

***Lawton Independent School District No. 8***  
***Comanche County, Oklahoma***

Financial Statements  
Year-End June 30, 2016

RHJ

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
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 June 30, 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Lawton, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying regulatory basis financial statements of the governmental activities, each major fund , and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

**100 E Street S.W. , Suite 200 | Ardmore, OK 73401**

Telephone (580) 223-6454 | FAX 1-800-858-9329

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in Note 1, the financial statements are prepared by Lawton Independent School District No. 8, Comanche County, Oklahoma on the basis of the financial reporting provisions of Oklahoma State Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Oklahoma State Department of Education.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lawton Independent School District No. 8, Comanche County, Oklahoma, as of June 30, 2016, and the respective changes in regulatory basis financial position and where applicable, cash flows thereof for the year then ended, in accordance with the financial reporting provisions of Oklahoma State Department of Education as described in Note 1.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lawton Independent School District No. 8, Comanche County, Oklahoma’s basic financial statements. The management discussion and analysis, budgetary comparison schedules, combining nonmajor fund financial statements, and statement of changes in activity fund subaccounts, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Oklahoma Department of Education requires management discussion and analysis, budgetary information and the statement of statutory fidelity and honesty bonds be presented to supplement the financial statements. Such information, although not considered part of the basic financial statements, is required by the Oklahoma Department of Education, who considers it an essential part of the financial reporting. We have applied certain limited procedures to this supplemental information which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016, on our consideration of the Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting and compliance.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
November 9, 2016

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

**Introduction**

*The discussion and analysis of Lawton Public Schools (the District) financial performance provides an overall review of district financial activities for the fiscal year ended June 30, 2016. The intent of this discussion is to convey relevant facts and commentary regarding the financial performance of the organization for the reporting period. A thorough examination of the financial statements and thoughtful reading of the related notes to those statements will aid in evaluating the financial position of the District.*

*The financial highlights of Fiscal Years 2015 and 2016 and a comparative analysis of financial information from those years is presented to aid the reader in a more meaningful understanding of the District's financial performance for Fiscal Year 2016.*

**Financial Highlights**

❖ *Fiscal Year 2016 operations generated significant budget activity for the General Fund. Current information is presented alongside that of Fiscal Year 2015 to illustrate changes in General Fund balance. Both years are presented on the modified accrual basis of accounting.*

	<b>Beg Balance</b>	<b>Revenue</b>	<b>Expenses</b>	<b>End Balance</b>
FY2014	\$5,109,503	\$112,255,763	\$113,334,690	\$4,030,576
FY2015	\$4,030,576	\$114,097,123	\$109,682,678	\$8,445,021
FY2016	\$8,445,021	\$115,002,295	\$110,948,974	\$12,498,342

❖ *The District's net assets exceeded its liabilities by \$126,318,004 as of June 30, 2016. This was an increase of \$10,122,791 over the June 30, 2015 ending net assets.*

❖ *The 2016 school year included the second year of a five year Municipal Tax Fund (2015), passed by the voters on August 26, 2014 for \$12,500,000 be used for Building Repairs/Renovations, Windows, HVAC, Roofs, Grounds Repairs/Renovations, and District Vehicles.*

❖ *The 2016 school year also included the third year of a ten year Bond Fund (2014), passed by the voters on April 1, 2014 for \$21,610,000 be used for Building Repairs/Renovations to include constructing, equipping, repairing, and remodeling of sites, Furniture, Fixtures, and Equipment. It was also approved for \$7,150,000 to be used for Transportation Equipment.*

❖ *The construction of Freedom Elementary funded by the City Sales Tax and a Department of Defense grant began during the final part 2012-2013 school year. At the end of 2015-2016, the project was approximately 98% complete. This grant is schedule to close on June 30, 2017.*

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

- ❖ *Net Assessed valuation amounts and growth rates are presented below. Prospects for continued growth in local revenues appear to be good. Net Assessed valuation provides the basis for the calculation of county Ad Valorem (property) taxes that are distributed to the District each year. The benefit of this growth impacts both the general and building funds.*

