for 30 days and had a positive cash balance of \$ 50,000 at year-end. The District reports expenditures to the grantor (Texas Education Agency) as expenditures are incurred and paid. During the year, the District incurred salary expenditures and recorded the expenditures on the accrual basis of accounting in their accounting records. These accruals are not cash payments and should be removed from the total expenditures prior to reporting to the grantor. The District failed to remove the accruals from the reported expenditures thus accumulating the cash balance throughout the year. This year-end balance exceeds the 3-day positive cash requirement.

Questioned Costs/Basis

At year-end, \$ 59,815

Instances/Universe:

The cash balance maintained in the fund remained in a positive position throughout the year that exceeds a 30-day period.

Effect:

The District appears to have violated cash management compliance with the Uniform Guidance compliance requirements related to the excess cash balances.

Recommendation:

The District should revise its reporting process to ensure that salary accrual balances are deducted from the reported expenditures when submitted to the grantor agency. This process should include a review by the business office prior to submission to ensure balances reported are accurate. Further follow up should be completed monthly to ensure that positive cash balances do not appear in the general ledger of the federal fund.

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Federal Award Findings and Questions Costs (Section III)

NONE

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Prior Year Findings (Section IV)

NONE

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Corrective Action Plans (Section V)

2022-1

Expenditures over Appropriations

The District over expended thirteen functional categories at year-end across the three legally required funds. Debt service expenditures were not affected.

Expenditures of the Child Nutrition Fund (Food Service) were greater than anticipated due to the fiscal year decision by the United States Department of Agriculture to allow all students in the District to eat for free under a federally funded program. This participation increase along with the supply chain food cost increases required the District to expend additional funds above the original budget adopted. Future budgets will be monitored to ensure any increased food or other costs for participation gains or losses will be accounted for in the budget process.

The District will make sure that when future actions that were not a part of the original budget are acted upon, the budget will be evaluated for action. Any item not covered by realignment of functional classification budget amounts will be appropriately amended to allow the administration the authority to carry out the transaction without violating the regulation included in the Texas statutes and Board policy.

In the future, the District will take measures to monitor transactions to ensure timely amendments are approved by the Board prior to the expenditure being made by the District.

Contact Person

Gary Sorrells, Director of Finance

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Corrective Action Plans (Section V)

2022-2

Capital Expenditure Approval – Child Nutrition Program

The USDA requires the District through the Texas Department of Agriculture (TDA) to obtain preapproval for all procurement of capital expenditures in excess of \$ 5,000 individually by item. The District failed to obtain the approval for purchases meeting the capital expenditures criteria. We have reviewed the *Administrators Reference Manual* and concur with the finding and will submit any and all required information to the TDA before any future capital expenditure is acquired in the Child Nutrition program. The Finance Director will ensure that no procurements are made for capital equipment without prior approval by the TDA.

Contact Person

Gary Sorrells, Director of Finance

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Corrective Action Plans (Section V)

2022-3

Competitive Procurement over \$ 50,000

Texas Education Code, Section 44.031 and Texas Government Code, Chapter 2269.101 through Chapter 2269.401 establish the legal basis for purchasing within the State for public school districts. We have reviewed the statutes with our attorney and agree that we have not complied with the statutes in our contracting with a vendor for the removal and reinstallation of the home bleachers. We feel this is an isolated instance, but we take the finding very serious and will, as recommended, seek training on the aspects of the law and its implementation toward future projects. We will ensure all future contracts that appear to exceed the procurement limitations are submitted to a competitive procurement process that includes the required public notification in accordance with the statutes.

Contact Person

Janee' Carter, Superintendent
Gary Sorrells, Director of Finance

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Corrective Action Plans (Section V)

2022-4

Federal Cash Management

Federal grant funds require the payment of any cash balances received out to vendors within 3 days of receiving payment from the grantor agent (TEA). Generally, this means that the federal grant is expenditure driven in that once funds are expended, they can be submitted for reimbursement by the grantor. This is the practice that all districts should follow to ensure compliance. During the year, the District failed to deduct the salary accrual liabilities from the expenditure balances that were reported to the grantor agent. This resulted in a positive cash balance throughout the year as accruals were included in the expenditures of the grant. We agree with the finding and have now modified our reporting practices to remove any accrued salary and related liability balance from the total expenditures before reporting and requesting reimbursement. This practice should eliminate the excess cash balance that occurred during the current year. We will also monitor the various federal fund cash account balances in the general ledger at least monthly to identify any error that might occur so that it can be corrected in a timely manner.

Contact Person

Gary Sorrells, Director of Finance
Rob O'Conner, Hunt County Coop Director

LONE OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

This section of Lone Oak Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2022. Please read it in conjunction with the District's basic financial statements, which follow this section.

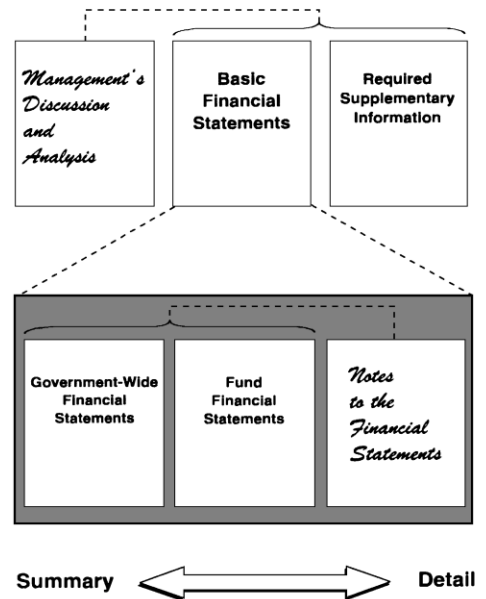
- The District's total combined net position was \$ 6,801,444 at year end.
- During the period, the District's expenses were \$ 1,115,411 less than the \$ 15,783,549 generated in taxes and other revenue for Governmental Activities
- The total cost of the District's programs increased 10.76% from last year. Operational costs related to pandemic and learning loss were added this year.
- The District experienced disruption in traditional educational services due to state and national responses to the COVID-19 pandemic throughout the year.
- The General Fund reported a fund balance this period of \$ 5,376,830, an increase of \$ 1,001,715 from the prior year.
- The District issued \$ 33,710,000 of bonded debt for facility improvements and executed a loan of \$ 500,000 to purchase land for future growth.

OVERVIEW 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 government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

LONE OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during 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 payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-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 position includes all of the government's assets and liabilities. All of the current year's

revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position were an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which 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 fund 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 government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

LONE OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was \$ 6,801,444 at June 30, 2022.

Lone Oak Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Assets:			
Cash and Investments	\$ 40,189,151	\$ 5,410,496	642.80%
Other Current Assets	3,089,095	2,296,467	34.52%
Capital Assets less Accumulated Depreciation	15,323,139	13,430,618	14.09%
Total Assets	\$ 58,601,385	\$ 21,137,581	177.24%
Deferred Net Outflows of Resources:			
Deferred Net Outflows of Resources	\$ 2,368,057	\$ 2,051,455	15.43%
Total Deferred Net Outflows of Resources	\$ 2,368,057	\$ 2,051,455	15.43%
Liabilities:			
Current Liabilities	\$ 1,880,878	\$ 1,683,954	11.69%
Long-term Liabilities	48,398,145	12,967,018	273.24%
Total Liabilities	\$ 50,279,023	\$ 14,650,972	243.18%
Deferred Net Inflows of Resources:			
Deferred Net Inflows of Resources	\$ 3,888,975	\$ 2,852,031	36.36%
Total Deferred Net Inflows of Resources	\$ 3,888,975	\$ 2,852,031	36.36%
Net Position:			
Net Investment in Capital Assets	\$ 4,611,485	\$ 5,981,473	-22.90%
Restricted	2,022,653	1,102,225	83.51%
Unrestricted	167,306	(1,397,665)	111.97%
Total Net Position	\$ 6,801,444	\$ 5,686,033	19.62%

Approximately \$ 1,890,583 of the District's restricted net position represent amounts restricted for debt retirement. Unrestricted net position represents resources available to fund the programs of the District in the coming year.

CHANGES IN NET POSITION

The District's total revenues were \$ 15,783,549. 29% of the District's revenue comes from local property taxes (See Table A-2). 65% of revenues come from state aid and federal grants while only 6% relates to charges for services and other sources.

The total cost of all programs and services was \$ 14,668,138. 51% of these costs were for instruction and instructional related student services.

The District's current tax collection rate (base tax only – current and delinquent) was 99.10%. The total collection rate (base tax and penalty and interest) was 101.57%.

