

**LONE OAK INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**

RUTHERFORD, TAYLOR & COMPANY, P.C.  
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LONE OAK INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2019

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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  
✓ **approved**/ \_\_\_\_\_ **disapproved** for the year ended June 30, 2019, at a meeting of the board of school  
trustees of such school district on Sept. 16, 2019.

  
\_\_\_\_\_  
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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility 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, 2019, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and certain pension disclosures 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 Districts 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.

The other supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2019, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



September 9, 2019  
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, 2019, 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 9, 2019.

**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.

Rutherford, Taylor & Company, P.C.

September 9, 2019  
Greenville, Texas



LONE OAK INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019

**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, 2019

**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, 2019

**Corrective Action Plans (Section III)**

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NONE

LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019

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, 2019. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

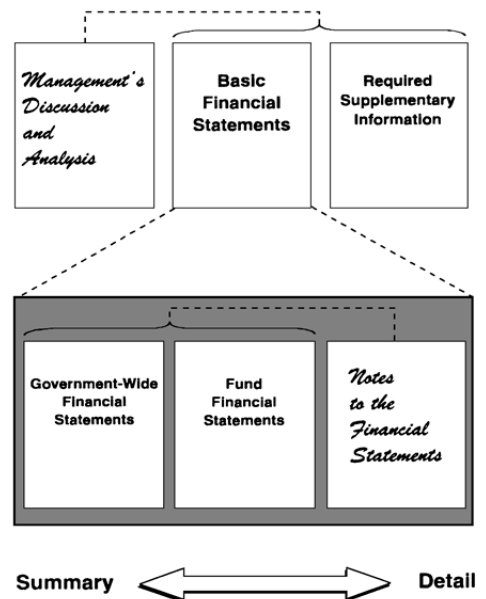
- The District's Total Net Position was \$ 4,698,803 at June 30, 2019.
- During the year, the District's expenses were \$ 432,030 more than the \$ 12,830,230 generated from charges for services and other revenues for governmental activities.
- The total cost of the District's Programs increased 15.2% from last year, due in part to last years adoption of GASB 75 and the state supplemental contribution to the OPEB healthcare program.
- The General Fund reported a fund balance this year of \$ 4,435,758, a decrease of \$ 228,388 from the prior year.
- The District issued \$ 262,007 in capital leases to purchase buses.

**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, 2019

**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, 2019

- 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 \$ 4,698,803 at June 30, 2019.

Lone Oak Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
<b>Assets:</b>			
Cash and Investments	\$ 6,937,121	\$ 6,297,567	10.16%
Other Current Assets	677,774	1,284,141	-47.22%
Capital Assets less Accumulated Depreciation	13,845,319	14,293,477	-3.14%
<b>Total Assets</b>	<b>\$ 21,460,214</b>	<b>\$ 21,875,185</b>	<b>-1.90%</b>
<b>Deferred Net Outflows of Resources:</b>			
Deferred Net Outflows of Resources	\$ 2,352,526	\$ 1,191,234	97.49%
<b>Total Deferred Net Outflows of Resources</b>	<b>\$ 2,352,526</b>	<b>\$ 1,191,234</b>	<b>97.49%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 850,881	\$ 868,088	-1.98%
Long-term Liabilities	16,755,771	15,376,678	8.97%
<b>Total Liabilities</b>	<b>\$ 17,606,652</b>	<b>\$ 16,244,766</b>	<b>8.38%</b>
<b>Deferred Net Inflows of Resources:</b>			
Deferred Net Inflows of Resources	\$ 1,507,285	\$ 1,690,820	-10.85%
<b>Total Deferred Net Inflows of Resources</b>	<b>\$ 1,507,285</b>	<b>\$ 1,690,820</b>	<b>-10.85%</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 3,676,009	\$ 3,878,628	-5.22%
Restricted	1,833,443	1,604,738	14.25%
Unrestricted	(810,649)	(352,533)	-129.95%
<b>Total Net Position</b>	<b>\$ 4,698,803</b>	<b>\$ 5,130,833</b>	<b>-8.42%</b>

Approximately \$ 1,731,504 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 \$ 12,830,230. 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 \$ 13,262,260. 53% 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 98.49%. The total collection rate (base tax and penalty and interest) was 100.40%.

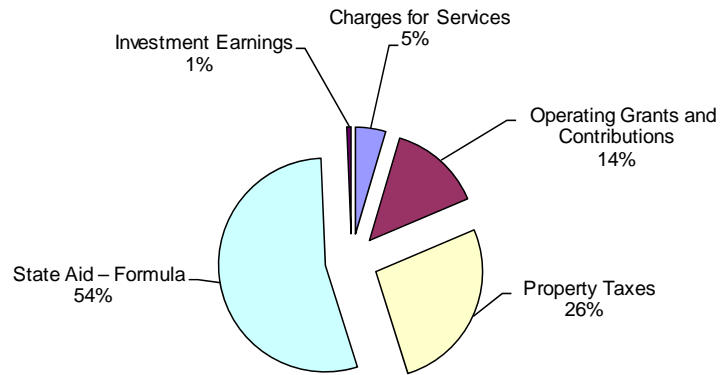
LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019