<u>Year</u>	<u>Net Assessed Valuation</u>	<u>Growth</u>
2012	\$420,680,653.00	2.8%
2013	\$428,900,237.00	1.9%
2014	\$435,174,891.00	1.4%
2015	\$422,791,720.00	-2.9%
2016	\$428,788,793.00	1.4%

**Overview of the Financial Statements**

*This discussion and analysis is intended to serve as an introduction of the District's basic financial statements. These statements are organized so the user can understand the Lawton School District as a financial whole. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.*

**Government-Wide Financial Statements.** *The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.*

*The statement of net assets represents information on all of the District's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.*

*The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.*

*Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. uncollected taxes and earned but unused vacation leave).*

*The governmental activities of the District include regular and special education, transportation and administration and include the child nutrition program. The government-wide financial statements can be found on pages 16 -17 of this report.*

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

**Fund Financial Statements.** A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund account to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of spending, resources available at the end of the fiscal year. Such information may be useful in evaluating the District near-term financing requirements. Most of the District's basic services are included here, such as regular and special education, transportation, administration, and the child nutrition program. Property taxes, federal and state grants, and state aid formula finance most of these activities.

Because of focus of government funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the general fund (11), building fund (21), two bond funds (31,32), and municipal tax funds (26), activity fund (60) all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation which includes the co-op fund (12), sinking fund (41), municipal tax fund (25), and the gifts fund (81).

The District adopts an annual appropriated budget for its general and building funds. A budgetary comparison statement has been provided for the general fund and building fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 18 -19 and a reconciliation of the government wide totals can be found on page 20.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary funds are not reflected in the government- wide financial statements because the resources of those funds are not available to support the District's own programs. The District maintains the endowment fund (50)

**Lawton Independent School District No. I-8  
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**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

(private purpose trust) as a fiduciary fund. The fiduciary fund financial statements can be found on pages 24-25 of this report.

**Proprietary Funds.** Proprietary funds are used to account for resources held for workers compensation (83) claims. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The proprietary fund financial statements can be found on pages 21-23 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statement can be found on pages 26-40 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information including budgetary comparison schedules for the general and building funds. Other supplementary information can be found on pages 41-46 of this report. Other information can be found on the table of contents for additional analysis.

**Government-Wide Financial Analysis**

**Statement of Net Position.** Net assets serve over time as a useful indicator of a government's financial position. The change in net assets is important because it identifies whether the financial position of the District has improved or diminished. At the close of the FY 2016, the District's assets exceeded liabilities by \$126,318,004. This was an increase of \$10,122,791 over the close of the FY 2015.

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

**Lawton Independent School District No. 8  
Comanche County  
Comparative Statement of Net Position  
FY 15 vs. FY 16  
Governmental Activities**

	FY 2015	FY 2016	Difference	% Change
<b>Assets</b>				
Current assets	\$ 38,954,389	\$ 41,230,073	\$ 2,275,684	6%
Capital and other assets	<u>\$102,277,334</u>	<u>\$108,975,349</u>	<u>\$ 6,698,015</u>	7%
Total assets	\$141,231,723	\$150,205,422	\$ 8,973,699	6%
<b>Liabilities</b>				
Current liabilities	\$ 14,838,777	\$ 14,821,562	\$ (17,215)	0%
Long-term liabilities	<u>\$ 10,197,733</u>	<u>\$ 9,065,856</u>	<u>\$ (1,131,877)</u>	-11%
Total liabilities	\$ 25,036,510	\$ 23,887,418	\$ (1,149,092)	-5%
<b>Net Position</b>				
Net Investment in capital assets	\$103,065,669	\$111,518,527	\$ 8,452,858	8%
Restricted	\$ 5,999,177	\$ 3,831,335	\$ (2,167,842)	-36%
Unrestricted	<u>\$ 7,130,367</u>	<u>\$ 10,968,142</u>	<u>\$ 3,837,775</u>	54%
<b>Total Net Position</b>	<b><u>\$116,195,213</u></b>	<b><u>\$126,318,004</u></b>	<b><u>\$ 10,122,791</u></b>	9%

*By far the largest portion of the District's net assets reflects its investment in capital assets, less any related debt that is still outstanding that was used to acquire those assets. The District uses these capital assets to provide instruction, support, and transportation services; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.*

*An additional portion of the District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned net assets, \$10,968,142 may be used to meet the District's ongoing obligations to citizens and creditors.*

*At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets.*

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

**Change in Net Position.** Net changes may be the result of many factors, including, but not limited to, state and federal funding, changes in the property tax base, investment rates of return, bond activity and current legislation affecting school funding or education mandates.