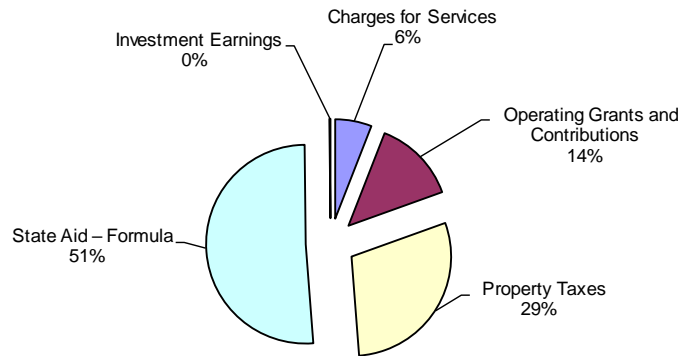
LONE OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

GOVERNMENTAL ACTIVITIES

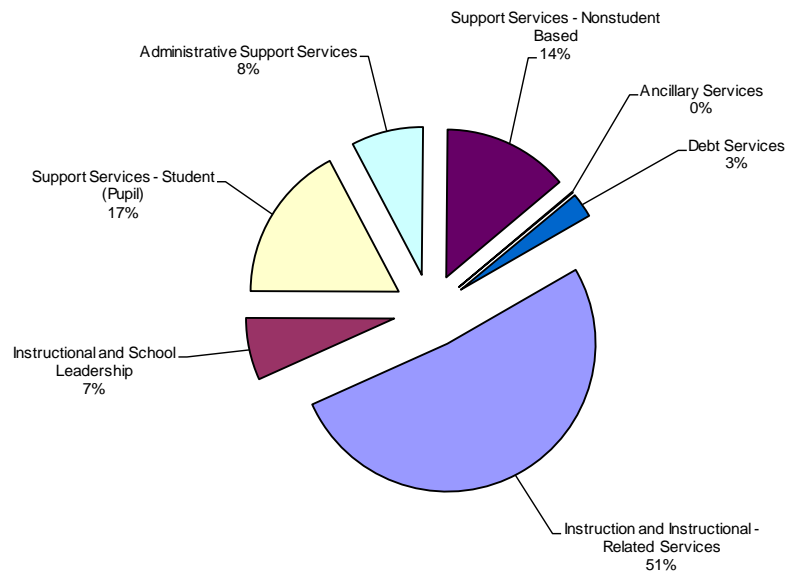
Changes in Lone Oak Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2022	2021	2021-2022
Program Revenues:			
Charges for Services	\$ 934,241	\$ 412,564	126.45%
Operating Grants and Contributions	2,143,731	2,163,287	-0.90%
General Revenues:			
Property Taxes	4,621,580	4,030,005	14.68%
State Aid – Formula	8,055,872	7,130,405	12.98%
Investment Earnings	28,125	25,256	11.36%
Other	-	26,719	-100.00%
Total Revenues	<u>\$ 15,783,549</u>	<u>\$ 13,788,236</u>	14.47%
Expenses:			
Instruction	\$ 6,771,437	\$ 7,257,102	-6.69%
Instructional Resources and Media Services	286,622	311,608	-8.02%
Curriculum and Staff Development	34,367	2,456	1299.31%
Instructional Leadership	108,317	41,744	159.48%
School Leadership	825,930	888,697	-7.06%
Guidance, Counseling and Evaluation Services	348,461	348,999	-0.15%
Health Services	122,960	115,348	6.60%
Student (Pupil) Transportation	435,445	391,477	11.23%
Food Services	866,421	754,600	14.82%
Cocurricular /Extracurricular Activities	594,740	554,182	7.32%
General Administration	1,079,419	963,759	12.00%
Plant Maintenance and Operations	1,804,559	1,073,516	68.10%
Security and Monitoring Services	68,823	74,397	-7.49%
Data Processing	11,505	2,695	326.90%
Community Service	15,124	-	100.00%
Debt Service	989,541	247,959	299.07%
Payments for Shared Service Arrangements	216,052	134,633	60.47%
Other Intergovernmental Charges	88,415	80,053	10.45%
Total Expenses	<u>\$ 14,668,138</u>	<u>\$ 13,243,225</u>	10.76%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 1,115,411</u>	<u>\$ 545,011</u>	-104.66%
Increase (Decrease) in Net Position	\$ 1,115,411	\$ 545,011	-104.66%
Net Position - Beginning (July 1)	<u>5,686,033</u>	<u>5,141,022</u>	10.60%
Net Position - Ending (June 30)	<u>\$ 6,801,444</u>	<u>\$ 5,686,033</u>	19.62%

LONE OAK INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED JUNE 30, 2022

Sources of Revenue for Fiscal Year 2022- See Table A-2



Functional Expenses for Fiscal Year 2022- See Table A-2



LONE OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

- Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 14,668,138
- However, the amount that our taxpayers paid for these activities through property taxes was \$ 4,621,580.
- Some of the costs were paid by those who directly benefited from the programs \$ 934,241, or
- By grants and contributions \$ 2,143,731.

Lone Oak Independent School District Net Cost of Selected District Functions							Table A-3
	Total Cost of Services			%	Net Cost of Services		
	2022	2021	Change		2022	2021	Change
Instruction	\$ 6,771,437	\$ 7,257,102	-6.69%	\$ 5,689,302	\$ 5,893,860	-3.47%	
School Leadership	825,930	888,697	-7.06%	714,607	831,720	-14.08%	
General Administration	1,079,419	963,759	12.00%	847,639	698,075	21.43%	
Plant Maintenance and Operations	1,804,559	1,073,516	68.10%	1,306,918	936,754	39.52%	
Debt Service	989,541	247,959	299.07%	993,460	201,574	392.85%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 16,494,014. This represents an increase of \$ 2,866,841 from the prior period revenues of \$ 13,627,173. The change represents increased collections of local revenues including property taxes and state aid related to enrollment and attendance as well as additional federal revenue sources.

Expenditures in the governmental funds totaled \$ 18,002,187 for the year. This represents an increase of \$ 4,938,449 from the prior period expenditures of \$ 13,063,738. This increase represents increases in overall operational costs throughout the District as well as capital outlay for construction of District facilities and land purchases. Employee salaries, health insurance and instructional technology increased during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 220,570 above final budget amounts. The largest negative variance occurred in the area of capital outlay as the District failed to budget for a significant land purchase.

General Fund resources available were \$ 1,523,987 greater than the final budgeted amount. The favorable variance was due to better than anticipated state aid related to student enrollment and attendance.

LONE OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the District had invested \$ 28,437,908 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

Lone Oak Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total
	2022	2021	Percentage Change 2021-2022
Land	\$ 1,185,693	\$ 397,333	198.41%
Construction in Progress	2,298,921	-	100.00%
Buildings and Improvements	22,774,262	23,644,746	-3.68%
Equipment	286,545	335,036	-14.47%
Vehicles	1,892,487	1,892,487	0.00%
Totals at Historical Cost	\$ 28,437,908	\$ 26,269,602	8.25%
Total Accumulated Depreciation	(13,114,769)	(12,838,984)	2.15%
Net Capital Assets	<u>\$ 15,323,139</u>	<u>\$ 13,430,618</u>	14.09%

DEBT

At year end, the District had \$ 43,811,371 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Bond Ratings

The District's bonds presently carry "AAA" ratings.

Lone Oak Independent School District's Debt			Table A-5
	Governmental Activities		Total
	2022	2021	Percentage Change 2021-2022
Bonds Payable	\$ 40,030,000	\$ 6,680,000	499.25%
Other Debt Payable	3,781,371	386,934	-877.27%
Total Debt Payable	<u>\$ 43,811,371</u>	<u>\$ 7,066,934</u>	519.95%

LONE OAK INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

ECONOMIC FACTORS

The District's property valuation has grown significantly due to the economic growth throughout the area. The assessed valuation has increased for the year and values continue to look positive. Local property tax rates are restricted by state statute, without local elections, to \$.97 for maintenance and operations. The State Legislature passed HB3 which included various changes to the property tax rate setting process thus limiting school district's opportunities for tax modifications and compressing the rates charged to taxpayers. The compressed tax rate is determined annually by the State. The changes required under HB3 could impact the District's financial operations, including cash flow.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow, as indicated by steady property value increases from the prior year. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2020-2022 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. With these increases, the State imposed requirements to spend various levels for salaries to personnel including teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

The global outbreak of coronavirus disease 2019 ("COVID-19") presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of the District is actively monitoring the global situation on its financial condition, liquidity, operations, supplies, vendors, and industry. Given the evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.

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 Gary Sorrells, Director of Finance for the District.

