

**LONE OAK INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2015**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
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LONE OAK INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2015

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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 7 approved/ 0 disapproved for the year ended June 30, 2015, at a meeting of the board of school trustees of such school district on October 19, 2015.

  
\_\_\_\_\_  
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

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INDEPENDENT AUDITOR'S REPORT

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Members of the Board:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lone Oak Independent School District (District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lone Oak Independent School District as of June 30, 2015, 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.

**Change in Accounting Principle**

As discussed in Note Q to the financial statements, in 2015 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. These other supplementary information schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2015, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

September 4, 2015  
Greenville, Texas



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*

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Members of the Board:

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 4, 2015.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control – Continued

**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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 4, 2015  
Greenville, Texas

Rutherford, Taylor & Company PC



LONE OAK INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Financial Statement Findings (Section I)**

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NONE

LONE OAK INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Prior Year Findings (Section II)**

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NONE

LONE OAK INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

**Corrective Action Plans (Section III)**

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NONE

LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

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, 2015. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

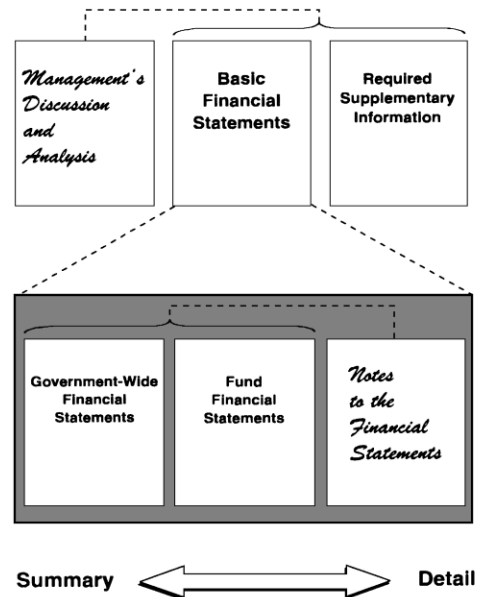
- The District's total combined net position was \$ 8,477,570 at June 30, 2015.
- During the year, the District's expenses were \$ 420,531 less than the \$ 11,038,481 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased 4.40% from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 3,606,286.

**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, 2015

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

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<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, 2015

- 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 \$ 8,477,570 at June 30, 2015.

Lone Oak Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2015	2014	2014-2015
<b>Assets:</b>			
Cash and Investments	\$ 3,031,699	\$ 3,413,757	-11.19%
Other Current Assets	2,974,313	2,262,009	31.49%
Capital Assets less Accumulated Depreciation	14,679,507	14,991,781	-2.08%
<b>Total Assets</b>	<b>\$ 20,685,519</b>	<b>\$ 20,667,547</b>	<b>0.09%</b>
<b>Deferred Net Outflows of Resources:</b>			
Deferred Net Outflows of Resources	\$ 808,063	\$ 398,028	103.02%
<b>Total Deferred Net Outflows of Resources</b>	<b>\$ 808,063</b>	<b>\$ 398,028</b>	<b>103.02%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 761,900	\$ 869,388	-12.36%
Long-term Liabilities	12,091,032	11,745,533	2.94%
<b>Total Liabilities</b>	<b>\$ 12,852,932</b>	<b>\$ 12,614,921</b>	<b>1.89%</b>
<b>Deferred Net Inflows of Resources:</b>			
Deferred Net Inflows of Resources	\$ 163,080	\$ -	100.00%
<b>Total Deferred Net Inflows of Resources</b>	<b>\$ 163,080</b>	<b>\$ -</b>	<b>100.00%</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 3,570,675	\$ 3,514,473	1.60%
Restricted	1,104,376	951,194	16.10%
Unrestricted	3,802,519	3,984,986	-4.58%
<b>Total Net Position</b>	<b>\$ 8,477,570</b>	<b>\$ 8,450,653</b>	<b>0.32%</b>

Approximately \$ 1,014,127 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 \$ 11,010,367. 26% of the District's revenue comes from local property taxes (See Table A-2). 68% 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 \$ 10,105,548. 55% 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 99.05%. The total collection rate (base tax and penalty and interest) was 101.52%.

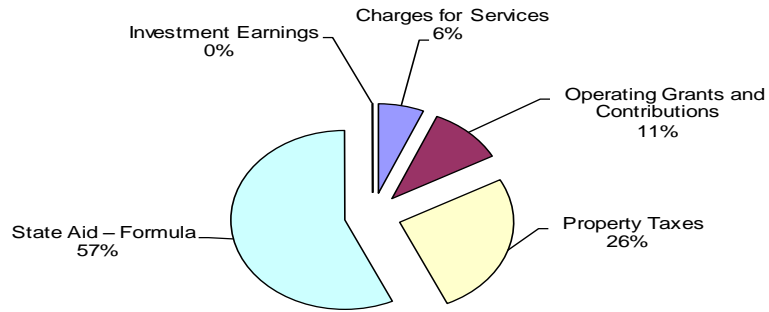
LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**GOVERNMENTAL ACTIVITIES**