**GOVERNMENTAL ACTIVITIES**

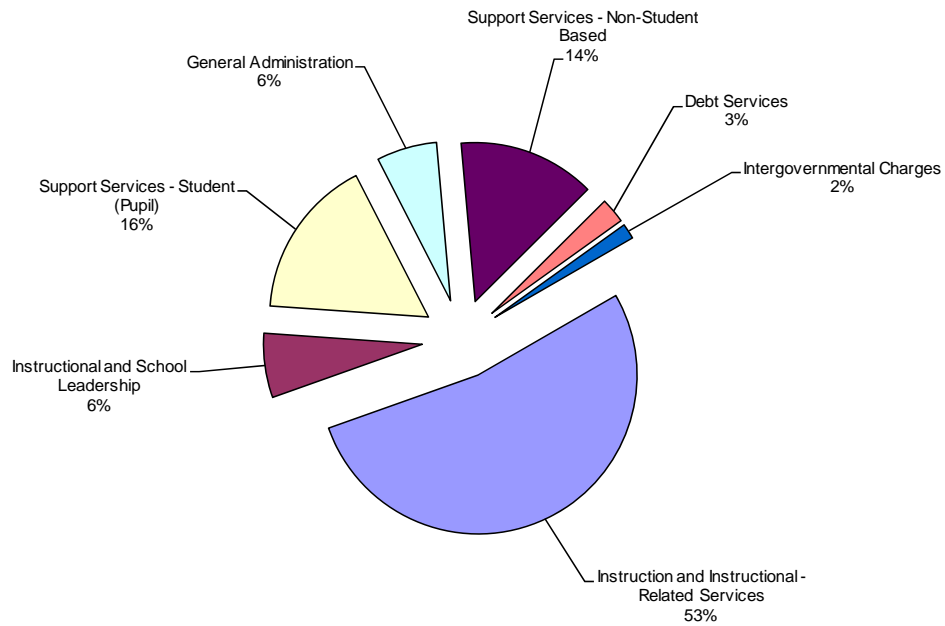
<b>Changes in Lone Oak Independent School District's Net Position</b>			<b>Table A-2</b>
	Governmental Activities		Total Percentage Change
	2019	2018	2018-2019
Program Revenues:			
Charges for Services	\$ 587,850	\$ 897,857	-34.53%
Operating Grants and Contributions	1,795,651	1,281,967	40.07%
General Revenues:			
Property Taxes	3,397,458	3,108,013	9.31%
State Aid – Formula	6,942,465	8,003,837	-13.26%
Investment Earnings	83,122	43,165	92.57%
Other	23,684	46,989	-49.60%
<b>Total Revenues</b>	<b>\$ 12,830,230</b>	<b>\$ 13,381,828</b>	<b>-4.12%</b>
Expenses:			
Instruction	\$ 6,706,757	\$ 6,427,230	4.35%
Instructional Resources and Media Services	263,143	229,239	14.79%
Curriculum and Staff Development	23,845	20,431	16.71%
Instructional Leadership	38,237	30,260	26.36%
School Leadership	864,830	694,591	24.51%
Guidance, Counseling and Evaluation Services	313,741	262,034	19.73%
Health Services	110,349	110,990	-0.58%
Student (Pupil) Transportation	509,595	383,237	32.97%
Food Services	644,918	556,230	15.94%
Cocurricular /Extracurricular Activities	581,952	578,221	0.65%
General Administration	810,557	632,660	28.12%
Plant Maintenance and Operations	1,436,891	1,008,397	42.49%
Security and Monitoring Services	408,606	39,336	938.76%
Data Processing	3,880	-	100.00%
Debt Service	339,599	348,758	-2.63%
Payments for Shared Service Arrangements	133,484	124,174	7.50%
Other Intergovernmental Charges	71,876	68,652	4.70%
<b>Total Expenses</b>	<b>\$ 13,262,260</b>	<b>\$ 11,514,440</b>	<b>15.18%</b>
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ (432,030)	\$ 1,867,388	-123.14%
Increase (Decrease) in Net Position	\$ (432,030)	\$ 1,867,388	-123.14%
Net Position - Beginning (July 1)	\$ 5,130,833	\$ 9,359,048	-45.18%
Prior Period Adjustment	-	(6,095,603)	-100.00%
Net Position - as Restated	\$ 5,130,833	\$ 3,263,445	57.22%
Net Position - Ending (June 30)	\$ 4,698,803	\$ 5,130,833	-8.42%

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2019

Sources of Revenue for Fiscal Year 2019- See Table A-2



Functional Expenses for Fiscal Year 2019 - See Table A-2





LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019

- 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 \$ 13,262,260.
- However, the amount that our taxpayers paid for these activities through property taxes was \$ 3,397,458.
- Some of the costs were paid by those who directly benefited from the programs \$ 587,850, or
- By grants and contributions \$ 1,795,651.

<b>Lone Oak Independent School District Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	Total Cost of Services			%	Net Cost of Services		
	2019	2018	Change		2019	2018	Change
Instruction	\$ 6,706,757	\$ 6,427,230	4.35%	\$ 5,786,292	\$ 5,609,355	3.15%	
School Leadership	864,830	694,591	24.51%	797,008	661,849	20.42%	
General Administration	810,557	632,660	28.12%	483,701	386,044	25.30%	
Plant Maintenance and Operations	1,436,891	1,008,397	42.49%	1,389,992	980,505	41.76%	
Debt Service	339,599	348,758	-2.63%	74,986	22,068	239.80%	

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

Revenues in the governmental funds totaled \$ 12,418,216. This represents an increase of \$ 456,584 from the prior period revenues of \$ 11,961,632. The change represents increased collections of local revenues including property taxes and additional state aid related to increased enrollment and attendance.

Expenditures in the governmental funds totaled \$ 12,681,321. This represents an increase of \$ 1,439,025 from the prior period expenditures of \$ 11,242,296. This increase represents an increase in overall operational costs throughout the district as well as capital outlay for buses.

**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 \$ 110,505 below final budget amounts. The largest positive variance occurred in the area of instruction.

General Fund resources available were \$ 928,338 more than the final budgeted amount. The favorable variance was due to better than anticipated state aid due to increased student enrollment and attendance as well as various local revenue resources.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of June 30, 2019, the District had invested \$ 25,234,738 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
	2019	2018	Percentage
			Change
			2018-2019
Land	\$ 397,333	\$ 397,333	0.00%
Buildings and Improvements	22,733,151	22,733,151	0.00%
Equipment	279,253	273,267	2.19%
Vehicles	1,825,001	1,661,064	9.87%
Totals at Historical Cost	\$ 25,234,738	\$ 25,064,815	0.68%
Total Accumulated Depreciation	(11,389,419)	(10,771,338)	5.74%
Net Capital Assets	<u>\$ 13,845,319</u>	<u>\$ 14,293,477</u>	-3.14%

**DEBT**

At year end, the District had \$ 10,169,310 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
	2019	2018	Percentage
			Change
			2018-2019
Bonds Payable	\$ 9,501,303	\$ 9,955,849	-4.57%
Other Debt Payable	668,007	459,000	-45.54%
Total Debt Payable	<u>\$ 10,169,310</u>	<u>\$ 10,414,849</u>	-2.36%

LONE OAK INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019

**ECONOMIC FACTORS**

The District's property valuation has rebounded from significant drops due to housing development bankruptcies and foreclosures. The assessed valuation has increased for the year and values continue to look positive. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. 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 steady property value increases from the prior year. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2019-2021 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Sorrells, Business Manager for the District.