BASIC FINANCIAL STATEMENTS

LONE OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 40,189,151
1225 Property Taxes Receivable, Net	437,447
1240 Due from Other Governments	2,614,113
1250 Accrued Interest	791
1290 Other Receivables, Net	33,644
1300 Inventories	3,100
Capital Assets:	
1510 Land	1,185,693
1520 Buildings and Improvements, Net	11,271,909
1530 Furniture and Equipment, Net	566,616
1580 Construction in Progress	2,298,921
1000 Total Assets	\$ 58,601,385
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Outflows - Refundings	\$ 398,231
1705 Deferred Outflows - Pensions	927,834
1706 Deferred Outflows - OPEB	1,041,992
1700 Total Deferred Outflows of Resources	\$ 2,368,057
LIABILITIES	
2110 Accounts Payable	\$ 188,838
2140 Interest Payable	561,018
2165 Accrued Liabilities	1,058,246
2300 Unearned Revenue	72,776
Noncurrent Liabilities:	
2501 Due within one year	998,000
2502 Due in more than one year	42,813,371
2540 Net Pension Liability	1,277,839
2545 Net OPEB Liability	3,308,935
2000 Total Liabilities	\$ 50,279,023
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pensions	\$ 1,424,140
2606 Deferred Inflows - OPEB	2,464,835
2600 Total Deferred Inflows of Resources	\$ 3,888,975
NET POSITION	
3200 Net Investment in Capital Assets	\$ 4,611,485
Restricted For:	
3850 Debt Service	1,890,583
3890 Other Purposes	132,070
3900 Unrestricted	167,306
3000 Total Net Position	\$ 6,801,444

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2022

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 6,771,437	\$ 39,494	\$ 1,042,641	\$ (5,689,302)
12	Instructional Resources and Media Services	286,622	946	(37)	(285,713)
13	Curriculum and Staff Development	34,367	11	30,000	(4,356)
21	Instructional Leadership	108,317	406	(1,568)	(109,479)
23	School Leadership	825,930	2,532	108,791	(714,607)
31	Guidance, Counseling and Evaluation Services	348,461	488	225,921	(122,052)
33	Health Services	122,960	402	10,126	(112,432)
34	Student (Pupil) Transportation	435,445	1,139	(3,139)	(437,445)
35	Food Services	866,421	132,364	693,846	(40,211)
36	Cocurricular /Extracurricular Activities	594,740	72,525	(4,900)	(527,115)
41	General Administration	1,079,419	231,595	185	(847,639)
51	Plant Maintenance and Operations	1,804,559	451,300	46,341	(1,306,918)
52	Security and Monitoring Services	68,823	227	-	(68,596)
53	Date Processing Service	11,505	45	(249)	(11,709)
61	Community Services	15,124	56	(308)	(15,376)
72	Interest on Long-Term Debt	618,429	-	(3,919)	(622,348)
73	Debt Issuance Costs and Fees	371,112	-	-	(371,112)
93	Payments for Shared Service Arrangements	216,052	711	-	(215,341)
99	Other Intergovernmental Charges	88,415	-	-	(88,415)
					-
TG	Total Governmental Activities	\$ 14,668,138	\$ 934,241	\$ 2,143,731	\$ (11,590,166)
TP	Total Primary Government	\$ 14,668,138	\$ 934,241	\$ 2,143,731	\$ (11,590,166)
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 3,302,991
DT	Property Taxes, Levied for Debt Service				1,318,589
IE	Investment Earnings				28,125
GC	Grant and Contributions Not Restricted to Specific Programs				8,055,872
TR	Total General Revenues				\$ 12,705,577
CN	Change in Net Position				\$ 1,115,411
NB	Net Position - Beginning (July 1)				5,686,033
NE	Net Position - Ending (June 30)				<u>\$ 6,801,444</u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS					
1110 Cash and Investments	\$ 3,798,612	\$ 2,381,453	\$ 33,202,476	\$ 559,426	\$ 39,941,967
1225 Property Taxes Receivable, Net	326,565	110,882	-	-	437,447
1240 Due from Other Governments	2,568,906	-	-	45,207	2,614,113
1250 Accrued Interest	291	-	500	-	791
1260 Due from Other Funds	-	-	1,900	-	1,900
1290 Other Receivables	6,374	2,255	-	25,015	33,644
1300 Inventories	-	-	-	3,100	3,100
1000 Total Assets	\$ 6,700,748	\$ 2,494,590	\$ 33,204,876	\$ 632,748	\$ 43,032,962
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 34,987	\$ -	\$ 105,159	\$ 10,905	\$ 151,051
2140 Interest Payable	-	53,106	-	-	53,106
2150 Payroll Deductions and withholdings	12,736	-	-	-	12,736
2160 Accrued Wages Payable	883,843	-	-	90,231	974,074
2170 Due to Other Funds	1,900	-	-	-	1,900
2200 Accrued Expenditures	63,887	-	-	7,549	71,436
2300 Unearned Revenues	-	42,989	-	29,787	72,776
2000 Total Liabilities	\$ 997,353	\$ 96,095	\$ 105,159	\$ 138,472	\$ 1,337,079
DEFERRED INFLOWS OF RESOURCES					
2610 Deferred Property Taxes	\$ 326,565	\$ 110,882	\$ -	\$ -	\$ 437,447
2600 Total Deferred Inflows of Resources	\$ 326,565	\$ 110,882	\$ -	\$ -	\$ 437,447
FUND BALANCES					
Nonspendable Fund Balances:					
3410 Inventories	\$ -	\$ -	\$ -	\$ 3,100	3,100
Restricted Fund Balances:					
3450 Federal/State Funds Grant Restrictions	-	-	-	28,126	28,126
3480 Retirement of Long Term Debt	-	2,287,613	-	-	2,287,613
3490 Other Restrictions of Fund Balances	-	-	33,099,717	100,844	33,200,561
Committed Fund Balances:					
3510 Construction	2,000,000	-	-	-	2,000,000
3545 Other Committed Fund Balances	-	-	-	362,206	362,206
3600 Unassigned	3,376,830	-	-	-	3,376,830
3000 Total Fund Balances	\$ 5,376,830	\$ 2,287,613	\$ 33,099,717	\$ 494,276	\$ 41,258,436
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,700,748	\$ 2,494,590	\$ 33,204,876	\$ 632,748	\$ 43,032,962

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2022

Total fund balances - Governmental Funds Balance Sheet	\$	41,258,436
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds.		15,323,139
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		437,447
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		209,397
Payables for bond principal which are not due in the current period are not reported in the funds.		(40,030,000)
Payables for debt interest which are not due in the current period are not reported in the funds.		(507,912)
Payables for loans which are not due in the current period are not reported in the funds.		(740,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(3,041,371)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		398,231
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1,277,839)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(1,424,140)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		927,834
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(3,308,935)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(2,464,835)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		<u>1,041,992</u>
Net position of governmental activities - Statement of Net Position	\$	<u>6,801,444</u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 3,828,638	\$ 1,317,330	\$ 21,493	\$ 455,879	\$ 5,623,340
5800 State Program Revenues	8,640,233	(3,919)	-	28,066	8,664,380
5900 Federal Program Revenues	375,731	-	-	1,830,563	2,206,294
5020 Total Revenues	\$ 12,844,602	\$ 1,313,411	\$ 21,493	\$ 2,314,508	\$ 16,494,014
EXPENDITURES					
Current:					
0011 Instruction	\$ 6,223,567	\$ -	\$ -	\$ 729,269	\$ 6,952,836
0012 Instructional Resources and Media Services	287,148	-	-	4,622	291,770
0013 Curriculum and Staff Development	3,309	-	-	30,000	33,309
0021 Instructional Leadership	122,680	-	-	-	122,680
0023 School Leadership	767,934	-	-	118,600	886,534
0031 Guidance, Counseling and Evaluation Services	148,563	-	-	230,243	378,806
0033 Health Services	121,749	-	-	12,259	134,008
0034 Student (Pupil) Transportation	345,341	-	-	-	345,341
0035 Food Services	82,259	-	-	816,077	898,336
0036 Cocurricular /Extracurricular Activities	548,218	-	-	57,682	605,900
0041 General Administration	895,129	-	-	229,586	1,124,715
0051 Plant Maintenance and Operations	1,439,609	-	-	53,239	1,492,848
0052 Security and Monitoring Services	68,823	-	-	-	68,823
0053 Data Processing Services	13,113	-	-	-	13,113
0061 Community Services	17,103	-	-	-	17,103
0071 Principal on Long-term Debt	146,934	360,000	-	-	506,934
0072 Interest on Long-term Debt	10,083	217,513	-	-	227,596
0073 Debt Issuance Cost and Fees	-	1,000	370,112	-	371,112
0081 Capital Outlay	804,180	-	2,421,776	-	3,225,956
0093 Payments for Shared Service Arrangements	216,052	-	-	-	216,052
0099 Other Intergovernmental Charges	88,415	-	-	-	88,415
6030 Total Expenditures	\$ 12,350,209	\$ 578,513	\$ 2,791,888	\$ 2,281,577	\$ 18,002,187
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 494,393	\$ 734,898	\$ (2,770,395)	\$ 32,931	\$ (1,508,173)
OTHER FINANCING SOURCES (USES)					
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 33,710,000	\$ -	\$ 33,710,000
7912 Sale of Real or Personal Property	324,430	-	-	-	324,430
7914 Issuance of Non-Current Debt	500,000	-	-	-	500,000
7915 Transfers In	-	-	-	317,108	317,108
7916 Premium (Discount) on Issuance of Debt	-	566,463	2,160,112	-	2,726,575
8911 Transfers Out	(317,108)	-	-	-	(317,108)
7080 Net Other Financing Sources (Uses)	\$ 507,322	\$ 566,463	\$ 35,870,112	\$ 317,108	\$ 37,261,005
1200 Net Changes in Fund Balances	\$ 1,001,715	\$ 1,301,361	\$ 33,099,717	\$ 350,039	\$ 35,752,832
0100 Fund Balances - Beginning (July 1)	4,375,115	986,252	-	144,237	5,505,604
3000 Fund Balances - Ending (June 30)	\$ 5,376,830	\$ 2,287,613	\$ 33,099,717	\$ 494,276	\$ 41,258,436