In the Statement of Net Assets and the Statement of Activities, all district activities are considered to be of the governmental type. This includes instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

**Lawton Independent School District No. 8  
Comanche County  
Comparative Change in Net Position  
FY 15 vs. FY 16**

	<u>Governmental Activities</u>			%
	FY 2015	FY 2016	Difference	Change
<b>Revenues:</b>				
<b>Program Revenues</b>				
Charges for services	\$ 5,292,241	\$ 5,104,906	\$ (187,335)	-4%
Operating Grants/Contributions	\$ 16,864,896	\$ 20,184,079	\$ 3,319,183	16%
Capital Grants/Contributions	\$ 12,582,361	\$ 3,339,728	\$ (9,242,633)	-277%
<b>General Revenues</b>				
Property Taxes	\$ 20,319,113	\$ 21,392,574	\$ 1,073,461	5%
State Formula Aid	\$ 62,410,065	\$ 61,388,344	\$ (1,021,721)	-2%
Federal Formula Aid	\$ 6,026,396	\$ 5,105,419	\$ (920,977)	-18%
General Taxes	\$ 16,342,926	\$ 13,492,062	\$ (2,850,864)	-21%
Other	\$ 126,898	\$ 25,589	\$ (101,309)	-396%
<b>Total Revenue</b>	<u>\$139,964,896</u>	<u>\$130,032,701</u>	<u>\$ (9,932,195)</u>	-8%
<b>Expenditures:</b>				
Instruction	\$ 59,605,749	\$ 59,775,720	\$ 169,971	0%
Support Services	\$ 45,656,488	\$ 46,174,801	\$ 518,313	1%
Non-instruction services	\$ 12,190,953	\$ 9,607,923	\$ (2,583,030)	-27%
Other	\$ 4,321,368	\$ 4,351,466	\$ 30,098	1%
<b>Total Expenditures</b>	<u>\$121,774,558</u>	<u>\$119,909,910</u>	<u>\$ (1,864,648)</u>	-2%
<b>Change in Net Position</b>	<u>\$ 18,190,338</u>	<u>\$ 10,122,791</u>	<u>\$ (8,067,547)</u>	-80%
<b>Ending Net Position</b>	<u>\$116,195,213</u>	<u>\$126,318,004</u>	<u>\$ 10,122,791</u>	8%

Fluctuations occurred in specific government activity categories from year to year; the decrease seen in the non-instructional services are related to closing of the old city sales tax project and old bond projects.

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

*It should be noted that the District's net position increased by \$10 million over the FY 2015 school year ending net position.*

**Financial Analysis of the Government's Funds**

*As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with budgetary and finance-related legal requirements.*

**Governmental funds.** *The general fund is the chief operating fund of the District. At June 30, 2016, the general fund cash fund balance was \$12,498,342 with \$11,001,771 unassigned, \$248,076 non-spendable, and \$1,248,495 assigned.*

*The costs of the District's main activities: instruction, support services, non-instruction services, capital outlay, and debt service are shown in comparison from FY15 to FY16.*

**Lawton Independent School District No. 8  
Comanche County  
Comparison of Total Costs  
FY 15 vs. FY 16**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Change</b>	<b>% Change</b>
Instruction	\$61,295,707	\$61,182,021	(\$113,686)	-0.19%
Support services	\$48,244,786	\$51,528,738	\$3,283,952	6.37%
Non-instructional services	\$8,487,184	\$8,881,964	\$394,780	4.44%
Capital outlay	\$16,241,155	\$4,744,144	(\$11,497,011)	-242.34%
Debit Service	\$7,346,472	\$6,001,130	(\$1,345,342)	-22.42%
Other outlays	\$20,557	\$54,600	\$34,043	62.35%
<b>Total cost of services</b>	<b>\$141,635,861</b>	<b>\$132,392,597</b>	<b>(\$9,243,264)</b>	<b>-6.98%</b>