## BASIC FINANCIAL STATEMENTS

LONE OAK INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Investments	\$ 6,937,121
1225 Property Taxes Receivable, Net	404,489
1240 Due from Other Governments	223,638
1250 Accrued Interest	6,397
1290 Other Receivables, Net	43,250
Capital Assets:	
1510 Land	397,333
1520 Buildings and Improvements, Net	12,593,825
1530 Furniture and Equipment, Net	854,161
<b>1000 Total Assets</b>	<b>\$ 21,460,214</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Outflows - Related to Refundings	\$ 509,678
1705 Deferred Outflows - Pensions	1,318,094
1706 Deferred Outflows - OPEB	524,754
<b>1700 Total Deferred Outflows of Resources</b>	<b>\$ 2,352,526</b>
<b>LIABILITIES</b>	
2110 Accounts Payable	\$ 43,680
2140 Interest Payable	123,882
2165 Accrued Liabilities	676,384
2300 Unearned Revenue	6,935
Noncurrent Liabilities:	
2501 Due within one year	578,768
2502 Due in more than one year	9,590,542
2540 Net Pension Liability	2,457,260
2545 Net OPEB Liability	4,129,201
<b>2000 Total Liabilities</b>	<b>\$ 17,606,652</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows - Pensions	\$ 201,532
2606 Deferred Inflows - OPEB	1,305,753
<b>2600 Total Deferred Inflows of Resources</b>	<b>\$ 1,507,285</b>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	\$ 3,676,009
Restricted For:	
3850 Debit Services	1,731,504
3890 Other Purposes	101,939
3900 Unrestricted	(810,649)
<b>3000 Total Net Position</b>	<b>\$ 4,698,803</b>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019

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	\$ 6,706,757	\$ 13,556	\$ 906,909	\$ (5,786,292)
12	Instructional Resources and Media Services	263,143	-	19,381	(243,762)
13	Curriculum and Staff Development	23,845	-	-	(23,845)
21	Instructional Leadership	38,237	-	2,620	(35,617)
23	School Leadership	864,830	-	67,822	(797,008)
31	Guidance, Counseling and Evaluation Services	313,741	-	25,003	(288,738)
33	Health Services	110,349	-	11,318	(99,031)
34	Student (Pupil) Transportation	509,595	-	25,668	(483,927)
35	Food Services	644,918	230,985	351,146	(62,787)
36	Cocurricular /Extracurricular Activities	581,952	66,995	23,730	(491,227)
41	General Administration	810,557	273,507	53,349	(483,701)
51	Plant Maintenance and Operations	1,436,891	2,807	44,092	(1,389,992)
52	Security and Monitoring Services	408,606	-	-	(408,606)
53	Date Processing Service	3,880	-	-	(3,880)
72	Interest on Long-term Debt	337,849	-	264,613	(73,236)
73	Debt Issuance Costs and Fees	1,750	-	-	(1,750)
93	Payments for Shared Service Arrangements	133,484	-	-	(133,484)
99	Other Intergovernmental Charges	71,876	-	-	(71,876)
TG	Total Governmental Activities	\$ 13,262,260	\$ 587,850	\$ 1,795,651	\$ (10,878,759)
TP	Total Primary Government	\$ 13,262,260	\$ 587,850	\$ 1,795,651	\$ (10,878,759)
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 2,695,998
DT	Property Taxes, Levied for Debt Service				701,460
IE	Investment Earnings				83,122
GC	Grant and Contributions Not Restricted to Specific Programs				6,942,465
MI	Miscellaneous				23,684
TR	Total General Revenues				\$ 10,446,729
CN	Change in Net Position				\$ (432,030)
NB	Net Position - Beginning (July 1)				5,130,833
NE	Net Position - Ending (June 30)				\$ 4,698,803

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Investments	\$ 4,861,280	\$ 1,770,001	\$ 132,356	\$ 6,763,637
1225	Property Taxes Receivable, Net	320,877	83,612	-	404,489
1240	Due from Other Governments	201,880	-	21,758	223,638
1250	Accrued Interest	6,372	25	-	6,397
1290	Other Receivables	6,763	1,747	34,740	43,250
<b>1000</b>	<b>Total Assets</b>	<b>\$ 5,397,172</b>	<b>\$ 1,855,385</b>	<b>\$ 188,854</b>	<b>\$ 7,441,411</b>
<b>LIABILITIES</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 1,203	\$ -	\$ 30	\$ 1,233
2150	Payroll Deductions and withholdings	66,056	-	-	66,056
2160	Accrued Wages Payable	533,892	-	31,286	565,178
2200	Accrued Expenditures	39,386	-	5,764	45,150
2300	Unearned Revenues	-	-	6,935	6,935
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 640,537</b>	<b>\$ -</b>	<b>\$ 44,015</b>	<b>\$ 684,552</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2610	Deferred Property Taxes	\$ 320,877	\$ 83,612	\$ -	\$ 404,489
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b>\$ 320,877</b>	<b>\$ 83,612</b>	<b>\$ -</b>	<b>\$ 404,489</b>
<b>FUND BALANCES</b>					
Restricted Fund Balances:					
3480	Retirement of Long Term Debt	\$ -	\$ 1,771,773	\$ -	\$ 1,771,773
3490	Other Restrictions of Fund Balances	-	-	102,439	102,439
Committed Fund Balances:					
3510	Construction	2,000,000	-	-	2,000,000
3545	Other Committed Fund Balances	-	-	42,400	42,400
3600	Unassigned	2,435,758	-	-	2,435,758
<b>3000</b>	<b>Total Fund Balances</b>	<b>\$ 4,435,758</b>	<b>\$ 1,771,773</b>	<b>\$ 144,839</b>	<b>\$ 6,352,370</b>
<b>4000</b>	<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,397,172</b>	<b>\$ 1,855,385</b>	<b>\$ 188,854</b>	<b>\$ 7,441,411</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, 2019

Total fund balances - Governmental Funds Balance Sheet	\$ 6,352,370
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.	13,845,319
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	404,489
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	131,037
Other long term assets are not available to pay for current period expenditures and are deferred in the funds.	509,678
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,060,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(123,882)
Payables for notes which are not due in the current period are not reported in the funds.	(406,000)
Payable for capital leases which are not due in the current period are not reported in the funds.	(262,007)
Bond premiums are amortized in the SNA but not in the funds.	(441,303)
Recognition of the District's proportionate share of the OPEB liability is not reported in the funds.	(4,129,201)
Deferred Resource Inflows related to the OPEB plans are not reported in the funds.	(1,305,753)
Deferred Resource Outflows related to the OPEB plans are not reported in the funds.	524,754
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,457,260)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(201,532)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>1,318,094</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 4,698,803</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, 2019