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds	\$	35,752,833
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		3,349,889
The depreciation of capital assets used in governmental activities is not reported in the funds.		(691,608)
The gain or loss on the sale of capital assets is not reported in the funds.		(441,330)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.		(324,430)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(7,969)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(37,149)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		360,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		89,934
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		57,000
(Increase) decrease in accrued interest expense from beginning of year to end of year.		(421,099)
The net revenue (expense) of internal service funds is reported with governmental activities.		50,595
Proceeds of loans do not provide revenue in the SOA, but are reported as current resources in the funds.		(500,000)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(33,710,000)
Proceeds of bond premiums do not provide revenue in the SOA, but are reported as current resources in the funds.		(2,726,575)
Bond premiums are amortized in the SOA but not in the funds.		67,415
Pension expense is recorded in the SOA but not in the funds.		226,150
Pension contributions in the CY are de-expended and recorded as deferred resource outflows.		(173,629)
Pension contributions deferred in the PY are expensed in the CY.		49,843
OPEB expense is recorded in the SOA but not in the funds.		63,529
OPEB contributions in the CY are de-expended and recorded as deferred resource outflows.		(55,971)
OPEB contributions deferred in the PY are expensed in the CY		<u>137,983</u>
Change in net position of governmental activities - Statement of Activities	\$	<u><u>1,115,411</u></u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

Data Control Codes	Nonmajor Internal Service Fund <hr/> Insurance Fund <hr/>
ASSETS	
Current Assets:	
1110 Cash and Investments	<u>\$ 247,184</u>
Total Current Assets	<u>\$ 247,184</u>
1000 Total Assets	<u>\$ 247,184</u>
LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 37,787</u>
Total Current Liabilities	<u>\$ 37,787</u>
2000 Total Liabilities	<u>\$ 37,787</u>
NET POSITION	
3900 Unrestricted Net Position	<u>\$ 209,397</u>
3000 Total Net Position	<u><u>\$ 209,397</u></u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

<u>Data Control Codes</u>		<u>Nonmajor Internal Service Fund Insurance Fund</u>
	OPERATING REVENUES	
5700	Local and Intermediate Sources	\$ 103,461
5020	Total Revenues	\$ 103,461
	OPERATING EXPENSES	
6200	Professional and Contracted Services	\$ 45,820
6400	Other Operating Costs	7,046
6030	Total Expenses	\$ 52,866
1300	Change in Net Position	\$ 50,595
0100	Net Position - Beginning (July 1)	158,802
3000	Net Position - Ending (June 30)	\$ 209,397

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

	Nonmajor Internal Service Fund
	Insurance Fund
Cash Flows from Operating Activities:	
Cash Receipts from Quasi-external Interfund Transfers	\$ 103,461
Cash Payments for Reinsurance and Administration	(45,820)
Cash Payments for Claims	(9,366)
Net Cash Provided by (Used for) Operating Activities	\$ 48,275
Cash Flows from Capital and Other Related Financing Activities:	
NONE	
Cash Flows from Noncapital Financing Activities:	
NONE	
Cash Flows from Investing Activities:	
NONE	
Net Increase (Decrease) in Cash and Investments	\$ 48,275
Cash and Investments - Beginning (July 1)	198,909
Cash and Investments - Ending (June 30)	\$ 247,184
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 50,595
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Payable	(2,320)
Net Cash Provided by (Used for) Operating Activities	\$ 48,275

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2022

Data Control Codes	Custodial Fund Student Activity
ASSETS	
Current Assets:	
1110 Cash and Investments	\$ 144,196
1000 Total Assets	\$ 144,196
LIABILITIES	
Current Liabilities:	
2100 Account Payable	\$ 24,835
2000 Total Liabilities	\$ 24,835
NET POSITION	
Restricted for:	
3490 Student Groups	\$ 119,361
3000 Total Net Position	\$ 119,361

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2022

<u>Data Control Codes</u>	<u>Custodial Fund Student Activity</u>
ADDITIONS	
5700 Fundraising Activities	<u>\$ 203,598</u>
5020 Total Additions	<u>\$ 203,598</u>
DEDUCTIONS	
6400 Group Activities	<u>\$ 150,615</u>
6030 Total Deductions	<u>\$ 150,615</u>
1300 Change in Net Position	\$ 52,983
0100 Net Position, Beginning (July 1)	<u>66,378</u>
3000 Net Position, Ending (June 30)	<u><u>\$ 119,361</u></u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies

The basic financial statements of the Lone Oak Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's *Financial Accountability System Resource Guide (Guide)*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNA) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of general long-term Debt principal, interest and related costs.

Capital Projects Fund – The District accounts for capital improvements resulting from the issuance of tax supported general obligation bonds in this fund. Any excess proceeds remaining will be used to retire the debt issued.

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Internal Service Funds – These funds are proprietary type funds. These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements. The District uses internal service funds for self-insured workers compensation and self-insured technology repair activities.

Custodial Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies (Continued)

The following schedule provides information about the specific fund balance classification by fund:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Nonspendable					
Inventories	\$ -	\$ -	\$ -	\$ 3,100	\$ 3,100
Restricted					
Retirement of Long Term Debt	-	2,287,613	-	-	2,287,613
Capital Projects	-	-	33,099,717	-	33,099,717
Hunt County Coop	-	-	-	100,844	100,844
Child Nutrition Program	-	-	-	28,126	28,126
Committed					
Construction	2,000,000	-	-	-	2,000,000
Campus Activity Funds	-	-	-	62,206	62,206
Turf Replacement	-	-	-	300,000	300,000
Unassigned	3,376,830	-	-	-	3,376,830
Totals	<u>\$ 5,376,830</u>	<u>\$ 2,287,613</u>	<u>\$ 33,099,717</u>	<u>\$ 494,276</u>	<u>\$ 8,158,719</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and other maintenance products. Under this method, supplies and materials are debited as expenditures when purchased. Food supplies are accounted for when used and as such unused items are presented as inventory.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures when the items are consumed or occur.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies (Continued)

Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts “Right of Use” assets and similar offsetting liabilities. A “right of use” asset accounts for the net present value of future payments attached to a leased asset. Common examples of “Right of Use” assets are copiers, printers and other types of equipment that the District does not take ownership of but uses under the lease agreement. The assets value will be amortized over the life of the lease using a straight-line method. The liability offsetting the “Right of Use” is presented as lease payable.

Unearned Revenues

Unearned revenues include state funds received but have not been earned in the year. The balance will be earned in the future period and not returned as liabilities.

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resource for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

8. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single “Transfer” line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single “Internal Balances” line of the government-wide statement of net position.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies (Continued)

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave vests, accumulates, and is recorded as expense as it is incurred. Sick leave is not paid upon separation from the District.

10. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expenses, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit term. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

13. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued various new accounting standards to better meet the information needed for users of financial statements by improving accounting and financial reporting. The GASB does this by issuing statements that cover various issues identified as needing additional clarification or direction to maintain standardization and comparability of financial information. During the year, the GASB issued the following statements with varying effective dates noted:

Statement 96: *Subscription Based Information Technology Arrangements* (Effective FY beginning after June 15, 2022)

Statement 97: *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (Effective FY beginning after June 15, 2021)

Statement 98: *The Annual Comprehensive Financial Report* (Effective FY ending after December 15, 2021)

Statement 99: *Omnibus 2022* (Effective upon issuance with some effective FY beginning after June 15, 2022)

Statement 100: *Accounting Changes and Error Corrections* (Effective FY beginning after June 15, 2023)

Statement 101: *Compensated Absences* (Effective FY beginning after December 15, 2023)

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

A. Summary of Significant Accounting Policies (Continued)

14. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

15. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

Cash Deposits

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance District (FDIC) insurance. At year end, all District cash deposits appear to have been adequately covered by FDIC insurance or by pledged collateral held by the District or the depository in the District's name. The District's deposits appear to have been properly secured throughout the year.

Investments

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with all the requirements of the Act.

The PFIA (Government Code Chapter 256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversifications, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date of portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preference for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The PFIA governs the District's investment policies and types of investments.

The District's management believes that it complies with the requirements of the PFIA and the District's investment policies.