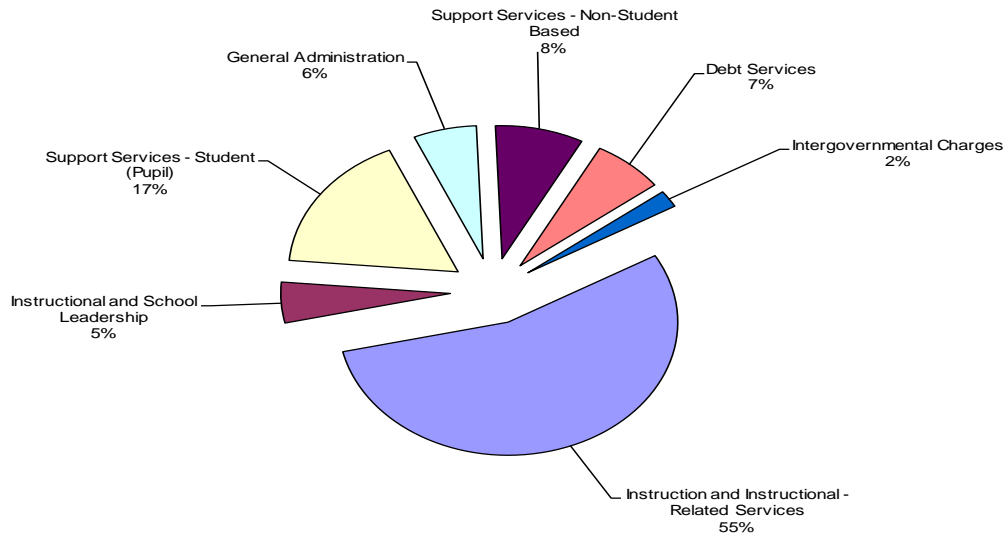
<b>Changes in Lone Oak Independent School District's Net Position</b>			<b>Table A-2</b>
	Governmental Activities		Total Percentage Change
	2015	2014	2014-2015
Program Revenues:			
Charges for Services	\$ 711,217	\$ 599,541	18.63%
Operating Grants and Contributions	1,173,946	1,183,403	-0.80%
General Revenues:			
Property Taxes	2,864,735	2,735,449	4.73%
State Aid – Formula	6,252,507	5,509,823	13.48%
Investment Earnings	4,436	4,354	1.88%
Other	3,526	6,474	-45.54%
Total Revenues	<u>\$ 11,010,367</u>	<u>\$ 10,039,044</u>	9.68%
Expenses:			
Instruction	\$ 5,253,479	\$ 5,101,842	2.97%
Instructional Resources and Media Services	265,006	316,549	-16.28%
Curriculum and Staff Development	15,784	17,266	-8.58%
School Leadership	499,607	484,852	3.04%
Guidance, Counseling and Evaluation Services	232,511	216,546	7.37%
Health Services	188,292	179,334	5.00%
Student (Pupil) Transportation	260,796	253,820	2.75%
Food Services	591,824	581,282	1.81%
Cocurricular /Extracurricular Activities	442,332	423,643	4.41%
General Administration	608,074	573,143	6.09%
Plant Maintenance and Operations	844,486	797,026	5.95%
Security and Monitoring Services	6,023	12,215	-50.69%
Debt Service	688,506	474,398	45.13%
Payments for Shared Service Arrangements	145,159	143,303	1.30%
Other Intergovernmental Charges	63,669	63,147	0.83%
Total Expenses	<u>\$ 10,105,548</u>	<u>\$ 9,638,366</u>	4.85%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 904,819</u>	<u>\$ 400,678</u>	125.82%
Increase (Decrease) in Net Position	<u>\$ 904,819</u>	<u>\$ 400,678</u>	125.82%
Net Position - Beginning (July 1)	8,450,653	8,049,975	4.98%
Prior Period Adjustment	(877,902)	-	100.00%
Net Position - Beginning, as Restated	<u>7,572,751</u>	<u>8,049,975</u>	-5.93%
Net Position - Ending (June 30)	<u>\$ 8,477,570</u>	<u>\$ 8,450,653</u>	0.32%

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2015

Sources of Revenue for Fiscal Year 2015 - See Table A-2



Functional Expenses for Fiscal Year 2015 - See Table A-2





LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

- 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 \$ 10,062,417.
- However, the amount that our taxpayers paid for these activities through property taxes was \$ 2,864,735.
- Some of the costs were paid by those who directly benefited from the programs \$ 711,217, or
- By grants and contributions \$ 1,173,946.

<b>Lone Oak Independent School District Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%	
	2015	2014	<u>Change</u>	2015	2014	<u>Change</u>	
Instruction	\$ 5,253,479	\$ 5,101,842	2.97%	\$ 4,622,817	\$ 4,506,703	2.58%	
School Leadership	499,607	484,852	3.04%	499,607	484,852	3.04%	
General Administration	608,074	573,143	6.09%	446,437	443,988	0.55%	
Plant Maintenance and Operations	844,486	797,026	5.95%	844,486	797,026	5.95%	
Debt Service	688,506	474,398	45.13%	422,636	158,050	167.41%	

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Revenues in the governmental funds totaled \$ 11,010,367. This represents an increase of \$ 971,323, or 9.68% from the prior period revenues of \$ 10,039,044. The change represents increased state aid due to changes in state legislature funding.

Expenditures in the governmental funds totaled \$ 10,105,548. This represents an increase of \$ 467,182, or 4.4%, from the prior period expenditures of \$ 9,638,366. This increase primarily represents increased operating costs for programs in the District and reduced federal funding for local expenditures..

**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 \$ 345,288 below final budget amounts. The largest variance occurred in the areas of Instruction and General Administration.

General Fund resources available were \$ 603,744 above the final budgeted amount. The favorable variance was due to additions in state aid due to increases in student enrollment and attendance and increase in other local revenue sources including tax collections.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of June 30, 2015, the District had invested \$ 23,742,176 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

<b>Lone Oak Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total
	2015	2014	Percentage
			Change
			2014-2015
Land	\$ 147,370	\$ 147,370	0.00%
Buildings and Improvements	21,958,895	21,804,195	0.71%
Equipment	1,431,898	1,327,382	7.87%
Vehicles	204,013	195,133	4.55%
Totals at Historical Cost	<u>\$ 23,742,176</u>	<u>\$ 23,474,080</u>	1.14%
Total Accumulated Depreciation	<u>(9,062,669)</u>	<u>(8,482,299)</u>	6.84%
Net Capital Assets	<u>\$ 14,679,507</u>	<u>\$ 14,991,781</u>	-2.08%

**DEBT**

At year end, the District had \$ 11,380,375 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.

<b>Lone Oak Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total
	2015	2014	Percentage
			Change
			2014-2015
Bonds Payable	\$ 10,506,250	\$ 11,280,000	-6.86%
Other Debt Payable	<u>874,125</u>	<u>465,533</u>	-87.77%
Total Debt Payable	<u>\$ 11,380,375</u>	<u>\$ 11,745,533</u>	-3.11%

LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015

**ECONOMIC FACTORS**

The District's property valuation has dropped significantly due to housing development bankruptcies and foreclosures. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

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 a drop in property values from 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 2013-2015 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held unconstitutional and inequitable. The 2013 legislative session produced additional funding for the student population. However, the legal process continues with challenges by the various interested parties. It is anticipated that a final resolution will be considered during the 2013-2015 biennium.