*There was a modest decrease in Instruction by \$113,686 but an overall decrease of \$9,243,264 due to the shrinking size of the district. The largest area of decrease, Capital Outlay, was due to the construction at Freedom Elementary moving into its final stages with 98% of the building completed.*

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

**Capital Assets and Debit Administration**

**Capital Assets.** *The greatest increase in the District's capital assets comes in the areas of Construction in Progress due the construction of Freedom Elementary for the second year.*

*The capital assets (less land and construction in progress) increased by \$5,166,969 before depreciation and \$1,906,390 net, after depreciation. The overall capital assets increased by \$6,698,014 (including land and construction in progress) as a result of the construction at Freedom Elementary, the purchase vehicles and the purchase furniture and equipment.*

**Lawton Independent School District No. 8**

**Comanche County**

**Comparison of Capital Assets, Net of Depreciation**

**FY 15 vs. FY 16**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Increase/ Decrease</b>	<b>% Change</b>
Capital Assets (not depreciated)				
Land	\$ 2,986,616.94	\$ 3,009,113.94	\$ 22,497.00	-2%
Construction in Progress	\$ 34,751,322.96	\$ 39,520,449.72	\$ 4,769,126.76	32%
Total Capital Assets (not depreciated)	\$ 37,737,939.90	\$ 42,529,563.66	\$ 4,791,623.76	29%
Capital Assets (depreciated)				
Buildings	\$ 76,929,650.00	\$ 76,502,666.70	\$ (426,983.30)	-1%
Improvements	\$ 23,655,127.13	\$ 26,321,148.56	\$ 2,666,021.43	0%
Furniture and Equipment	\$ 5,232,738.72	\$ 5,512,185.32	\$ 279,446.60	17%
Musical Instruments	\$ 1,591,433.70	\$ 1,591,433.70	\$ -	6%
Computers	\$ 10,431,408.81	\$ 11,344,696.89	\$ 913,288.08	6%
Vehicles	\$ 11,024,937.74	\$ 12,760,133.80	\$ 1,735,196.06	14%
Total Capital Assets (depreciated)	\$ 128,865,296.10	\$ 134,032,264.97	\$ 5,166,968.87	2%
Accumulated Depreciation				
Buildings	\$ (38,555,661.74)	\$ (39,494,683.33)	\$ (939,021.59)	2%
Improvements	\$ (6,943,259.01)	\$ (8,011,656.52)	\$ (1,068,397.51)	16%
Furniture and Equipment	\$ (3,366,948.48)	\$ (3,671,924.66)	\$ (304,976.18)	7%
Musical Instruments	\$ (1,498,301.70)	\$ (1,513,913.48)	\$ (15,611.78)	1%
Computers	\$ (7,245,042.86)	\$ (7,772,388.95)	\$ (527,346.09)	-5%
Vehicles	\$ (6,716,688.21)	\$ (7,121,913.44)	\$ (405,225.23)	1%
Total Accumulated Depreciation	\$ (64,325,902.00)	\$ (67,586,480.38)	\$ (3,260,578.38)	3%
Total Net Capital Assets (depreciated)	\$ 64,539,394.10	\$ 66,445,784.59	\$ 1,906,390.49	1%
<b>Net Government Activity</b>				
- Capital Assets	<b>\$ 102,277,334.00</b>	<b>\$ 108,975,348.25</b>	<b>\$ 6,698,014.25</b>	<b>6%</b>

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

Additional information concerning the District's Capital Assets is contained in the notes to the financial statements on pages 40.

**Debt.** At the close of FY 2016 the Districts Bonds Payable decreased by net \$875,000, the accrued compensated absences decreased by only \$16,528, and the Computer Lease debit decreased by \$240,350.