District investments include investments in Certificates of Deposit and TexPool. All investments are reported at fair value and are presented as cash and investments.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

B. Deposits, Securities and Investments (Continued)

The following table lists the District's cash and investments at year end:

<u>Description</u>	<u>Fair/Value Amortized Cost</u>	<u>Weighted Average Maturity (Days)</u>
Governmental Activities:		
Cash Deposits	\$ 7,534,457	N/A
Certificates of Deposit	32,573,692	N/A
Investments:		
TexPool	<u>80,997</u>	36
Total	<u>\$ 40,189,146</u>	

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard and Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 42,806,350 and occurred in the month of February 2022. The market value of bonds or other securities used to secure cash on the date of the highest combined cash balance was \$ 49,572,352. The total amount of FDIC coverage at the time of the highest combined balance was \$ 504,856. American National Bank of Texas, Terrell, Texas is the District's depository.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

B. Deposits, Securities and Investments (Continued)

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. District investments are limited to short term maturities to limit any potential interest rate risk. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. State statutes do not allow for foreign investments this eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

f. Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements require judgement and considers factors specific to each asset or liability.

The fair value of the certificates of deposit at year end was determined based on level 2 inputs. The District estimated the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the various local government investment pools is not required to be measured at fair value but is measured at amortized cost.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting these criteria may not be canceled if litigation concerning these taxes is pending.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

C. Property Taxes (Continued)

The District levied taxes on property within the District at \$ 0.872000 to fund general operations and \$ 0.350000 for the payment of principal and interest on long-term debt. The rates were levied on property assessed totaling \$ 373,032,257. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 397,333	\$ 804,180	\$ 15,820	\$ 1,185,693
Construction in Progress	-	2,298,921	-	2,298,921
Total Capital Assets not being depreciated	\$ 397,333	\$ 3,103,101	\$ 15,820	\$ 3,484,614
Capital Assets being depreciated:				
Buildings and Improvements	\$ 23,644,746	\$ 229,327	\$ 1,099,811	\$ 22,774,262
Vehicles	1,892,487	-	-	1,892,487
Equipment	335,036	17,461	65,952	286,545
Total Capital Assets being depreciated	\$ 25,872,269	\$ 246,788	\$ 1,165,763	\$ 24,953,294
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 11,318,533	\$ 565,348	\$ 381,528	\$ 11,502,353
Vehicles	1,300,984	115,083	-	1,416,067
Equipment	219,467	11,177	34,295	196,349
Total Accumulated Depreciation	\$ 12,838,984	\$ 691,608	\$ 415,823	\$ 13,114,769
Total Capital Assets being depreciated, net	\$ 13,033,285	\$ (444,820)	\$ 749,940	\$ 11,838,525
Governmental Activities Capital Assets, net	\$ 13,430,618	\$ 2,658,281	\$ 765,760	\$ 15,323,139

Depreciation and amortization were charged to governmental activities functions as follows:

Instruction	\$ 428,043
Instructional Resources and Media Services	27,075
Staff Development	1,058
School Leadership	22,615
Guidance, Counseling and Evaluation Services	4,741
Health Services	3,262
Student (Pupil) Transportation	112,289
Food Services	30,860
Cocurricular / Extracurricular Activities	24,385
General Administration	13,390
Plant Maintenance and Operations	23,890
Total	\$ 691,608

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

E. Long-term Obligations

Long-term Obligation Activity

Long-term obligation activities during the year were as follows:

	Beginning Balance	Increases	Decrease	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bond Obligations Payable	\$ 6,680,000	\$ 33,710,000	\$ 360,000	\$ 40,030,000	\$ 840,000
Loans Payable (Direct Borrowing)	297,000	500,000	57,000	740,000	158,000
Leases Payable	89,934	-	89,934	-	-
Bond Premium (Discount)	382,211	2,726,575	67,415	3,041,371	-
Total Governmental Activities	<u>\$ 7,449,145</u>	<u>\$ 36,936,575</u>	<u>\$ 574,349</u>	<u>\$ 43,811,371</u>	<u>\$ 998,000</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities. The District is required to make semi-annual interest payments along with annual principal payments.

On February 21, 2022, the District issued "Lone Oak Independent School District Unlimited Tax School Building Bonds, Series 2022," totaling \$ 33,710,000 for construction of District facilities. These bonds incur an average interest cost over the life of the bonds at a rate of 2.194% and mature annually with semi-annual interest payments. The bonds will fully mature in 2052

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax Refunding Bonds, Series 2012	3.930%	\$ 3,235,000	\$ 2,175,000
Unlimited Tax Refunding Bonds, Series 2015	3.427%	4,865,000	4,145,000
Unlimited Tax School Building Bonds, Series 2022	2.194%	33,710,000	33,710,000
Totals			<u>\$ 40,030,000</u>

Maturity requirements on outstanding bonded debt at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2023	840,000	1,354,641	2,194,641
2024	1,040,000	1,228,169	2,268,169
2025	775,000	1,179,981	1,954,981
2026	820,000	1,144,969	1,964,969
2027	845,000	1,108,044	1,953,044
2028-2032	4,930,000	4,987,020	9,917,020
2033-2037	6,460,000	3,953,769	10,413,769
2038-2042	7,015,000	2,916,445	9,931,445
2043-2047	8,100,000	1,829,332	9,929,332
2048-2052	9,205,000	740,725	9,945,725
Totals	<u>\$ 40,030,000</u>	<u>\$ 20,443,095</u>	<u>\$ 60,473,095</u>

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

E. Long-term Obligations (Continued)

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year-end.

Loans (Direct Borrowing)

The District issued various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes.

The tax maintenance note terms require annual principal and interest payments over the life of the loan. The loan is for 10 years, with final payment date of June 2026.

The District executed a loan agreement with Alliance Bank, Sulphur Springs, Texas totaling \$ 500,000 on September 15, 2021. The loan was entered into to purchase land for District facility improvements and future growth. The loan requires annual payments of principal and interest of 2.50%. September 15, 2027, is the final maturity date.

The following schedule lists the outstanding loans at year end:

Description/Purpose	Maturity Date	Interest Rate	Original Amount	Outstanding Balance
Time Warrants, Series 2017 (TEC 45.003)	6/25/2026	2.43%	\$ 570,000	\$ 240,000
Alliance Bank - Land Purchase	9/15/2026	2.50%	500,000	500,000
Total				<u>\$ 740,000</u>

Maturity requirements on the outstanding loans at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2023	\$ 158,000	\$ 18,332	\$ 176,332
2024	159,000	14,423	173,423
2025	161,000	10,489	171,489
2026	162,000	6,507	168,507
2027	100,000	2,500	102,500
Totals	<u>\$ 740,000</u>	<u>\$ 52,251</u>	<u>\$ 792,251</u>

F. Defined Benefits Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

F. Defined Benefits Pension Plan (Continued)

2. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#ACFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2021 Annual Comprehensive Financial Report for TRS provides the following information regarding the pension plan fiduciary net position as of August 31, 2021, and 2020.

Net Pension Liability	2021	2020
Total Pension Liability	\$ 227,273,463,630	\$ 218,974,205,084
Less: Plan Fiduciary Net Position	(201,807,002,496)	(165,416,245,243)
Net Pension Liability	\$ 25,466,461,134	\$ 53,557,959,841
Net Position as percentage of Net Pension Liability	88.79%	78.54%

3. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member’s age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

Texas Government Code Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This legislative action required gradual contribution increases from the state, participating employers and active employees for fiscal years 2019 through 2024. The results resulted in the pension fund to be actuarially sound.

4. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

F. Defined Benefits Pension Plan (Continued)

Employee contribution rates are set in state statute, Texas Government Code Section 825.402. The TRS Pension Reform Bill (SB12) of the 86th Texas Legislature amended Texas Government Code Section 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 thru 2024.

Contribution Rates

	2021	2022
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
Current Year Employer Contributions	\$	258,010
Current Year Member Contributions	\$	607,137
Measurement Year NECE On-Behalf Contributions	\$	453,994

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following situations:

- On the portion of the member’s salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member’s first 90 days of employment.
- When any or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

A Public Education Employer contribution surcharge of 1.6% increasing to 2% over the period ending 2025 on all covered payroll.

5. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the total pension liability to August 31, 2021.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the TRS Board of Trustees based upon analysis and recommendations by the TRS System’s actuary. The TRS Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ended August 31, 2017 and were adopted in July 2018.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

F. Defined Benefits Pension Plan (Continued)

The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale (“U-MP”). The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, also was full generational mortality.

The long-term expected rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS System’s target asset allocation as August 31, 2021, are summarized on the next page:

Asset Class*	Target Allocation %**	Long -Term Expected Geometric Real Rate of Return***	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-US Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	-0.2%	0.01%
Absolute Return	0.0%	1.1%	0.0%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources & Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.0%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	-0.7%	-0.01%
Asset Allocation Leverage	-6.0%	-0.5%	0.03%
Inflation Expectation			2.20%
Volatility Drag****			-0.95%
Expected Return	<u>100%</u>		<u>6.90%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2021 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2021)

**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

F. Defined Benefits Pension Plan (Continued)

The total pension liability in the August 31, 2021, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05% including inflation
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None
Municipal Bond Rate	1.95%
Ending year in Projection Period	2120

The actuarial assumptions used in this determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. A full description of the assumptions are included with the TRS annual report dated November 19, 2021.