**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 Donna Scoggins, Business Manager for the District.

## BASIC FINANCIAL STATEMENTS

LONE OAK INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Investments	\$ 3,031,699
1225 Property Taxes Receivable, Net	574,482
1240 Due from Other Governments	2,390,563
1250 Accrued Interest	794
1290 Other Receivables, Net	8,474
Capital Assets:	
1510 Land	147,370
1520 Buildings and Improvements, Net	14,088,219
1530 Furniture and Equipment, Net	443,918
<b>1000 Total Assets</b>	<b>\$ 20,685,519</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1702 Deferred Outflows - Refunding	\$ 660,804
1705 Deferred Outflows - Pensions	\$ 147,259
<b>1700 Total Deferred Outflows of Resources</b>	<b>\$ 808,063</b>
<b>LIABILITIES</b>	
2110 Accounts Payable	\$ 72,126
2140 Interest Payable	82,576
2165 Accrued Liabilities	600,847
2300 Unearned Revenue	6,351
Noncurrent Liabilities:	
2501 Due within one year	341,250
2502 Due in more than one year	11,039,125
2540 Net Pension Liability	710,657
<b>2000 Total Liabilities</b>	<b>\$ 12,852,932</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows - Pensions	\$ 163,080
<b>2600 Total Deferred Outflows of Resources</b>	<b>\$ 163,080</b>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	\$ 3,570,675
Restricted For:	
3820 Federal and State Programs	18,522
3850 Debt Service	1,014,127
3890 Other Purposes	71,727
3900 Unrestricted	3,802,519
<b>3000 Total Net Position</b>	<b>\$ 8,477,570</b>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

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
	Governmental Activities:				
11	Instruction	\$ 5,253,479	\$ 25,068	\$ 605,594	\$ (4,622,817)
12	Instructional Resources and Media Services	265,006	-	-	(265,006)
13	Curriculum and Staff Development	15,784	-	5,297	(10,487)
23	School Leadership	499,607	-	-	(499,607)
31	Guidance, Counseling and Evaluation Services	232,511	-	3,364	(229,147)
33	Health Services	188,292	211,725	-	23,433
34	Student (Pupil) Transportation	260,796	-	-	(260,796)
35	Food Services	591,824	249,819	293,821	(48,184)
36	Cocurricular /Extracurricular Activities	442,332	62,968	-	(379,364)
41	General Administration	608,074	161,637	-	(446,437)
51	Plant Maintenance and Operations	844,486	-	-	(844,486)
52	Security and Monitoring Services	6,023	-	-	(6,023)
72	Interest on Long-term Debt	359,884	-	265,870	(94,014)
73	Debt Issuance Costs and Fees	107,975	-	-	(107,975)
81	Capital Outlay	220,647	-	-	(220,647)
93	Payments for Shared Service Arrangements	145,159	-	-	(145,159)
99	Other Intergovernmental Charges	63,669	-	-	(63,669)
					-
TG	Total Governmental Activities	<u>\$ 10,105,548</u>	<u>\$ 711,217</u>	<u>\$ 1,173,946</u>	<u>\$ (8,220,385)</u>
TP	Total Primary Government	<u>\$ 10,105,548</u>	<u>\$ 711,217</u>	<u>\$ 1,173,946</u>	<u>\$ (8,220,385)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 2,184,924
DT	Property Taxes, Levied for Debt Service				679,811
IE	Investment Earnings				4,436
GC	Grant and Contributions Not Restricted to Specific Programs				6,252,507
MI	Miscellaneous				3,526
TR	Total General Revenues				<u>\$ 9,125,204</u>
CN	Change in Net Position				<u>\$ 904,819</u>
NB	Net Position - Beginning (July 1)				<u>\$ 8,450,653</u>
PA	Prior Period Adjustment				<u>(877,902)</u>
	Net Position - Beginning, as Restated				<u>\$ 7,572,751</u>
NE	Net Position - Ending (June 30)				<u>\$ 8,477,570</u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Investments	\$ 1,862,973	\$ 950,763	\$ 122,310	\$ 2,936,046
1225 Property Taxes Receivable, Net	454,038	120,444	-	574,482
1240 Due from Other Governments	2,340,228	21,675	28,660	2,390,563
1250 Accrued Interest	794	-	-	794
1260 Due from Other Funds	-	15,672	-	15,672
1290 Other Receivables	200	-	8,274	8,474
				\$ -
<b>1000 Total Assets</b>	<b><u>\$ 4,658,233</u></b>	<b><u>\$ 1,108,554</u></b>	<b><u>\$ 159,244</u></b>	<b><u>\$ 5,926,031</u></b>
<b>LIABILITIES</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 33,111	\$ -	\$ 120	\$ 33,231
2140 Interest Payable	-	11,851	-	11,851
2160 Accrued Wages Payable	515,538	-	44,870	560,408
2170 Due to Other Funds	15,672	-	-	15,672
2200 Accrued Expenditures	33,588	-	6,851	40,439
2300 Unearned Revenues	-	-	6,351	6,351
				\$ -
<b>2000 Total Liabilities</b>	<b><u>\$ 597,909</u></b>	<b><u>\$ 11,851</u></b>	<b><u>\$ 58,192</u></b>	<b><u>\$ 667,952</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2600 Deferred Inflows of Resources	\$ 454,038	\$ 120,444	\$ -	\$ 574,482
				\$ -
<b>2600 Total Deferred Inflows of Resources</b>	<b><u>\$ 454,038</u></b>	<b><u>\$ 120,444</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 574,482</u></b>
<b>FUND BALANCES</b>				
Restricted Fund Balances:				
3450 Federal and State Grants	\$ -	\$ -	\$ 18,755	\$ 18,755
3480 Retirement of Long Term Debt	-	976,259	-	976,259
3490 Other Restrictions of Fund Balances	-	-	71,494	71,494
Committed Fund Balances:				
3545 Other Committed Fund Balances	-	-	10,803	10,803
3600 Unassigned	3,606,286	-	-	3,606,286
				\$ -
<b>3000 Total Fund Balances</b>	<b><u>\$ 3,606,286</u></b>	<b><u>\$ 976,259</u></b>	<b><u>\$ 101,052</u></b>	<b><u>\$ 4,683,597</u></b>
				\$ -
<b>4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 4,658,233</u></b>	<b><u>\$ 1,108,554</u></b>	<b><u>\$ 159,244</u></b>	<b><u>\$ 5,926,031</u></b>