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	\$ 2,830,250	\$ 720,949	\$ 604,357	\$ 4,155,556
5800 State Program Revenues	7,120,611	264,613	97,323	7,482,547
5900 Federal Program Revenues	288,484	-	491,629	780,113
<b>5020 Total Revenues</b>	<b>\$ 10,239,345</b>	<b>\$ 985,562</b>	<b>\$ 1,193,309</b>	<b>\$ 12,418,216</b>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	\$ 5,517,706	\$ -	\$ 296,885	\$ 5,814,591
0012 Instructional Resources and Media Services	224,833	-	-	224,833
0013 Curriculum and Staff Development	17,485	-	6,000	23,485
0021 Instructional Leadership	36,818	-	-	36,818
0023 School Leadership	807,148	-	-	807,148
0031 Guidance, Counseling and Evaluation Services	296,746	-	-	296,746
0033 Health Services	100,525	-	-	100,525
0034 Student (Pupil) Transportation	638,093	-	-	638,093
0035 Food Services	12,678	-	584,434	597,112
0036 Cocurricular /Extracurricular Activities	440,607	-	75,281	515,888
0041 General Administration	510,990	-	273,829	784,819
0051 Plant Maintenance and Operations	1,414,873	-	-	1,414,873
0052 Security and Monitoring Services	408,606	-	-	408,606
0053 Data Processing Services	3,880	-	-	3,880
0071 Principal on Long-term Debt	53,000	425,000	-	478,000
0072 Interest on Long-term Debt	11,154	317,640	-	328,794
0073 Debt Issuance Cost and Fees	-	1,750	-	1,750
0093 Payments for Shared Service Arrangements	133,484	-	-	133,484
0099 Other Intergovernmental Charges	71,876	-	-	71,876
<b>6030 Total Expenditures</b>	<b>\$ 10,700,502</b>	<b>\$ 744,390</b>	<b>\$ 1,236,429</b>	<b>\$ 12,681,321</b>
<b>1100 Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (461,157)</b>	<b>\$ 241,172</b>	<b>\$ (43,120)</b>	<b>\$ (263,105)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
7913 Issuance of Capital Leases	\$ 262,007	\$ -	\$ -	\$ 262,007
7915 Transfers in	-	-	30,526	30,526
8911 Transfers out	(29,238)	-	(1,288)	(30,526)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ 232,769</b>	<b>\$ -</b>	<b>\$ 29,238</b>	<b>\$ 262,007</b>
<b>1200 Net Changes in Fund Balances</b>	<b>\$ (228,388)</b>	<b>\$ 241,172</b>	<b>\$ (13,882)</b>	<b>\$ (1,098)</b>
0100 Fund Balances - Beginning (July 1)	4,664,146	1,530,601	158,721	6,353,468
<b>3000 Fund Balances - Ending (June 30)</b>	<b>\$ 4,435,758</b>	<b>\$ 1,771,773</b>	<b>\$ 144,839</b>	<b>\$ 6,352,370</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, 2019

Net change in fund balances - total governmental funds	\$	(1,098)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		274,343
The depreciation of capital assets used in governmental activities is not reported in the funds.		(722,501)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(9,633)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(7,603)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		425,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		53,000
(Increase) decrease in accrued interest expense from beginning of year to end of year.		(1,452)
The net revenue (expense) of internal service funds is reported with governmental activities.		62,577
Pocceeds of leases do not provide revenue in the SOA, but are reported as current recourse in the funds.		(262,007)
GASB 68 requires certain expenditures to be de-expended and recorded as deferred resource outflows.		129,756
Pension contributions made after the measurement date but in current FY were expended and reduced NPL.		(127,712)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(212,045)
OPEB payments deferred in prior FY expended in CY as OPEB expense.		(46,898)
District's share of OPEB is recorded in the SOA but not in the funds.		(65,760)
District CY OPEB contributions are de-expended and recorded as deferred resource outflows.		80,003
		<hr/>
Change in net position of governmental activities - Statement of Activities	\$	<u>(432,030)</u>

The accompanying notes are an integral part of this statement.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 JUNE 30, 2019

Data Control Codes	Nonmajor Internal Service Fund <hr/> Insurance Fund <hr/>
<b>ASSETS</b>	
Current Assets:	
1110 Cash and Investments	<u>\$ 173,484</u>
Total Current Assets	<u>\$ 173,484</u>
<b>1000 Total Assets</b>	<b><u>\$ 173,484</u></b>
<b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	<u>\$ 42,447</u>
Total Current Liabilities	<u>\$ 42,447</u>
<b>2000 Total Liabilities</b>	<b><u>\$ 42,447</u></b>
<b>NET POSITION</b>	
3900 Unrestricted Net Position	<u>\$ 131,037</u>
<b>3000 Total Net Position</b>	<b><u>\$ 131,037</u></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, 2019

<u>Data Control Codes</u>		<u>Nonmajor Internal Service Fund Insurance Fund</u>
	<b>OPERATING REVENUES</b>	
5700	Local and Intermediate Sources	\$ 86,309
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 86,309</b>
	<b>OPERATING EXPENSES</b>	
6400	Other Operating Costs	\$ 23,732
<b>6030</b>	<b>Total Expenses</b>	<b>\$ 23,732</b>
1300	Change in Net Position	\$ 62,577
0100	Net Position - Beginning (July 1)	68,460
<b>3000</b>	<b>Net Position - Ending (June 30)</b>	<b>\$ 131,037</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, 2019

		Nonmajor Internal Service Fund <hr/> Insurance Fund <hr/>
Cash Flows from Operating Activities:		
Cash Receipts from Quasi-external Interfund Transfers	\$	86,308
Cash Payments for Reinsurance and Administration		(24,663)
Cash Payments for Claims		<u>(10,747)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$</u>	<u>50,898</u>
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	\$	50,898
Cash and Investments - Beginning (July 1)		<u>122,586</u>
<b>Cash and Investments - Ending (June 30)</b>	<b><u>\$</u></b>	<b><u>173,484</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$	62,577
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Accounts Payable		416
Increase (Decrease) in Interfund Payable		(1,311)
Increase (Decrease) in Claims Payable		<u>(10,784)</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b><u>\$</u></b>	<b><u>50,898</u></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, 2019

<u>Data Control Codes</u>	<u>Agency Fund Student Activity</u>
<b>ASSETS</b>	
Current Assets:	
1110 Cash and Investments	\$ 42,156
<b>1000 Total Assets</b>	<b>\$ 42,156</b>
<b>LIABILITIES</b>	
Current Liabilities:	
2190 Due to Student Groups	\$ 42,156
<b>2000 Total Liabilities</b>	<b>\$ 42,156</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, 2019

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. There are no component units in this financial report.

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.

*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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

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, 2019

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, 2019

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, 2019

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				
Retirement of Long Term Debt	\$ -	\$ 1,771,773	\$ -	\$ 1,771,773
Hunt County Coop	-	-	101,921	101,921
Education Grants	-	-	18	18
Crime Stop Fund	-	-	500	500
Committed				
Construction	2,000,000	-	-	2,000,000
Campus Activity Funds	-	-	42,400	42,400
Unassigned	2,435,758	-	-	2,435,758
Totals	<u>\$ 4,435,758</u>	<u>\$ 1,771,773</u>	<u>\$ 144,839</u>	<u>\$ 6,352,370</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, 2019

A. Summary of Significant Accounting Policies (Continued)

7. Deferred Outflows and Inflows of Resources

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

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

8. 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.

9. 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.

10. 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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

A. Summary of Significant Accounting Policies (Continued)

11. 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. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. 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.

12. Other Post-Employment Benefits

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

13. 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.