6. *Discount Rate*

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. *Assumption Changes Since the Prior Actuarial Valuation*

There were no changes in assumptions that affected measurement of the total pension liability during the measurement period.

8. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.25% as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (6.25%) or 1 – percentage point higher (8.25%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 2,792,281	\$ 1,277,839	\$ 49,167

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

F. Defined Benefits Pension Plan (Continued)

9. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

On June 30, 2022, the District reported a liability of \$ 1,277,839 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,277,839	
State's proportionate share that is associated with the District	2,709,244	2,709,244
Total	\$ 3,987,083	3,987,083

The net pension liability was measured as of August 31, 2020, and rolled to August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020, thru August 31, 2021.

On August 31, 2021, the employer's proportion of the collective net pension liability was 0.0050177321%, which was an increase of 0.0005016447% from its proportion measured as of August 31, 2020.

The District recognized pension expense of \$ 134,617 and revenue of \$ 10,831 for support provided by the State in the current year.

The District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at year end:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 2,138	\$ 89,961
Changes of actuarial assumptions	451,691	196,899
Differences between projected and actual investment earnings	-	1,071,451
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	247,855	65,829
Total as of August 31, 2021 measurement date	\$ 701,684	\$ 1,424,140
Contributions paid to TRS subsequent to the measurement date	226,150	-
Total at year end	\$ 927,834	\$ 1,424,140

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2023	\$ (113,592)
2024	(134,944)
2025	(219,913)
2026	(289,137)
2027	26,134
Thereafter	8,996

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

G. Other Post-Employment Benefit Plans

1. *Plan Description*

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.052

2. *OPEB Plan Fiduciary Net Position*

Detail Information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That annual financial report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr/pdf#ACFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2021, and 2020 are as follows:

Net OPEB Liability	2021	2020
Total OPEB Liability	\$ 41,113,711,083	\$ 40,010,833,815
Less: Plan Fiduciary Net Position	<u>(2,539,242,470)</u>	<u>(1,996,317,932)</u>
Net OPEB Liability	<u>\$ 38,574,468,613</u>	<u>\$ 38,014,515,883</u>
Net Position as percentage of Net OPEB Liability	6.18%	4.99%

3. *Benefits Provided*

TRS-Care provides basic health insurance coverage (TRS-Care 1), to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The TRS Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are presented in the table below:

TRS-Care Monthly Premium Rates		
	Medicare	Non Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

G. Other Post-Employment Benefit Plans (Continued)

4. *Contributions*

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer (public school) contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the State Legislature in the General Appropriations Act. The following table shows contribution rates and amounts provided to the TRS-Care plan by type of contributor.

Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
Current Year Employer Contributions		\$ 74,404
Current Year Member Contributions		\$ 49,621
Measurement Year NECE On-Behalf Contributions		\$ 89,784

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$ 535 per retiree.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$ 2,208,137 for fiscal year 2020 and \$ 3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding for both periods were completed in fiscal year 2021.

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2020, actuarial valuation was rolled forward to August 31, 2021.

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, rates of retirement, termination, and disability including general inflation and salary increases are identical to those used in the respective TRS Pension valuation. These assumptions were developed in the experience study performed for TRS for the measurement period ended August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation:

Rates of Mortality	General Inflation	Rates of Retirement
Wage Inflation	Rates of Termination	Salary Increases
Rates of Disability		

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

G. Other Post-Employment Benefit Plans (Continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	1.95 as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Health Care Trend Rates

The initial medical trend rates were 8.5% for Medicare retirees and 7.10% for Non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

6. *Discount Rate*

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

7. *Assumption Changes Since the Prior Actuarial Valuation*

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Discount rate decreased from 2.33% to 1.95% increasing the total OPEB liability.

8. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (1.95%) in measuring the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate of 1% less than the rate used.

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,991,338	\$ 3,308,935	\$ 2,771,861

9. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.5%), as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,680,127	\$ 3,308,935	\$ 4,152,638

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

G. Other Post-Employment Benefit Plans (Continued)

10. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

At June 30, 2022, the District reported a liability of \$ 3,308,935 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 3,308,935
State's proportionate share that is associated with the District	<u>4,433,235</u>
 Total	 <u><u>\$ 7,742,170</u></u>

The net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2021, the District's proportion of the collective net OPEB liability was 0.0085780433%, which was an increase of 0.0004255033% from its proportion measured as of August 31, 2020.

The District recognized OPEB expense of \$ (245,633) and revenue of \$ (163,620) for support provided by the State during the current year.

The District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources at year end:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 142,465	\$ 1,601,756
Changes in actuarial assumptions	366,503	699,778
Differences between projected and actual investment earnings	3,593	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>465,902</u>	<u>163,301</u>
 Total as of August 31, 2021 measurement date	 \$ 978,463	 \$ 2,464,835
Contributions paid to TRS subsequent to the measurement date	<u>63,529</u>	<u>-</u>
 Total at year end	 <u><u>\$ 1,041,992</u></u>	 <u><u>\$ 2,464,835</u></u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

Year Ending June 30	Amount
2023	\$ (309,120)
2024	(309,204)
2025	(309,182)
2026	(222,081)
2027	(104,162)
Thereafter	(232,623)

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2022, 2021 and 2020, the subsidy payments received by TRS-Care on behalf of the District were \$ 23,907, \$ 32,005, and \$ 31,173, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

Health Care

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 305 per month per employee and employees, at their opinion, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and Blue Cross Blue Shield of Texas is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield of Texas are available for the year ended December 31, 2021, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

Workers Compensation

During the year, the District met its statutory worker's compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$ 2 million. The Fund uses the service of an independent actuary to determine reserve adequacy and fully funds the reserves. As of August 31, 2021, the Fund carries a discount reserve in excess of \$ 45 million for future development on reported claims and claims that have been insured but not yet reported. For the year ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

The District was formerly in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District will continue to be responsible for claims incurred during their membership period. At year end, the District's claim liability was estimated at \$ 37,500 including an allotment for incurred but not reported claims.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

I. Risk Management (Continued)

Unemployment Compensation Pool

During the current year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability and Property Programs

During the year, the District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability and Physical Damage	General and School Board Liability
Privacy & Information Security	Cyber Security
Property & Casualty	

The Fund was created and is operated under the provision of the interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreement that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current year, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Other 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; injuries to employees; and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Litigation

The District appears to have no pending litigation as of year-end.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2022

K. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at year end, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

The effects of the coronavirus-19 (COVID-19) pandemic continues to affect the District's operations including funding for student attendance and operating programs and cost. Continued funding allowances including additional federal funding will cease in future periods. The operational costs associated with these additional revenues will be evaluated along with the need for these services. The cost of the additional federal funded programs may exceed the available resources and require the District to either eliminate or curtail their existence.

The District has entered into long-term contracts with entities to provide for the construction of District facilities. These are ongoing contracts that will continue until the facilities are complete. At year end, current contracts of \$ 3,359,514 have been executed that have a remaining balance of \$ 1,256,330 to be paid in future periods.

L. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Arrangements</u>	<u>Fiscal Agent</u>	<u>Service</u>
Tri-County Cooperative	Commerce Independent School District	Special Education
NetCat Cooperative	Commerce Independent School District	Vocational Programs

M. Revenue from Local and Intermediate Sources

The District recognized revenue from local and intermediate sources in the Districts individual major funds and aggregate non-major funds consisting of the following during the year:

	General	Debt Service	Capital Projects	Other Governmental	Total
Property Tax Collections	\$ 3,312,623	\$ 1,316,926	\$ -	\$ -	\$ 4,629,549
Investment Income	6,229	404	21,493	-	28,126
Food Service Income	-	-	-	132,093	132,093
Gifts and Bequests	5,500	-	-	25,923	31,423
Cocurricular/Extracurricular Activities	32,479	-	-	69,218	101,697
Tuition and Fees	18,645	-	-	-	18,645
Other	453,162	-	-	228,645	681,807
Totals	<u>\$ 3,828,638</u>	<u>\$ 1,317,330</u>	<u>\$ 21,493</u>	<u>\$ 455,879</u>	<u>\$ 5,623,340</u>

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

N. Receivables

Receivables at year end for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible balances are as follows:

	General	Debt Service	Capital Projects	Other Governmental	Total
Due from Other Governments	\$ 2,568,906	\$ -	\$ -	\$ 45,207	\$ 2,614,113
Accrued Interest	291	-	500	-	791
Property Taxes	362,850	123,202	-	-	486,052
Less Allowance for Uncollectible					
Property Taxes	(36,285)	(12,320)	-	-	(48,605)
Other	6,374	2,255	-	25,015	33,644
Net Receivables	<u>\$ 2,902,136</u>	<u>\$ 113,137</u>	<u>\$ 500</u>	<u>\$ 70,222</u>	<u>\$ 3,085,995</u>

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle up with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
Current Year Earnings	\$ 467,809	\$ 7,704,060	\$ -	\$ 17,156
Prior Year Settle Up	-	(115,997)	(5,803)	(15,272)
Financial Statement Earnings	<u>\$ 467,809</u>	<u>\$ 7,588,063</u>	<u>\$ (5,803)</u>	<u>\$ 1,884</u>
Financial Statement Amounts				
Scheduled Payments	\$ 101,489	\$ 1,925,014	\$ -	\$ -
Settle Up Amounts Receivable (Overpayments)	-	542,403	-	(42,989)
SOF Receivable (Overpayment)*	<u>\$ 101,489</u>	<u>\$ 2,467,417</u>	<u>\$ -</u>	<u>\$ (42,989)</u>

* - Overpayments are presented as Unearned Revenue in the government-wide and fund financial statements.