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, 2015

Total fund balances - Governmental Funds Balance Sheet	\$	4,683,597
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.		14,679,507
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		574,482
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		56,758
Payables for bond principal which are not due in the current period are not reported in the funds.		(10,506,250)
Payables for debt interest which are not due in the current period are not reported in the funds.		(70,725)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(1,184,464)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		971,143
Payables for proportionate pensions which are not due in the current period.		(710,657)
Deferred contributions and other items related to proportionate pension liability not available for current expenditu		147,259
Deferred items related to proportionate pension liability not due and payable in the current period.		<u>(163,080)</u>
Net position of governmental activities - Statement of Net Position	\$	<u>8,477,570</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, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 2,319,673	\$ 684,986	\$ 652,748	\$ 3,657,407
5800 State Program Revenues	6,605,125	265,870	80,399	6,951,394
5900 Federal Program Revenues	16,920	-	412,760	429,680
<b>5020 Total Revenues</b>	<b>\$ 8,941,718</b>	<b>\$ 950,856</b>	<b>\$ 1,145,907</b>	<b>\$ 11,038,481</b>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	\$ 4,748,038	\$ -	\$ 190,020	\$ 4,938,058
0012 Instructional Resources and Media Services	236,412	-	-	236,412
0013 Curriculum and Staff Development	8,159	-	6,187	14,346
0023 School Leadership	478,486	-	-	478,486
0031 Guidance, Counseling and Evaluation Services	226,204	-	3,364	229,568
0033 Health Services	84,538	-	101,623	186,161
0034 Student (Pupil) Transportation	321,689	-	-	321,689
0035 Food Services	-	-	569,279	569,279
0036 Cocurricular /Extracurricular Activities	384,278	-	25,980	410,258
0041 General Administration	343,547	-	267,186	610,733
0051 Plant Maintenance and Operations	1,002,938	-	-	1,002,938
0052 Security and Monitoring Services	6,023	-	-	6,023
0071 Principal on Long-term Debt	283,750	375,000	-	658,750
0072 Interest on Long-term Debt	9,963	407,836	-	417,799
0073 Debt Issuance Cost and Fees	2,332	105,643	-	107,975
0081 Capital Outlay	220,647	-	-	220,647
0093 Payments for Shared Service Arrangements	145,159	-	-	145,159
0099 Other Intergovernmental Charges	63,669	-	-	63,669
<b>6030 Total Expenditures</b>	<b>\$ 8,565,832</b>	<b>\$ 888,479</b>	<b>\$ 1,163,639</b>	<b>\$ 10,617,950</b>
<b>1100 Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 375,886</b>	<b>\$ 62,377</b>	<b>\$ (17,732)</b>	<b>\$ 420,531</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
7911 Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ 4,865,000	\$ -	\$ 4,865,000
7912 Sale of Real or Personal Property	285	-	-	285
7915 Transfers In	-	-	40,000	40,000
7916 Premium or Discount on Issuance of Bonds	-	416,322	-	416,322
8911 Transfers Out	(40,000)	-	-	(40,000)
8949 Other Uses	-	(5,280,219)	-	(5,280,219)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ (39,715)</b>	<b>\$ 1,103</b>	<b>\$ 40,000</b>	<b>\$ 1,388</b>
<b>1200 Net Changes in Fund Balances</b>	<b>\$ 336,171</b>	<b>\$ 63,480</b>	<b>\$ 22,268</b>	<b>\$ 421,919</b>
0100 Fund Balances - Beginning (July 1)	3,270,115	912,779	78,784	4,261,678
<b>3000 Fund Balances - Ending (June 30)</b>	<b>\$ 3,606,286</b>	<b>\$ 976,259</b>	<b>\$ 101,052</b>	<b>\$ 4,683,597</b>

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, 2015

Net change in fund balances - total governmental funds	\$	421,919
<p>Amounts reported for governmental activities in the statement  of activities ("SOA") are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		318,326
The depreciation of capital assets used in governmental activities is not reported in the funds.		(631,887)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.		(294)
The gain or loss on the sale of capital assets is not reported in the funds.		1,581
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(29,695)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		5,280,219
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		375,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		283,750
The accretion of interest on capital appreciation bonds is not reported in the funds.		(3,318)
(Increase) decrease in accrued interest expense from beginning of year to end of year.		87,637
The net revenue (expense) of internal service funds is reported with governmental activities.		(42,124)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(4,865,000)
Bond premiums are reported in the funds but not in the SOA.		(416,313)
Adjustments to pension expenditures to record end of year pensions liability.		<u>125,018</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>904,819</u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
JUNE 30, 2015

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets:	
1110 Cash and Investments	\$ 95,653
Total Current Assets	\$ 95,653
<b>1000 Total Assets</b>	<b>\$ 95,653</b>
<b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	\$ 38,895
Total Current Liabilities	\$ 38,895
<b>2000 Total Liabilities</b>	<b>\$ 38,895</b>
<b>NET POSITION</b>	
3900 Unrestricted Net Position	\$ 56,758
<b>3000 Total Net Position</b>	<b>\$ 56,758</b>

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, 2015

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
	<b>OPERATING REVENUES</b>	
5700	Local and Intermediate Sources	\$ 43
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 43</b>
	<b>OPERATING EXPENSES</b>	
6400	Other Operating Costs	\$ 42,167
<b>6030</b>	<b>Total Expenses</b>	<b>\$ 42,167</b>
	Operating Income (Loss)	\$ (42,124)
	Income (Loss) before Contributions and Transfers	\$ (42,124)
1300	Change in Net Position	\$ (42,124)
0100	Net Position - Beginning (July 1)	98,882
<b>3000</b>	<b>Net Position - Ending (June 30)</b>	<b>\$ 56,758</b>

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, 2015

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts from Quasi-external Interfund Transfers	\$ 43
Cash Payments for Reinsurance and Administration	(20,062)
Cash Payments for Claims	(19,319)
	(39,338)
Net Cash Provided by (Used for) Operating Activities	\$ (39,338)
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	\$ (39,338)
Cash and Investments - Beginning (July 1)	134,991
<b>Cash and Investments - Ending (June 30)</b>	<b>\$ 95,653</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (42,124)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase (Decrease) in Claims Payable	2,786
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (39,338)</b>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
 JUNE 30, 2015

Data Control Codes	Agency Fund Student Activity
<b>ASSETS</b>	
Current Assets:	
1110 Cash and Investments	\$ 38,988
<b>1000 Total Assets</b>	<b>\$ 38,988</b>
<b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	
2190 Due to Student Groups	38,988
<b>2000 Total Liabilities</b>	<b>\$ 38,988</b>
<b>NET POSITION</b>	
<b>3000 Total Net Position</b>	<b>\$ -</b>

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, 2015

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."