14. Data Control Codes

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

15. Accounting System

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

B. Deposits, Securities and Investments

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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

B. Deposits, Securities and Investments (Continued)

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.

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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

B. Deposits, Securities and Investments (Continued)

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

	<u>Credit Risk Rating</u>	<u>Fair Value</u>
TexPool	AAAm	\$ 1,497,973
Certificates of Deposit	N/A	<u>3,309,384</u>
Total		<u>\$ 4,807,357</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 of Texas, Terrell, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 5,832,744.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 5,780,048 and occurred during the month of January 2019.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 501,095.

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.

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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

B. Deposits, Securities and Investments (Continued)

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 \$ 1.04000 to fund general operations and \$ 0.27000 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 260,989,268.

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	\$ 397,333	\$ -	\$ -	\$ 397,333
Total Capital Assets not being depreciated	\$ 397,333	\$ -	\$ -	\$ 397,333
Capital Assets being depreciated:				
Buildings and Improvements	\$ 22,733,151	\$ -	\$ -	\$ 22,733,151
Vehicles	1,661,064	268,357	104,420	1,825,001
Equipment	273,267	5,986	-	279,253
Total Capital Assets being depreciated	\$ 24,667,482	\$ 274,343	\$ 104,420	\$ 24,837,405
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 9,557,592	\$ 581,734	\$ -	\$ 10,139,326
Vehicles	1,041,838	125,033	104,420	1,062,451
Equipment	171,908	15,734	-	187,642
Total Accumulated Depreciation	\$ 10,771,338	\$ 722,501	\$ 104,420	\$ 11,389,419
Total Capital Assets being depreciated, net	\$ 13,896,144	\$ (448,158)	\$ -	\$ 13,447,986
Governmental Activities Capital Assets, net	\$ 14,293,477	\$ (448,158)	\$ -	\$ 13,845,319



LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$	450,473
Instructional Resources and Media Services		30,951
Staff Development		360
School Leadership		23,972
Guidance, Counseling and Evaluation Services		4,741
Health Services		3,262
Student (Pupil) Transportation		118,208
Food Services		27,826
Cocurricular / Extracurricular Activities		54,900
General Administration		360
Plant Maintenance and Operations		7,448
		<hr/>
Total	\$	<u>722,501</u>

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	\$ 9,485,000	\$ -	\$ 425,000	\$ 9,060,000	\$ 440,000
Bond Premium (Discount)	470,849	-	29,546	441,303	-
Loans Payable	459,000	-	53,000	406,000	54,000
Leases	-	262,007	-	262,007	84,768
Total Governmental Activities	<u>\$ 10,414,849</u>	<u>\$ 262,007</u>	<u>\$ 507,546</u>	<u>\$ 10,169,310</u>	<u>\$ 578,768</u>

Bonds

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

The following issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax School Building Bonds, Series 2008	3.93%	\$ 2,500,000	\$ 1,705,000
Unlimited Tax Refunding Bonds, Series 2012	3.93%	3,285,000	2,760,000
Unlimited Tax Refunding Bonds, Series 2015	3.427%	4,865,000	4,595,000
Totals			<u>\$ 9,060,000</u>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

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
2020	\$ 440,000	\$ 302,955	\$ 742,955
2021	455,000	288,455	743,455
2022	470,000	272,350	742,350
2023	485,000	254,670	739,670
2024	505,000	235,778	740,778
2025 - 2029	2,820,000	865,011	3,685,011
2030 - 2034	3,130,000	362,370	3,492,370
2035 - 2039	755,000	20,079	775,079
Totals	<u>\$ 9,060,000</u>	<u>\$ 2,601,668</u>	<u>\$ 11,661,668</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.

Loans

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

The following schedule lists the outstanding loans at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Time Warrants, Series 2017	2.43%	\$ 570,000	\$ 406,000

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

Year Ending June 30	Principal	Interest	Total Requirements
2020	\$ 54,000	\$ 9,866	\$ 63,866
2021	55,000	8,554	63,554
2022	57,000	7,217	64,217
2023	58,000	5,832	63,832
2024	59,000	4,423	63,423
2025-2026	123,000	4,495	127,495
Totals	<u>\$ 406,000</u>	<u>\$ 40,387</u>	<u>\$ 446,387</u>

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

E. Long Term Obligations (Continued)

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Original Amount
Alliance Bank - 3 Buses	3.00%	\$ 262,007

The lease terms are for three years. The terms call for annual payments over the life of the lease.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of end of year, are as follows:

Year Ending June 30	Total Requirements
2020	\$ 92,628
2021	92,628
2022	92,629
Total Minimum Lease Payment	\$ 277,885
Less Amount Representing Interest	(15,878)
Present Value of Net Minimum Lease Payments	\$ 262,007

F. Defined Benefits Pension Plan

1. *Plan Description*

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

2. *Benefits Provided*

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

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

F. Defined Benefits Pension Plan (Continued)

3. *Contributions*

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2018. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

		<u>Contribution Rates</u>	
		<u>2018</u>	<u>2019</u>
	Member	7.7%	7.7%
	Non-Employer Contributing Entity (State)	6.8%	6.8%
	Employers	6.8%	6.8%
2019	Employer Contributions	\$	152,427
2019	Member Contributions	\$	506,563
2018	NECE On-Behalf Contributions	\$	355,706

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers 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 or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

F. Defined Benefits Pension Plan (Continued)

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

At year end, the District reported a liability of \$ 2,457,260 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,457,260
State's proportionate share that is associated with the District	<u>5,815,544</u>
Total	<u>\$ 8,272,804</u>

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.004643008% which was a decrease of 0.0001936975% from its proportion measured as of August 31, 2017.

*Changes Since the Prior Actuarial Valuation*

The following changes have occurred to the actuarial assumptions or other inputs that affects measurement of the total pension liability since the prior measurement date:

- a. Use of the roll forward method for the 2018 valuation
- b. Use of the 2017 experience study which includes demographic assumptions such as post-retirement mortality, termination rates, and rates of retirement
- c. Use of economic assumption such as salary increases
- d. Change in discount rate from 8.0% to 6.907%
- e. Change in assumed rate of return from 8.0% to 7.25%

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

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

F. Defined Benefits Pension Plan (Continued)

For the current year the District recognized pension expense of \$ 915,341 and revenue of \$ 575,584 for support provided by the State.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual actuarial experiences	\$ 15,317	\$ 60,291
Changes of actuarial assumptions	885,960	27,686
Differences between projected and actual investment earnings	-	46,625
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>287,061</u>	<u>66,930</u>
Total as of August 31, 2018 measurement date	\$ 1,188,338	\$ 201,532
Contributions paid to TRS subsequent to the measurement date	<u>129,756</u>	<u>-</u>
Total at year end	<u><u>\$ 1,318,094</u></u>	<u><u>\$ 201,532</u></u>