P. Subsequent Events

Management has evaluated all events or transactions that occurred after June 30, 2022, up through August 23, 2022, the date the financial statements were issued.

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Q. Interfund Balances and Activities

Transfer To and From Other Funds

Transfers to and from other funds during the year consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Turf Replacement Fund	\$ 300,000	Future Turf Replacement To Cover Annual Deficit
General Fund	Food Service Fund	17,108	
Total		<u>\$ 317,108</u>	

Interfund Receivables and Payables

The composition of interfund balances as of year-end, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 1,900

R. Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued Statement 87, *Leases* in June 2017 with an effective date of fiscal year beginning after June 15, 2021 (as postponed). This required the District to implement the provisions of the Statement during the year. The Statement replaced operating leases with recognition of "right of use" assets and liabilities. As such there are new financial statement captions on the government wide financial statements. For the fund financial statements, the net present value of the lease payments is recognized as an expenditure in the initial year of the agreement with subsequent payments represented as debt retirement payments. The Statement requires retroactive restatement of assets and liabilities with the difference modifying the beginning net position.

S. Compliance, Stewardship, and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
Child Nutrition Fund:			
Food Service	\$ 780,000	\$ 816,077	\$ 36,077
General Fund:			
Instruction	6,138,447	6,223,567	85,120
Instructional Resources and Media Services	244,947	287,148	42,201
Instructional Leadership	98,000	122,680	24,680
School Leadership	670,834	767,934	97,100
Health Services	106,605	134,008	27,403
Student (Pupil) Transportation	318,583	345,341	26,758
Cocurricular/Extracurricular Activities	487,369	548,218	60,849
General Administration	850,897	895,129	44,232
Plant Maintenance and Operations	1,300,000	1,439,609	139,609
Community Service	-	17,103	17,103
Capital Outlay	-	804,180	804,180
Payments for Shared Services	200,000	216,052	16,052
Other Intergovernmental Charges	70,000	88,415	18,415

REQUIRED SUPPLEMENTARY INFORMATION

LONE OAK INDEPENDENT SCHOOL DISTRICT
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 3,448,903	\$ 3,854,003	\$ 3,828,638	\$ (25,365)
5800	State Program Revenues	7,236,612	7,236,612	8,640,233	1,403,621
5900	Federal Program Revenues	135,100	230,000	375,731	145,731
5020	Total Revenues	\$ 10,820,615	\$ 11,320,615	\$ 12,844,602	\$ 1,523,987
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 6,303,447	\$ 6,138,447	\$ 6,223,567	\$ (85,120)
0012	Instructional Resources and Media Services	144,947	244,947	287,148	(42,201)
0013	Curriculum and Staff Development	8,750	8,750	3,309	5,441
	Total Instruction and Instr. Related Services	\$ 6,457,144	\$ 6,392,144	\$ 6,514,024	\$ (121,880)
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 38,000	\$ 98,000	\$ 122,680	\$ (24,680)
0023	School Leadership	720,834	670,834	767,934	(97,100)
	Total Instructional and School Leadership	\$ 758,834	\$ 768,834	\$ 890,614	\$ (121,780)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 307,365	\$ 157,365	\$ 148,563	\$ 8,802
0033	Health Services	106,605	106,605	134,008	(27,403)
0034	Student (Pupil) Transportation	343,583	318,583	345,341	(26,758)
0035	Food Service	165,000	115,000	82,259	32,741
0036	Cocurricular /Extracurricular Activities	487,369	487,369	548,218	(60,849)
	Total Support Services - Student (Pupil)	\$ 1,409,922	\$ 1,184,922	\$ 1,258,389	\$ (73,467)
Administrative Support Services:					
0041	General Administration	\$ 655,897	\$ 850,897	\$ 895,129	\$ (44,232)
	Total Administrative Support Services	\$ 655,897	\$ 850,897	\$ 895,129	\$ (44,232)
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,000,000	\$ 1,300,000	\$ 1,439,609	\$ (139,609)
0052	Security and Monitoring Services	57,000	82,000	68,823	13,177
0053	Data Processing Services	115,211	65,211	13,113	52,098
	Total Support Services - Nonstudent Based	\$ 1,172,211	\$ 1,447,211	\$ 1,521,545	\$ (74,334)
Ancillary Services:					
0061	Community Services	\$ -	\$ -	\$ 17,103	\$ (17,103)
	Total Ancillary Services	\$ -	\$ -	\$ 17,103	\$ (17,103)
Debt Service:					
0071	Principal on Long-Term Debt	\$ 146,607	\$ 55,000	\$ 146,934	\$ (91,934)
0072	Interest on Long-Term Debt	-	265,000	10,083	254,917
0073	Bond Issuance Costs and Fees	-	86,607	-	86,607
	Total Debt Service	\$ 146,607	\$ 406,607	\$ 157,017	\$ 249,590
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ -	\$ 804,180	\$ (804,180)
	Total Capital Outlay	\$ -	\$ -	\$ 804,180	\$ (804,180)
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 150,000	\$ 200,000	\$ 216,052	\$ (16,052)
0099	Other Intergovernmental Charges	70,000	70,000	88,415	(18,415)
	Total Intergovernmental Charges	\$ 220,000	\$ 270,000	\$ 304,467	\$ (34,467)
6030	Total Expenditures	\$ 10,820,615	\$ 11,320,615	\$ 11,541,185	\$ (220,570)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 1,303,417	\$ 1,303,417
OTHER FINANCING SOURCES (USES)					
7912	Sale of Real or Personal Property	\$ -	\$ -	\$ 324,430	\$ 324,430
7914	Issuance of Non-Current Debt	-	-	500,000	500,000
8911	Transfers Out	-	-	(317,108)	(317,108)
7080	Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 507,322	\$ 182,892
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 1,001,715	\$ 1,001,715
0100	Fund Balance - Beginning (July 1)	4,375,115	4,375,115	4,375,115	-
3000	Fund Balance - Ending (June 30)	\$ 4,375,115	\$ 4,375,115	\$ 5,376,830	\$ 1,001,715

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF THE DISTRICTS PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2022

	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0050177321%	0.0045160874%	0.0046349833%	0.0044643008%	0.0046579983%	0.0046911591%	0.0045069000%	0.0026605000%
District's proportionate share of the net pension liability	\$ 1,277,839	\$ 2,418,724	\$ 2,409,409	\$ 2,457,260	\$ 1,489,377	\$ 1,772,719	\$ 1,593,129	\$ 710,657
State's proportionate share of the net pension liability associated with the District	<u>2,709,244</u>	<u>6,162,746</u>	<u>5,529,628</u>	<u>5,815,544</u>	<u>3,341,321</u>	<u>3,871,935</u>	<u>3,676,537</u>	<u>3,176,470</u>
Total	<u>\$ 3,987,083</u>	<u>\$ 8,581,470</u>	<u>\$ 7,939,037</u>	<u>\$ 8,272,804</u>	<u>\$ 4,830,698</u>	<u>\$ 5,644,654</u>	<u>\$ 5,269,666</u>	<u>\$ 3,887,127</u>
District's covered-employee payroll (for Measurement Year)	\$ 7,179,023	\$ 7,283,286	\$ 6,641,873	\$ 6,308,356	\$ 6,005,152	\$ 5,660,283	\$ 5,334,895	\$ 5,246,626
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	17.80%	33.21%	36.28%	38.95%	24.80%	31.32%	29.86%	13.55%
Plan fiduciary net position as a percentage of the total pension liability	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only eight years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

* The years above present data for the measurement period ended date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 68.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 258,010	\$ 201,785	\$ 182,490	\$ 152,427	\$ 151,049	\$ 151,677	\$ 146,220	\$ 106,736
Contributions in relations to the contractual required contributions	<u>(258,010)</u>	<u>(201,785)</u>	<u>(182,490)</u>	<u>(152,427)</u>	<u>(151,049)</u>	<u>(151,677)</u>	<u>(146,220)</u>	<u>(106,736)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 7,633,842	\$ 7,183,591	\$ 7,184,576	\$ 6,578,687	\$ 6,257,376	\$ 5,541,459	\$ 5,551,740	\$ 5,360,390
Contributions as a percentage of covered employee payroll	3.38%	2.81%	2.54%	2.32%	2.41%	2.74%	2.63%	1.99%

Note: Only eight years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

LONE OAK INDEPENDENT SCHOOL DISTRICT
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2022

	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>
District's proportion of the Net OPEB Liability (Asset)	0.0085780433%	0.0081525400%	0.0078770147%	0.0082698290%	0.0079851723%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 3,308,935	\$ 3,099,149	\$ 3,725,137	\$ 4,129,201	\$ 3,472,452
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>4,433,235</u>	<u>4,164,513</u>	<u>4,949,873</u>	<u>5,468,120</u>	<u>4,823,624</u>
Total	<u><u>\$ 7,742,170</u></u>	<u><u>\$ 7,263,662</u></u>	<u><u>\$ 8,675,010</u></u>	<u><u>\$ 9,597,321</u></u>	<u><u>\$ 8,296,076</u></u>
District's covered-employee payroll (for Measurement Year)	\$ 7,179,023	\$ 7,283,286	\$ 6,641,873	\$ 6,308,356	\$ 6,005,152
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	46.09%	42.55%	56.09%	65.46%	57.82%
Plan fiduciary net position as a percentage of the Total OPEB Liability	6.18%	4.99%	2.66%	1.57%	0.91%

Note: Only five years of data is presented in accordance with GASB 75 paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

* The years above present data for the measurement period ended date. The measurement period represents the period for which the OPEB plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 75.