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the District (primary government) and its component units. The component unit discussed below is included in the District reporting entity because of the significance of the financial relationship with the District.

*Component Unit* – As required by GAAP, the financial statements of the Lone Oak Independent School District Public Facility Corporation (PFC) have been blended with the primary government to present the financial information of the reporting entity. The PFC, an entity legally separate from the District, is governed by a seven member board comprised of the District's board of trustees. The purpose of the PFC is to finance real property improvements for the District's use.

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 (SNP) 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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

*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 non-major 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. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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.

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 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.

Agency 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 purely custodial capacity (assets equity liabilities). Agency 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, 2015

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 not 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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

5. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, 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:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
		<hr/>
Total	\$	<u>-0-</u>

6. 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.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures 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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

Fund Balance (continued)

*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.

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Restricted				
Child Nutrition Program	\$ -	\$ -	\$ 18,522	\$ 18,522
Retirement of Long Term Debt	-	976,259	-	976,259
State Textbook Fund	-	-	-	-
Hunt County Coop	-	-	71,727	71,727
Committed				
Campus Activity Funds	-	-	10,803	10,803
Unassigned	3,606,286	-	-	3,606,286
Totals	<u>\$ 3,606,286</u>	<u>\$ 976,259</u>	<u>\$ 101,052</u>	<u>\$ 4,683,597</u>

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, 2015

A. Summary of Significant Accounting Policies (Continued)

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.

9. Vacation, Personal Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Personal leave accrues at various rates established by the State and adopted by the Board of Trustees. Personal leave does not vest, but accumulates and is recorded as an expenditure as it is paid.

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 TES. 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. 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 differ from these estimates.

12. 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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. Summary of Significant Accounting Policies (Continued)

13. 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

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 Corporation (FDIC) insurance. At year end, all District cash deposits appear to be covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

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

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as TexPool and Lone Star Investment Pool. All TexPool and Lone Star Investment Pool investments are reported at share price (fair value).

*Texas Local Government Investment Pool (TexPool)* has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

B. Deposits, Securities and Investments (Continued)

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act. The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors made up of members of the pool is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

The following lists the District's investment at year end:

	<u>Credit Risk Rating</u>	<u>Fair Value</u>
Lone Star Investment Pool	AAAM	\$ 211,615
TexPool	AAAM	1,274,621
Certificates of Deposit	N/A	<u>1,327,496</u>
Total		<u>\$ 2,813,732</u>

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: American National Bank, Lone Oak, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 2,459,819.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 2,275,590 and occurred during the month of November 2014.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 257,214.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at period 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 period end, the District was not significantly exposed to credit risk.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

B. Deposits, Securities and Investments (Continued)

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 did not appear to be exposed to custodial credit risk.

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 did not appear to be 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. At year end, the District did not appear to be 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. At year end, the District did not appear to be exposed to foreign currency risk.

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. Allowance for uncollectibles 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.

The District levied taxes on property within the District at \$ 1.04005 to fund general operations and \$ 0.32200 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 209,326,301.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

D. Capital Assets

Capital asset activities during the year ended were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 147,370	\$ -	\$ -	\$ 147,370
Total Capital Assets not being depreciated	\$ 147,370	\$ -	\$ -	\$ 147,370
Capital Assets being depreciated:				
Buildings and Improvements	\$ 21,804,195	\$ 154,700	\$ -	\$ 21,958,895
Vehicles	1,327,382	177,246	72,730	1,431,898
Equipment	195,133	8,880	-	204,013
Total Capital Assets being depreciated	\$ 23,326,710	\$ 340,826	\$ 72,730	\$ 23,594,806
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 7,325,083	\$ 545,593	\$ -	\$ 7,870,676
Vehicles	1,005,412	74,477	51,517	1,028,372
Equipment	151,804	11,817	-	163,621
Total Accumulated Depreciation	\$ 8,482,299	\$ 631,887	\$ 51,517	\$ 9,062,669
Total Capital Assets being depreciated, net	\$ 14,844,411	\$ (291,061)	\$ 21,213	\$ 14,532,137
Governmental Activities Capital Assets, net	\$ 14,991,781	\$ (291,061)	\$ 21,213	\$ 14,679,507

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 439,922
Instructional Resources and Media Services	30,326
Staff Development	1,438
School Leadership	24,841
Guidance, Counseling and Evaluation Services	4,702
Health Services	3,184
Student (Pupil) Transportation	59,354
Food Services	25,803
Cocurricular / Extracurricular Activities	33,793
General Administration	1,438
Plant Maintenance and Operations	7,086
Total	\$ 631,887



LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligations activities during the year ended were as follows:

	Beginning			Ending	Amounts
	Balance	Increases	Decrease	Balance	Due Within
					One Year
<u>Governmental Activities:</u>					
Bond Obligations Payable	\$ 11,280,000	\$ 4,865,000	\$ 5,638,750	\$ 10,506,250	\$ 341,250
Bond Premium (Discount)	197,308	416,313	11,039	602,582	-
Accreted Interest Payable	268,225	3,318	-	271,543	-
Total Governmental Activities	<u>\$ 11,745,533</u>	<u>\$ 5,284,631</u>	<u>\$ 5,649,789</u>	<u>\$ 11,380,375</u>	<u>\$ 341,250</u>

Bond Debt Refunding

The District issued "Lone Oak Independent School District Unlimited Refunding Bonds, Series 2015," totaling \$ 4,865,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building, Series 2006

The bond is dated June 1, 2015 and was issued June 25, 2015. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of February 15, 2025.

As a result of the refunding, the District decreased its debt service requirements by \$ 616,867. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 773,443.