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

<b>Fiscal Year Ending</b>	<b>Amount</b>
<u>June 30</u>	
2020	\$ 276,612
2021	178,491
2022	149,914
2023	156,043
2024	135,298
Thereafter	90,448

5. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.91%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of experience for the four year period ended August 31, 2014 and adopted on September 24, 2015.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

F. Defined Benefits Pension Plan (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 6.097%. There was no change in the discount rate since the previous 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 net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
<b>Global Equity</b>			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	90.00%
Emerging Markets	9%	8.95%	0.9%
Directional Hedge Funds	4%	3.53%	0.8%
Private Equity	13%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.00%	0.00%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	-0.30%	0.00%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.07%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	0%	0.00%	0.00%
<b>Risk Parity</b>			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			-0.79%
<b>Total</b>	<b>100%</b>		<b>7.25%</b>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

F. Defined Benefits Pension Plan (Continued)

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 6.907%, 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 (5.907%) or 1 – percentage point higher (7.907%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 3,708,594	\$ 2,457,260	\$ 1,444,230

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 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018 and 2017.

<u>Net Pension Liability</u>	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Total Pension Liability	\$ 209,611,328,793	\$ 179,336,534,819
Less: Plan Fiduciary Net Position	(154,568,901,833)	(147,361,922,120)
Net Pension Liability	<u>\$ 55,042,426,960</u>	<u>\$ 31,974,612,699</u>
Net Position as percentage of Total Pension Liability	73.74%	82.17%

G. Defined Other Post-Employment Benefit Plans

1. Plan Description

The employer participates in the Texas Public School Retired Employees Group Insurance Program (TRS Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

Detail Information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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.



LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

G. Defined Other Post-Employment Benefit Plans (Continued)

3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

<b>TRS-Care Plan Premium Rates</b>			
<b>Effective Sept. 1, 2016 - Dec. 31, 2017</b>			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

\* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

G. Defined Other Post-Employment Benefit Plans (Continued)

	<b>Contribution Rates</b>	
	<b>2018</b>	<b>2019</b>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
2019 Employer Contributions		\$ 94,844
2019 Member Contributions		\$ 9,218
2018 NECE On-Behalf Contributions		\$ 75,441

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$ 535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 15.6 million in fiscal year 2018 and \$ 394.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the actuarial assumptions presented here.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	3.69%
Aging Factors	Based on pan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age- adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.05%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

G. Defined Other Post-Employment Benefit Plans (Continued)

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2018.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
District's proportionate share of the net OPEB liability	\$ 4,915,168	\$ 4,129,201	\$ 3,507,451

8. Healthcare Cost Trend Rates Sensitivity Analysis

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 3,429,369	\$ 4,129,201	\$ 5,050,896

9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At year end the District reported a liability of \$ 4,129,201 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 4,129,201
State's proportionate share that is associated with the District	<u>5,468,120</u>
Total	<u>\$ 9,597,321</u>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

G. Defined Other Post-Employment Benefit Plans (Continued)

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.0082698290% which was an increase of 0.0002846567% from its proportion measured as of August 31, 2017.

*Changes Since the Prior Actuarial Valuation* – The following were changes to the actuarial assumptions or other inputs that affected measurements of the total OPEB liability since the prior measurement period:

- a. Use of a roll-forward method for the actuarial assumption
- b. Known retirees that discontinued health insurance were adjusted
- c. Changes in the healthcare trend rate allowing for the return of the Health Insurance Fee
- d. Demographic and economic changes resulting from the 2017 experience study
- e. Discount rate increase from 3.42% to 3.69%

Changes to the benefits provided since the prior measurement date include:

- a. Changes of retiree registration entry date
- b. Requiring retiree to contribute \$200 monthly towards insurance premiums
- c. Various changes in Medicare eligible retirees including prescription coverage and other appropriate health benefit plans

For the current year, the District recognized OPEB expense of \$ 311,555 and revenue of \$ 198,897 for support provided by the State.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual actuarial experiences	\$ 219,121	\$ 65,165
Changes in actuarial assumptions	68,905	1,240,588
Differences between projected and actual investment earnings	722	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	156,003	-
Total as of August 31, 2018 measurement date	\$ 444,751	\$ 1,305,753
Contributions paid to TRS subsequent to the measurement date	80,003	-
Total at fiscal year end	<u>\$ 524,754</u>	<u>\$ 1,305,753</u>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

G. Defined Other Post-Employment Benefit Plans (Continued)

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

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Amount</u>
2020	\$ (143,107)
2021	(143,107)
2022	(143,107)
2023	(143,243)
2024	(143,324)
Thereafter	(145,114)

H. Medicare Part D

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$ 19,993, \$ 18,789 and \$ 19,466, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

Health Care

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 275 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to TRS – Active Care (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS – Active Care (Aetna) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the year ended December 31, 2018, 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.

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.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

I. Risk Management (Continued)

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, 2018, 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 \$ 60,707 for the 18-19 fiscal year. Additionally, the District incurred fixed costs of \$ 24,848 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 \$ 42,031 includes \$ 21,731 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.

Changes in the workers' compensation claims liability amounts in the periods of 2019 and 2018 are represented below:

	<u>2019</u>	<u>2018</u>
Claims Liability - Beginning	\$ 52,815	\$ 34,848
Claims Incurred (Reduced)	1,025	47,961
Claim Payments	<u>(11,809)</u>	<u>(29,994)</u>
Claims Liability - Ending	<u>\$ 42,031</u>	<u>\$ 52,815</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.

J. 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, 2019

K. Commitments and Contingencies

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

L. Interfund Balances and Activities

Transfers To and From Other Funds

Transfer 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	Child Nutrition	\$ 25,670	Annual Deficit
General Fund	Girl's Athletics	3,568	Extra-curricular Activity
Boys Athletics	Girl's Athletics	1,228	Extra-curricular Activity

M. Local and Intermediate Revenue Sources

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Tax Collections	\$ 2,701,909	\$ 705,183	\$ -	\$ 3,407,092
Investment Income	67,356	15,766	-	83,122
Food Service Income	-	-	230,984	230,984
Gifts and Bequests	15,000	-	38,806	53,806
Cocurricular/Extracurricular Activities	5,937	-	61,061	66,998
Tuition and Fees	13,556	-	273,506	287,062
Other	26,492	-	-	26,492
<b>Totals</b>	<b>\$ 2,830,250</b>	<b>\$ 720,949</b>	<b>\$ 604,357</b>	<b>\$ 4,155,556</b>

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:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Nonmajor</u>	<u>Total</u>
Due from Other Governments	\$ 201,880	\$ -	\$ 21,758	\$ 223,638
Accrued Interest	6,372	25	-	6,397
Property Taxes	356,530	92,902	-	449,432
Less Allowance for Uncollectible				
Property Taxes	(35,653)	(9,290)	-	(44,943)
Due from Tax Collector	6,763	1,747	-	8,510
Other	-	-	34,740	34,740
<b>Net Receivables</b>	<b>\$ 535,892</b>	<b>\$ 85,384</b>	<b>\$ 56,498</b>	<b>\$ 677,774</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019

O. Subsequent Events

The District's management has evaluated subsequent events through September 9, 2019, the date which the financial statements were available for use.