LONE OAK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 74,404	\$ 65,792	\$ 60,617	\$ 94,844	\$ 53,578
Contributions in relations to the contractual required contributions	<u>(74,404)</u>	<u>(65,792)</u>	<u>(60,617)</u>	<u>(94,844)</u>	<u>(53,578)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 7,633,842	\$ 7,183,591	\$ 7,184,576	\$ 6,578,687	\$ 6,257,376
Contributions as a percentage of covered employee payroll	0.97%	0.92%	0.84%	1.44%	0.86%

Note: Only five years of data is presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022

A. Budget

The official budget was prepared for adoption for all Government Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse on June 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Changes of Assumptions Since the Prior Measurement Date

There were no changes of assumptions since the prior measurement period.

2. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The following changes occurred in the plan assumptions.

- a. The discount rate changed from 2.33% to 1.95%

2. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

OTHER SUPPLEMENTARY INFORMATION

LONE OAK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED JUNE 30, 2022

Tax Roll Year	Last Ten Years Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2021	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2022
		Maintenance	Debt Service							
XXXX	2013 & Prior	Various	Various	Various	103,303	\$ -	12,860	3,219	(6,125)	81,099
2013	2014	1.040005	0.322246	200,709,740	17,673	-	2,230	691	(455)	14,297
2014	2015	1.040050	0.322000	209,326,301	17,682	-	2,585	800	(379)	13,918
2015	2016	1.040000	0.278950	202,658,023	15,666	-	2,040	547	(366)	12,713
2016	2017	1.040000	0.278950	219,874,673	18,628	-	2,192	588	(716)	15,132
2017	2018	1.040000	0.260000	235,099,445	30,884	-	5,232	1,308	(715)	23,629
2018	2019	1.040000	0.260000	260,989,268	53,126	-	9,361	2,340	(700)	40,725
2019	2020	0.970000	0.279272	294,374,433	72,198	-	12,312	3,545	(2,854)	53,487
2020	2021	0.856800	0.350000	329,656,816	165,747	-	65,730	26,850	(11,367)	61,800
2021	2022	0.872000	0.350000	373,032,257	-	4,558,454	3,113,283	1,249,599	(26,320)	169,252
1000 TOTALS					\$ 494,907	\$ 4,558,454	\$ 3,227,825	\$ 1,289,487	\$ (49,997)	\$ 486,052

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 210,000	\$ 210,000	\$ 132,092	\$ (77,908)
5800	State Program Revenues	3,000	3,000	1,539	(1,461)
5900	Federal Program Revenues	367,000	567,000	696,564	129,564
5020	Total Revenues	\$ 580,000	\$ 780,000	\$ 830,195	\$ 50,195
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 580,000	\$ 780,000	\$ 816,077	\$ (36,077)
	Total Support Services - Student (Pupil)	\$ 580,000	\$ 780,000	\$ 816,077	\$ (36,077)
6030	Total Expenditures	\$ 580,000	\$ 780,000	\$ 816,077	\$ (36,077)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 14,118	\$ 14,118
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	\$ -	\$ -	\$ 17,108	\$ 17,108
7080	Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 17,108	\$ 17,108
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 31,226	\$ 31,226
0100	Fund Balance - Beginning (July 1)	-	-	-	-
3000	Fund Balance - Ending (June 30)	\$ -	\$ -	\$ 31,226	\$ 31,226

LONE OAK INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2022

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final		(Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 1,050,000	\$ 1,050,000	\$ 1,317,330	\$ 267,330
5800	State Program Revenues	50,000	50,000	(3,919)	(53,919)
5020	Total Revenues	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 1,313,411</u>	<u>\$ 213,411</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,046,000	\$ 1,046,000	\$ 360,000	\$ 686,000
0072	Interest on Long-term Debt	50,000	50,000	217,513	(167,513)
0073	Debt Issuance Costs and Fees	4,000	4,000	1,000	3,000
	Total Debt Service	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 578,513</u>	<u>\$ 521,487</u>
6030	Total Expenditures	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>	<u>\$ 578,513</u>	<u>\$ 521,487</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 734,898</u>	<u>\$ 734,898</u>
OTHER FINANCING SOURCES (USES)					
7916	Premium (Discount) on Issuance of Debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,463</u>	<u>\$ 566,463</u>
7080	Net Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 566,463</u>	<u>\$ 566,463</u>
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 1,301,361	\$ 1,301,361
0100	Fund Balance - Beginning (July 1)	986,252	986,252	986,252	-
3000	Fund Balance - Ending (June 30)	<u><u>\$ 986,252</u></u>	<u><u>\$ 986,252</u></u>	<u><u>\$ 2,287,613</u></u>	<u><u>\$ 1,301,361</u></u>

LONE OAK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO
 SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2022

<u>Data Control Codes</u>		<u>Response</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and / other sources information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments)</p> <p>Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	Yes
SF7	Did the school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Administrative Code and other statues, laws and rules that were in effect at the school districts fiscal year-end?	Yes
SF8	Did the school board members discuss the school districts property value at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -0-

LONE OAK INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO
 STATE MANDATED PROGRAM REQUIREMENTS
 YEAR ENDED JUNE 30, 2022

<u>Data Control Codes</u>		<u>Response</u>
<u>Section A: Compensatory Education Programs</u>		
<u>AP1</u>	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
<u>AP2</u>	Does the District have written policies and procedures for its state compensatory education program?	No
<u>AP3</u>	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 718,872
<u>AP4</u>	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 444,311
<u>Section B: Bilingual Education Programs</u>		
<u>AP5</u>	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
<u>AP6</u>	Does the District have written policies and procedures for its bilingual education program?	No
<u>AP7</u>	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 18,134
<u>AP8</u>	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC's 25, 35)	\$ 1,900

FEDERAL AWARDS SECTION

LONE OAK INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs <i>Total CFDA 84.010</i>	84.010a	22610101116906	\$ 167,092 <u>167,092</u>
ESSA Title II Part A - Supporting Effective Education <i>Total CFDA 84.367</i>	84.367a	22694501116906	<u>27,478</u> 27,478
ESSA Title V Part B - Rural & Low Income School <i>Total CFDA 84.358</i>	84.358b	22696001116906	<u>11,163</u> 11,163
Elementary and Secondary Schools Emergency Relief - II * - D	84.425d	21521001116906	565,132
Elementary and Secondary Schools Emergency Relief - III * - D	84.425u	21528001116906	295,875
Texas COVID Learning Acceleration Support * - D <i>Total CFDA 84.425</i>	84.425u	21528042116906	<u>30,000</u> 891,007
Total Department of Education			<u>1,096,740</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through the Texas Education Agency:			
ELC Reopening Schools	93.323	39352201	<u>37,259</u>
Total Department of Health and Human Services			<u>37,259</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>			
Direct:			
Emergency Connectivity Fund	32.009	ECF202103582	<u>82,448</u>
Total Federal Communications Commission			<u>82,448</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program - A	10.553	00623	159,734
National School Lunch Program - A	10.555	00623	474,156
USDA Commodity Food Distribution	10.565	00623	46,527
Emergency Operational Costs Reimbursement Program - A	10.565	00623	15,533
Pandemic EBT Administrative Costs - A	10.555	00623	<u>614</u>
Total Department of Agriculture			<u>696,564</u>
Total Expenditures of Federal Awards			<u>\$ 1,913,011</u>

* - Denotes Major Program

A - Child Nutrition Cluster

B - Special Education Cluster - Total Expenditures \$ 650,037

C - Title Program Cluster

D - Education Stabilization Cluster - Total Expenditures \$ 891,007

LONE OAK INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the Lone Oak Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds which are governmental fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

C. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and used. No provision has been made for amounts on hand on June 30, 2022.

D. Indirect Cost

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

E. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$ 1,913,011
School Health and Resources (SHARS)	<u>293,283</u>
Federal Revenue (Exhibit C-3)	<u>\$ 2,206,294</u>