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 following issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Lease Revenue Bonds, Series 2005	3.90%	\$ 2,374,150	\$ 71,250
Unlimited Tax School Building Bonds, Series 2006	4.19%	6,000,000	260,000
Unlimited Tax School Building Bonds, Series 2008	3.93%	2,500,000	2,105,000
Unlimited Tax Refunding Bonds, Series 2012	3.93%	3,285,000	3,205,000
Unlimited Tax Refunding Bonds, Series 2015	3.427%	4,865,000	4,865,000
Totals			<u>\$ 10,506,250</u>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

E. Long Term Obligations (continued)

Debt service requirements on bonded debt at year end, are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2016	\$ 341,250	\$ 437,536	\$ 778,786
2017	270,000	491,365	761,365
2018	410,000	332,528	742,528
2019	425,000	317,640	742,640
2020	440,000	302,955	742,955
2021 - 2025	2,435,000	1,266,799	3,701,799
2026 - 2030	2,925,000	761,888	3,686,888
2031 - 2035	3,010,000	265,962	3,275,962
2036 - 2037	250,000	4,063	254,063
Totals	<u>\$ 10,506,250</u>	<u>\$ 4,180,736</u>	<u>\$ 14,686,986</u>

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.

F. Defined Benefits Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS's defined benefit pension plan operates primarily under the provision of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, chapter 803 and 805, respectively. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas State Legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us).

2. Benefits Provided

TRS administers retirement and disability annuities, and death survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. the pension's board of trustees does not have the authority to establish or amend benefits. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times year 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 or exceed 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service. A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met. The plan does not provide automatic cost of living adjustments (COLA's). ad hoc post-employment benefits changes, including ad hoc COLA's can be granted by the Texas Legislature as noted in the Plan Description above.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Defined Benefits Pension Plan (Continued)

3. Contributions

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation paid to members of the system during the fiscal year. 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. Actuarial implications of the funding provided in this manner are determined by the system's actuary. As the non-employer contributing entity, 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 members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- 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 part of 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, 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. Employee contribution rates are set in state statute, Texas Government Code 825.402 for member contributions and established employee contribution rate for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. Contributions amounts for fiscal year 2015 are as follows:

	<b>Contributions Required and Made</b>	
Member (Employee)	\$	348,937
Non-Employer Contributing Agency (State On Behalf)	\$	300,849
District (Employer)	\$	67,452

Contribution rates for the Plan fiscal year (September to August) 2014 and 2015 are as follows:

	<b>Contribution Rates Plan Fiscal Year</b>	
	<b>2014</b>	<b>2015</b>
Member (Employee)	6.4%	6.7%
District (Employer)	6.8%	6.8%
Non-Employer Contributing Agency (State On Behalf)	6.8%	6.8%

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Defined Benefits Pension Plan (Continued)

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

At August 31, 2014, the District reported a liability for its proportionate share of the net pension liability that reflected 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 net pension liability	\$ 710,657
State's proportionate share of the net pension liability associated with the District	<u>3,176,470</u>
Total	<u>\$ 3,887,127</u>

The net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all participating entities. At August 31, 2014, the District's proportion was 0.000026605% which was not measured as of August 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$ 293,659 and revenue of \$ 293,659 for support provided by the State.

At June 30, 2015, the District report deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,991	\$ -
Changes of assumptions	46,193	-
Net difference between projected and actual earnings on pension plan investments	-	217,206
Changes in proportion and differents between District contributions and proportionate share of contributions	-	186
District contributions subsequent to the measurement date	<u>99,701</u>	<u>-</u>
Total	<u>\$ 156,885</u>	<u>\$ 217,392</u>

The \$ 99,701 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2016	\$ (44,686)
2017	(44,686)
2018	(44,686)
2019	9,615
Thereafter	8,921

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Defined Benefits Pension Plan (Continued)

5. Actuarial Assumptions

The total pension liability is determined by an annual actuarial valuation. The active mortality rates were based on the 1994 Group Annuity Mortality Table set back 6 years for both males and females. The Post-retirement mortality rates were based on client specific tables multiplied by 80%. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the four-year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rate for current and future retirees has decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

The following assumptions were applied to this measurement period:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Smoothed Market
Actuarial Assumption:	
Discount Rate	8.00%
Long-term expected Investment Rate of Return *	8.00%
Salary Increases *	4.25% to 7.25%
Weighted - Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

\* Includes Inflation of 3.00%

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary new 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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Defined Benefits Pension Plan (Continued)

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investment 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 weighing 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 Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return *
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric means returns.

7. Discount Rate Sensitivity Analysis

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, 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 (7%) or 1 – percentage point higher (9%) than the current rate:

	1% Decrease	Current Rate	1% Increase
District's proportional share of the net pension liability	\$ 1,269,900	\$ 710,657	\$ 292,447

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

F. Defined Benefits Pension Plan (Continued)

8. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual 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#CAFR>; 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 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	83.25%

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

G. School District Retiree Health Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payrolls set at 0.55% for fiscal years 2015, 2014 and 2013. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates are shown in the table below for fiscal years 2015-2013.

<b>Contribution Rates</b>			
<b>Year</b>	<b>Active Member</b>	<b>State</b>	<b>District</b>
2015	0.65%	1.00%	0.55%
2014	0.65%	1.00%	0.55%
2013	0.65%	0.50%	0.55%

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 44,949 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 16,606 for subsidies for Medicare Part D and participation in the Early Retirement Reinsurance Program.

H. Risk Management

Health Care

During the year ended, employees of the Lone Oak Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their opinion, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to TRS – Active Care (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Lone Oak Independent School District and TRS – Active Care (Blue Cross/Blue Shield) 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 are available for the year ended December 31, 2014, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended, 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 Local 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.



LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

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 Unemployment Compensation pool members.

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, 2014, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$ 45,835 for the 14-15 fiscal year. Additionally, the District incurred fixed costs of \$ 18,761 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers' compensation self-insurance of \$ 38,895 includes \$ 33,481 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuary calculation.

H. Risk Management, (Continued)

Changes in the workers' compensation claims liability amounts in the periods of 2015 and 2014 are represented below:

	<u>2015</u>	<u>2014</u>
Claims Liability - Beginning	\$ 36,109	\$ 38,064
Claims Incurred (Reduced)	19,153	39,715
Claim Payments	<u>(16,567)</u>	<u>(41,670)</u>
Claims Liability - Ending	<u>\$ 38,695</u>	<u>\$ 36,109</u>

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 the year ended, the District purchased commercial insurance to cover these liabilities. There were no 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.