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.

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 448,502	\$ 6,190,502	\$ 53,284	\$ -
Prior Year Settle Ups		14,967	2,479	7,880
Financial Statement Earnings	<u>\$ 448,502</u>	<u>\$ 6,205,469</u>	<u>\$ 55,763</u>	<u>\$ 7,880</u>
Financial Statement Amounts				
SOF Receivable (Overpayment) *	\$ 35,664	\$ 617,524	\$ -	\$ 256,733

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

Q. Compliance, Stewardship, and Accountability

*Expenditures over Appropriations*

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

	<u>Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund:			
Student Transportation	\$ 397,507	\$ 638,093	\$ 240,586
Food Service Fund:			
Food Service	550,000	584,434	34,434

R. 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
NetCat Cooperative	Commerce Independent School District	Vocational Programs
Hunt County Cooperative Cooperative	Lone Oak Independent School District	Administrative Services



REQUIRED SUPPLEMENTARY INFORMATION

LONE OAK INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 2,117,027	\$ 3,879,034	\$ 2,830,250	\$ (1,048,784)
5800	State Program Revenues	6,781,973	6,781,973	7,120,611	338,638
5900	Federal Program Revenues	150,000	150,000	288,484	138,484
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 9,049,000</b>	<b>\$ 10,811,007</b>	<b>\$ 10,239,345</b>	<b>\$ (571,662)</b>
<b>EXPENDITURES</b>					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 5,278,700	\$ 5,716,886	\$ 5,517,706	\$ 199,180
0012	Instructional Resources and Media Services	218,100	225,100	224,833	267
0013	Curriculum and Staff Development	27,900	27,900	17,485	10,415
	Total Instruction and Instr. Related Services	\$ 5,524,700	\$ 5,969,886	\$ 5,760,024	\$ 209,862
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 33,000	\$ 37,314	\$ 36,818	\$ 496
0023	School Leadership	656,800	811,800	807,148	4,652
	Total Instructional and School Leadership	\$ 689,800	\$ 849,114	\$ 843,966	\$ 5,148
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 273,000	\$ 298,000	\$ 296,746	\$ 1,254
0033	Health Services	89,000	104,000	100,525	3,475
0034	Student (Pupil) Transportation	220,000	397,507	638,093	(240,586)
0035	Food Service	-	15,000	12,678	2,322
0036	Cocurricular /Extracurricular Activities	410,000	445,000	440,607	4,393
	Total Support Services - Student (Pupil)	\$ 992,000	\$ 1,259,507	\$ 1,488,649	\$ (229,142)
Administrative Support Services:					
0041	General Administration	\$ 415,000	\$ 515,000	\$ 510,990	\$ 4,010
	Total Administrative Support Services	\$ 415,000	\$ 515,000	\$ 510,990	\$ 4,010
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 998,000	\$ 1,418,000	\$ 1,414,873	\$ 3,127
0052	Security and Monitoring Services	42,500	412,500	408,606	3,894
0053	Data Processing Services	20,000	20,000	3,880	16,120
	Total Support Services - Nonstudent Based	\$ 1,060,500	\$ 1,850,500	\$ 1,827,359	\$ 23,141
Debt Service:					
0071	Principal on Long-Term Debt	\$ 135,107	\$ 51,000	\$ 53,000	\$ (2,000)
0072	Interest on Long-term Debt	12,393	12,393	11,154	1,239
0073	Bond Issuance Costs and Fees	2,500	86,607	-	86,607
	Total Debt Service	\$ 150,000	\$ 150,000	\$ 64,154	\$ 85,846
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 137,000	\$ 137,000	\$ 133,484	\$ 3,516
0099	Other Intergovernmental Charges	80,000	80,000	71,876	8,124
	Total Intergovernmental Charges	\$ 217,000	\$ 217,000	\$ 205,360	\$ 11,640
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 9,049,000</b>	<b>\$ 10,811,007</b>	<b>\$ 10,700,502</b>	<b>\$ 110,505</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ (461,157)	\$ (461,157)
<b>OTHER FINANCING SOURCES (USES)</b>					
7913	Issuance of Capital Leases	\$ -	\$ 262,007	\$ 262,007	\$ -
8911	Transfers Out	-	-	(29,238)	(29,238)
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 262,007</b>	<b>\$ 232,769</b>	<b>\$ (29,238)</b>
1200	Net Change in Fund Balance	\$ -	\$ 262,007	\$ (228,388)	\$ (490,395)
0100	Fund Balance - Beginning (July 1)	4,664,146	4,664,146	4,664,146	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ 4,664,146</b>	<b>\$ 4,926,153</b>	<b>\$ 4,435,758</b>	<b>\$ (490,395)</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, 2019

	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0044643008%	0.0046579983%	0.0046911591%	0.0045069000%	0.0026605000%
District's proportionate share of the net pension liability	\$ 2,457,260	\$ 1,489,377	\$ 1,772,719	\$ 1,593,129	\$ 710,657
State's proportionate share of the net pension liability associated with the District	<u>5,815,544</u>	<u>3,341,321</u>	<u>3,871,935</u>	<u>3,676,537</u>	<u>3,176,470</u>
<b>Total</b>	<b><u>\$ 8,272,804</u></b>	<b><u>\$ 4,830,698</u></b>	<b><u>\$ 5,644,654</u></b>	<b><u>\$ 5,269,666</u></b>	<b><u>\$ 3,887,127</u></b>
District's covered-employee payroll (for Measurement Year)	\$ 6,308,356	\$ 6,005,152	\$ 5,660,283	\$ 5,334,895	\$ 5,246,626
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	38.95%	24.80%	31.32%	29.86%	13.55%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

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

\* The years above present data for the measurement period ended date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED AUGUST 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 152,427	\$ 151,049	\$ 151,677	\$ 146,220	\$ 106,736
Contributions in relations to the contractual required contributions	<u>(152,427)</u>	<u>(151,049)</u>	<u>(151,677)</u>	<u>(146,220)</u>	<u>(106,736)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 6,578,687	\$ 6,257,376	\$ 5,541,459	\$ 5,551,740	\$ 5,360,390
Contributions as a percentage of covered employee payroll	2.32%	2.41%	2.74%	2.63%	1.99%

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

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED JUNE 30, 2019

	<u>2018*</u>	<u>2017*</u>
District's proportion of the Net OPEB Liability (Asset)	0.0082698290%	0.0079851723%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 4,129,201	\$ 3,472,452
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>5,468,120</u>	<u>4,823,624</u>
 Total	 <u>\$ 9,597,321</u>	 <u>\$ 8,296,076</u>
 District's covered-employee payroll (for Measurement Year)	 \$ 6,308,356	 \$ 6,005,152
 District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	 65.46%	 57.82%
 Plan fiduciary net position as a percentage of the Total OPEB Liability	 1.57%	 0.91%

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

\* The years above present data for the measurement period ended date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68.