**Lawton Independent School District No. 8  
Comanche County  
Comparison of Long-Term Liabilities  
FY 15 vs. FY 16**

	<b>FY 2015</b>	<b>FY 2016</b>	<b>Increase/ Decrease</b>	<b>% Change</b>
Bonds Payable	\$7,885,000	\$7,010,000	-\$875,000	-12%
Accrued compensated absences	\$1,567,038	\$1,550,511	-\$16,528	-1%
Lease Escrow/Computer Lease	\$745,696	\$505,346	-\$240,350	-48%
<b>Total long-term liabilities</b>	<b>\$10,197,734</b>	<b>\$9,065,856</b>	<b>-\$1,131,878</b>	-12%

Additional information concerning the District's long-term liabilities is contained in the notes to the financial statements on pages 35-36.

**General Fund Budgetary Highlights**

During the 2015-2016 year, the district estimated \$124,070,560 general fund revenue to be collected. The total actual collected was \$123,447,316; a decrease of \$623,244. The Motor Vehicle collections were down by \$919,179, State Aid had a net cut of \$173,661, and the Alternative Education (state funds) were cut by \$42,519.

The FY'16 budget projected salaries at \$75,171,930 and \$23,539,228 for benefits; totaling \$98,711,158; 84% of the budget. The district closed the year with salaries and benefits totaling \$95,047,067; with \$72,635,523 in salaries and \$22,411,544 in benefits.

The FY'16 budget also projected expenditures of \$117,715,155 leaving the reserve at \$6,355,405. The actual general fund expenditures came to \$110,948,974 leaving a revenue shortfall fund balance of \$12,498,974.

**Lawton Independent School District No. I-8  
Comanche County, Oklahoma**

**Management's Discussion and Analysis (unaudited)**

**For the Fiscal Year Ending June 30, 2016**

**Current & Future Issues**

*The projected FY'17 budget forecasts revenue to be down by \$4,000,000; Motor Vehicle collections are projected to be down by another \$1,200,000, State Land Earnings down by \$500,000, State Aid down by \$140,000, State Categorical down by \$1,200,000 (\$750,000 being the Textbook Allocation), State Misc down by \$250,000 and Federal Revenue down by \$750,000 with the revenue shortfall account absorbing the decreases.*

*The FY'17 general fund projected revenue of \$124,200,092 is an increase of \$752,776 over the FY'16 actual revenue collected of \$123,447,316.*

*The projected expenditures for the FY'17 fiscal year is set at \$117,824,133 with salaries projected at \$75,169,755, benefits at \$23,311,760; totaling \$98,481,515 (83.60 % of the budget), and \$19,342,617 for non-salary instructional/operational expends.*

*The FY'17 Building Levy portion of this budget is set at \$6,702,217; with \$2,762,084 of it being the DOD/Freedom Elementary school construction grant. This grant is scheduled to close June 30, 2017. The FY'17 levy ad valorem revenue estimate will remain the same as the projected FY'16 ad valorem revenue.*

*The FY'17 Bond Fund (2004) budget of \$2,718,118 will be used to complete the projects based upon the upcoming strategic planning for facilities.*

*The FY'17 Bond Fund (2014) budget of \$9,841,473 will be used for construction and renovations, technology, instructional and maintenance equipment and transportation vehicles. This budget will include the FY17 Bond Series of \$4,047,000 that is set to be sold in the spring of 2017.*

*The FY'17 Municipal Tax Fund (2010) carryover budget of \$403,206 has been designated to the Freedom Elementary construction project.*

*The FY'17 Municipal Tax Fund (2015) budget of \$4,065,729 has been designated for the window projects, HVAC and roof projects, grounds repair and renovations, district vehicles and equipment. As of June 30, 2016, the district had received \$3,333,333 of the \$12,500,000 total sales tax, with \$2,500,000 received annually. Final collections will be received in February, 2020.*

***Lawton Independent School District No. I-8  
Comanche County, Oklahoma***

***Management's Discussion and Analysis (unaudited)***

***For the Fiscal Year Ending June 30, 2016***

***Contacting the District's Chief Financial Officer***

*This financial report is intended to provide our citizens, taxpayers, investors and creditors with a general overview of District's finances and to confirm our commitment to accountability for the monies entrusted to our stewardship. If you have questions about this report or need additional financial information, inquiries should be directed to Mrs. Diane Branstetter, Lawton Public Schools, 753 NW Ft. Sill Blvd., Lawton, Oklahoma 73507.*