I. Litigation

The District does not appear to be involved in any litigation as of year end.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

J. 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.

K. Interfund Balances and Activities

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>	<u>Purpose</u>
Debt Service Fund	General Fund	\$ 15,672	State Funding

Transfers To and From Other Funds

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Food Service Fund	\$ 40,000	Annual Deficit
Totals		\$ 40,000	

L. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenues 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
Net Cat Cooperative	Commerce Independent School District	Vocational Programs

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

M. Local and Intermediate Revenue Sources

During the year ended, the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property Tax Collections	\$ 2,209,790	\$ 684,642	\$ -	\$ 2,894,432
Investment Income	4,025	344	67	4,436
Food Service Income	-	-	543,640	543,640
Gifts and Bequests	45,379	-	-	45,379
Cocurricular/Extracurricular Activities	33,468	-	29,500	62,968
Tuition and Fees	25,068	-	-	25,068
Other	6,623,988	265,870	572,700	7,462,558
Totals	<u>\$ 8,941,718</u>	<u>\$ 950,856</u>	<u>\$ 1,145,907</u>	<u>\$ 11,038,481</u>

N. Receivables

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

	General Fund	Debt Service Fund	Other Nonmajor	Total
Due from Other Governments	\$ 2,340,228	\$ 21,675	\$ 28,660	\$ 2,390,563
Accrued Interest	794	-	-	794
Property Taxes	504,487	133,827	-	638,314
Less Allowance for Uncollectible				
Property Taxes	(50,449)	(13,383)	-	(63,832)
Other	200	-	8,274	8,474
Net Receivables	<u>\$ 2,795,260</u>	<u>\$ 142,119</u>	<u>\$ 36,934</u>	<u>\$ 2,974,313</u>

O. Subsequent Events

The District's management has evaluated subsequent events through September 4, 2015, the date which the financial statements were available for use.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

P. 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 populations; 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	\$ 233,520	\$ 6,006,142	\$ 70,140	\$ 235,751
Prior Year Settle Ups	-	12,845	(51,334)	11,313
Financial Statement Earnings	\$ 233,520	\$ 6,018,987	\$ 18,806	\$ 247,064
Amounts Received	174,880	3,724,754	12,589	222,233
Receivable (Overpayment) *	<u>\$ 58,640</u>	<u>\$ 2,294,233</u>	<u>\$ 6,217</u>	<u>\$ 24,831</u>

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

Q. Change in Accounting Principles

The District implemented the following Governmental Accounting Standard Board Statements during the year. The provisions impact the financial reporting for the District. Statement 68, *Accounting and Financial Reporting for Pensions*, created new reporting for pension information including the requirement to reflect pension liabilities in the government with financial statements including proportional shares for cost sharing arrangements. Statement 71, *Pension Transition for Contribution Made Subsequent to the Measurement Date*, resolved issues arising from the implementation of Statement 68.

R. Restatements

Restatements consist of prior period adjustments in the government wide financial statements as a result of the recording of net pension liability in accordance with GASB Statement 68 and 71. The beginning net position was restated to reflect a decrease of \$ 883,340.

REQUIRED SUPPLEMENTARY INFORMATION

LONE OAK INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 2,148,500	\$ 2,193,879	\$ 2,319,673	\$ 125,794
5800	State Program Revenues	6,144,095	6,144,095	6,605,125	461,030
5900	Federal Program Revenues	-	-	16,920	16,920
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 8,292,595</b>	<b>\$ 8,337,974</b>	<b>\$ 8,941,718</b>	<b>\$ 603,744</b>
<b>EXPENDITURES</b>					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 5,187,219	\$ 4,905,616	\$ 4,748,038	\$ 157,578
0012	Instructional Resources and Media Services	269,907	269,907	236,412	33,495
0013	Curriculum and Staff Development	22,550	21,750	8,159	13,591
	Total Instruction and Instr. Related Services	\$ 5,479,676	\$ 5,197,273	\$ 4,992,609	\$ 204,664
Instructional and School Leadership:					
0023	School Leadership	\$ 584,324	\$ 491,680	\$ 478,486	\$ 13,194
	Total Instructional and School Leadership	\$ 584,324	\$ 491,680	\$ 478,486	\$ 13,194
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 250,642	\$ 236,141	\$ 226,204	\$ 9,937
0033	Health Services	86,387	86,387	84,538	1,849
0034	Student (Pupil) Transportation	265,251	325,251	321,689	3,562
0036	Cocurricular /Extracurricular Activities	382,352	401,931	384,278	17,653
	Total Support Services - Student (Pupil)	\$ 984,632	\$ 1,049,710	\$ 1,016,709	\$ 33,001
Administrative Support Services:					
0041	General Administration	\$ 377,660	\$ 377,660	\$ 343,547	\$ 34,113
	Total Administrative Support Services	\$ 377,660	\$ 377,660	\$ 343,547	\$ 34,113
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 808,456	\$ 1,027,966	\$ 1,002,938	\$ 25,028
0052	Security and Monitoring Services	11,300	11,300	6,023	5,277
	Total Support Services - Nonstudent Based	\$ 819,756	\$ 1,039,266	\$ 1,008,961	\$ 30,305
Debt Service:					
0071	Principal on Long-term Debt	\$ 296,713	\$ 283,750	\$ 283,750	\$ -
0072	Interest on Long-term Debt	-	9,963	9,963	-
0073	Bond Issuance Costs and Fees	-	3,000	2,332	668
	Total Debt Service	\$ 296,713	\$ 296,713	\$ 296,045	\$ 668
Capital Outlay:					
0081	Capital Outlay	\$ -	\$ 225,000	\$ 220,647	\$ 4,353
	Total Capital Outlay	\$ -	\$ 225,000	\$ 220,647	\$ 4,353
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 148,818	\$ 148,818	\$ 145,159	\$ 3,659
0099	Other Intergovernmental Charges	85,000	85,000	63,669	21,331
	Total Intergovernmental Charges	\$ 233,818	\$ 233,818	\$ 208,828	\$ 24,990
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 8,776,579</b>	<b>\$ 8,911,120</b>	<b>\$ 8,565,832</b>	<b>\$ 345,288</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (483,984)	\$ (573,146)	\$ 375,886	\$ 949,032
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of Real or Personal Property	\$ -	\$ -	\$ 285	\$ 285
8911	Operating Transfers Out	(5,187,219)	(40,000)	(40,000)	-
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ (5,187,219)</b>	<b>\$ (40,000)</b>	<b>\$ (39,715)</b>	<b>\$ 285</b>
1200	Net Change in Fund Balance	\$ (5,671,203)	\$ (613,146)	\$ 336,171	\$ 949,317
0100	Fund Balance - Beginning (July 1)	3,270,115	3,270,115	3,270,115	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ (2,401,088)</b>	<b>\$ 2,656,969</b>	<b>\$ 3,606,286</b>	<b>\$ 949,317</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED JUNE 30, 2015