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED JUNE 30, 2019

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 94,844	\$ 53,578
Contributions in relations to the contractual required contributions	<u>(94,844)</u>	<u>(53,578)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 6,578,687	\$ 6,257,376
Contributions as a percentage of covered employee payroll	1.44%	0.86%

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

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019

A. Budget

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

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

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

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

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

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

B. Defined Benefit Pension Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions:

- a. A roll forward method was used to determine the August 31, 2018 valuation.
- b. Demographic assumptions including post retirement mortality, termination rates and rates of retirement were updated based on the experience study performed for the period ended August 31, 2017.
- c. The same experience study resulted in changes to the economic assumptions including rates of salary increases for individual participants.
- d. The discount rate was decreased from 8.0% to 6.907%.
- e. The assumed long term rate of return decreased from 8.0% to 7.25%

LONE OAK INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2019

A. Defined Benefit Pension Plan (Continued)

2. Changes of Benefit Terms

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

B. OPEB Healthcare Plan

1. Changes of Assumptions

The following changes occurred in the plan assumptions.

- a. A roll forward method was used to develop the August 31, 2018 valuation.
- b. Adjustments were made for known retirees that discontinued their health insurance in the 2018 year.
- c. The health care trend rate assumption was adjusted to allow for the anticipated return of the Health Insurance Fee.
- d. The demographic and economic assumptions were changed to consider the result of the experience study for the year ended August 31, 2017.
- e. The discount rate was increased from 3.42% to 3.69 %

2. Changes of Benefit Terms

The following changes have occurred in the benefits terms:

- a. Implemented a high-deductible health plan that provides a zero cost generic prescriptions for certain preventative drugs and zero premium for disability retirees who retired as a disability retiree and are not eligible to enroll in Medicare.
- b. Created a single Medicare advantage plan and Medicare prescription drug plan for all Medicare eligible participants.
- c. Allowed the system (TRS) to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- d. Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age rather than waiting for the next enrollment period.
- e. Eliminated free coverage under the TRS-Care except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$ 200 per month towards health insurance premiums.



OTHER SUPPLEMENTARY INFORMATION

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 YEAR ENDED JUNE 30, 2019

Tax Roll Year	Last Ten Years Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2018	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2019
		Maintenance	Debt Service							
XXXX	2010 and Prior Years	Various	Various	Various	\$ 86,463		\$ 5,627	\$ 1,135	\$ (14,967)	\$ 64,734
2010	2011	1.039020	0.266960	216,345,950	25,246		980	252	(7,202)	16,812
2011	2012	1.039000	0.327000	202,442,018	24,325		994	313	(5,621)	17,397
2012	2013	1.039000	0.327000	205,599,955	30,433		2,169	683	(5,810)	21,771
2013	2014	1.040005	0.322246	200,709,740	25,970		2,214	686	(1,679)	21,391
2014	2015	1.040050	0.322000	209,326,301	42,327		14,225	4,404	(1,081)	22,617
2015	2016	1.040000	0.278950	202,658,023	33,062		8,259	2,215	(811)	21,777
2016	2017	1.040000	0.278950	219,874,673	59,192		16,994	4,558	(4,375)	33,265
2017	2018	1.040000	0.260000	235,099,445	133,118		46,482	11,620	(10,001)	65,015
2018	2019	1.040000	0.270000	260,989,268	-	3,392,860	2,574,321	643,580	(10,306)	164,653
<b>1000</b>	<b>TOTALS</b>				<b>\$ 460,136</b>	<b>\$ 3,392,860</b>	<b>\$ 2,672,265</b>	<b>\$ 669,446</b>	<b>\$ (61,853)</b>	<b>\$ 449,432</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2019

Data Control Codes	1		2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts				
	Original	Final	Actual		
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 232,000	\$ 252,000	\$ 230,985	\$ (21,015)
5800	State Program Revenues	3,000	3,000	2,417	(583)
5900	Federal Program Revenues	285,000	285,000	318,390	33,390
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 520,000</b>	<b>\$ 540,000</b>	<b>\$ 551,792</b>	<b>\$ 11,792</b>
<b>EXPENDITURES</b>					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	\$ 520,000	\$ 550,000	\$ 584,434	\$ (34,434)
	Total Support Services - Student (Pupil)	\$ 520,000	\$ 550,000	\$ 584,434	\$ (34,434)
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 520,000</b>	<b>\$ 550,000</b>	<b>\$ 584,434</b>	<b>\$ (34,434)</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (10,000)	\$ (32,642)	\$ (22,642)
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers In	\$ -	\$ -	\$ 25,670	\$ 25,670
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,670</b>	<b>\$ 25,670</b>
1200	Net Change in Fund Balance	\$ -	\$ (10,000)	\$ (6,972)	\$ 3,028
0100	Fund Balance - Beginning (July 1)	6,972	6,972	6,972	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ 6,972</b>	<b>\$ (3,028)</b>	<b>\$ -</b>	<b>\$ 3,028</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2019

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 541,219	\$ 544,390	\$ 720,949	\$ 176,559
5800	State Program Revenues	200,122	200,000	264,613	64,613
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 741,341</b>	<b>\$ 744,390</b>	<b>\$ 985,562</b>	<b>\$ 241,172</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 425,000	\$ 425,000	\$ 425,000	\$ -
0072	Interest on Long-term Debt	311,341	317,640	317,640	-
0073	Debt Issuance Costs and Fees	5,000	1,750	1,750	-
	Total Debt Service	\$ 741,341	\$ 744,390	\$ 744,390	\$ -
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 741,341</b>	<b>\$ 744,390</b>	<b>\$ 744,390</b>	<b>\$ -</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 241,172	\$ 241,172
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 241,172	\$ 241,172
0100	Fund Balance - Beginning (July 1)	1,530,601	1,530,601	1,530,601	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ 1,530,601</b>	<b>\$ 1,530,601</b>	<b>\$ 1,771,773</b>	<b>\$ 241,172</b>

LONE OAK INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF JUNE 30, 2019

<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.	\$ -0-
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,457,260
SF13	Net OPEB Liability (2545) at fiscal year end	\$ 4,129,201