	<b>2015</b>
District's proportion of the net pension liability	0.0026605%
District's proportionate share of the net pension liability	\$ 710,657
State's proportionate share of the net pension liability associated with the District	3,176,470
 Total	 \$ 3,887,127
 District's covered-employee payroll (for Measurement Year)	 \$ 5,246,626
 District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	 13.55%
 Plan fiduciary net position as a percentage of the total pension liability	 83.25%

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 LAST 10 FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 67,452	*	*	*	*
Contributions in relations to the contractual required contributions	<u>67,452</u>				
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 5,246,626				
Contributions as a percentage of covered employee payroll	1.286%				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contributions	*	*	*	*	*
Contributions in relations to the contractual required contributions					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll					
Contributions as a percentage of covered employee payroll					

\* FY 2015 is implementation period. Data will be generated annually.



LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015

A. Changes of Assumptions

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

B. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 YEAR ENDED JUNE 30, 2015

Tax Roll Year	Last Ten Years Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2014	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2015
		Maintenance	2 Debt Service							
XXXX	2006 and Prior Years	Various	Various	Various	\$ 34,124	\$ -	\$ 131	\$ 8	\$ (2,660)	\$ 31,325
2006	2007	1.308000	0.227500	172,973,299	17,340	-	1,359	236	(1,331)	14,414
2007	2008	1.039020	0.205000	184,959,478	30,002	-	1,624	330	(2,449)	25,599
2008	2009	1.039020	0.247100	225,637,960	73,878	-	2,500	595	(5,981)	64,802
2009	2010	1.039020	0.239000	240,443,720	115,348	-	3,437	786	(9,658)	101,467
2010	2011	1.039020	0.266960	216,345,950	89,570	-	3,898	1,002	(6,370)	78,300
2011	2012	1.039000	0.327000	202,442,018	71,417	-	7,073	2,225	(3,232)	58,887
2012	2013	1.039000	0.327000	205,599,955	87,390	-	17,810	5,580	(2,233)	61,767
2013	2014	1.040005	0.322246	200,709,740	152,238	-	66,715	20,568	(5,767)	59,188
2014	2015	1.040050	0.322000	209,326,301	-	2,851,129	2,050,932	637,251	(20,381)	142,565
<b>1000</b>	<b>TOTALS</b>				<b>\$ 671,307</b>	<b>\$ 2,851,129</b>	<b>\$ 2,155,479</b>	<b>\$ 668,581</b>	<b>\$ (60,062)</b>	<b>\$ 638,314</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

Data Control Codes	1	2	3	Variance with Final Budget	
	Budgeted Amounts			Positive	
	Original	Final	Actual	(Negative)	
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 227,390	\$ 227,390	\$ 249,827	\$ 22,437
5800	State Program Revenues	2,600	2,600	2,565	(35)
5900	Federal Program Revenues	280,000	280,000	291,256	11,256
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 509,990</b>	<b>\$ 509,990</b>	<b>\$ 543,648</b>	<b>\$ 33,658</b>
<b>EXPENDITURES</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 549,990	\$ 569,990	\$ 569,279	\$ 711
	Total Support Services - Student (Pupil)	\$ 549,990	\$ 569,990	\$ 569,279	\$ 711
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 549,990</b>	<b>\$ 569,990</b>	<b>\$ 569,279</b>	<b>\$ 711</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (40,000)	\$ (60,000)	\$ (25,631)	\$ 34,369
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers In	\$ -	\$ 40,000	\$ 40,000	\$ -
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 40,000</b>	<b>\$ 40,000</b>	<b>\$ -</b>
1200	Net Change in Fund Balance	\$ (40,000)	\$ (20,000)	\$ 14,369	\$ 34,369
0100	Fund Balance - Beginning (July 1)	4,153	4,153	4,153	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ (35,847)</b>	<b>\$ (15,847)</b>	<b>\$ 18,522</b>	<b>\$ 34,369</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2015

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 520,837	\$ 520,837	\$ 684,986	\$ 164,149
5800	State Program Revenues	267,000	267,000	265,870	(1,130)
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 787,837</b>	<b>\$ 787,837</b>	<b>\$ 950,856</b>	<b>\$ 163,019</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 787,837	\$ 375,000	\$ 375,000	\$ -
0072	Interest on Long-term Debt	-	407,837	407,836	1
0073	Debt Issuance Costs and Fees	-	105,643	105,643	-
	Total Debt Service	\$ 787,837	\$ 888,480	\$ 888,479	\$ 1
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 787,837</b>	<b>\$ 888,480</b>	<b>\$ 888,479</b>	<b>\$ 1</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (100,643)	\$ 62,377	\$ 163,020
<b>Other Financing Sources Uses</b>					
7911	Capital Related Debt Issued (Regular Bonds)	\$ -	\$ 4,865,000	\$ 4,865,000	\$ -
7916	Premium or Discount on Issuance of Bonds	-	416,322	416,322	-
8949	Other Uses	-	(5,280,219)	(5,280,219)	-
<b>7080</b>	<b>Total Other Financing Sources and Uses</b>	<b>\$ -</b>	<b>\$ 1,103</b>	<b>\$ 1,103</b>	<b>\$ -</b>
1200	Net Change in Fund Balance	\$ -	\$ (99,540)	\$ 63,480	\$ 163,020
0100	Fund Balance - Beginning (July 1)	912,779	912,779	912,779	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ 912,779</b>	<b>\$ 813,239</b>	<b>\$ 976,259</b>	<b>\$ 163,020</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF JUNE 30, 2015

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other Sources of information concerning nonpayment of any terms of any debt Agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the Financial statements as a whole?	Yes
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?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more Than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial Statements at fiscal year-end.	\$ 271,543
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 710,657
SF13	Pension Expense (6147) at fiscal year-end.	\$ 65,689