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## **BASIC FINANCIAL STATEMENTS**

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Net Position – Regulatory Basis  
June 30, 2016

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 5,768,538
Investments	35,193,150
Inventories	268,385
Capital Assets:	
Nondepreciated Capital Assets	42,529,564
Depreciated Capital Assets, Net of Depreciation	<u>66,445,785</u>
 Total Assets	 <u>\$ 150,205,422</u>
 <b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Warrants Outstanding	\$ 14,821,562
Long -Term Liabilities	
Due within One Year	2,282,234
Due in More than One Year	<u>6,783,622</u>
 Total Liabilities	 <u>\$ 23,887,418</u>
 Net Position	
Net Investment in Capital Assets	\$ 111,518,527
Restricted for	
Building Services	1,795,133
Debt Service	31,545
Other	17,898
Scholarships	141
School Organizations	1,986,618
Unrestricted	<u>10,968,142</u>
Total Net Position	<u><u>\$ 126,318,004</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Activities – Regulatory Basis  
For the Year Ended June 30, 2016

<i>Functions/Programs</i>	Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary Government					
Governmental Activities					
Instruction	\$ 59,775,720	\$ 333,511	\$ 12,871,060	\$ 3,317,501	\$ (43,253,648)
Support Services	46,174,801	2,393,976	1,066,245	-	(42,714,580)
Operation of Noninstructional Services	9,607,923	2,377,419	6,246,774	22,227	(961,503)
Interest on long-term debt	43,922	-	-	-	(43,922)
Depreciation - unallocated	4,307,544	-	-	-	(4,307,544)
Total Governmental Activities	<u>\$ 119,909,910</u>	<u>\$ 5,104,906</u>	<u>\$ 20,184,079</u>	<u>\$ 3,339,728</u>	<u>\$ (91,281,197)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					15,641,253
Property taxes, levied for building purposes					2,230,785
Property taxes, levied for sinking fund purposes					3,520,536
General Taxes					13,492,062
State aid - formula grants					61,388,344
Federal aid - formula grants					5,105,419
Investment Earnings					25,589
Total General Revenues					<u>\$ 101,403,988</u>
Change in Net Position					<u>\$ 10,122,791</u>
Net Position - Beginning					116,195,213
Net Position - Ending					<u><u>\$ 126,318,004</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Balance Sheet – Governmental Funds – Regulatory Basis  
June 30, 2016

	General Fund	Building Fund	Municipal Tax Fund 26	2004 Bond Fund	2014 Bond Fund	Activity Fund	Other Governmental Funds	Total
<b>Assets</b>								
Cash and Cash Investments	\$ 311,444	\$ 1,851,317	\$ 1,742,438	\$ 710,303	\$ 429,473	\$ 205,774	\$ 499,680	\$ 5,750,429
Pooled Cash and Investments	26,334,506	-	-	2,015,000	5,000,000	1,843,644	-	35,193,150
Inventories - Supplies, materials	248,076	-	-	-	-	-	-	248,076
<b>Total Assets</b>	<b>\$ 26,894,026</b>	<b>\$ 1,851,317</b>	<b>\$ 1,742,438</b>	<b>\$ 2,725,303</b>	<b>\$ 5,429,473</b>	<b>\$ 2,049,418</b>	<b>\$ 499,680</b>	<b>\$ 41,191,655</b>
<b>Liabilities</b>								
Warrants Outstanding	\$ 14,395,684	\$ 56,184	\$ 176,710	\$ 7,185	\$ 58,000	\$ 62,800	\$ 64,788	\$ 14,821,351
Due to Other Funds	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 14,395,684</b>	<b>\$ 56,184</b>	<b>\$ 176,710</b>	<b>\$ 7,185</b>	<b>\$ 58,000</b>	<b>\$ 62,800</b>	<b>\$ 64,788</b>	<b>\$ 14,821,351</b>
<b>Fund Balances</b>								
Nonspendable	\$ 248,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,076
Restricted	-	1,795,133	1,565,728	2,718,118	5,371,473	-	434,892	11,885,344
Committed	-	-	-	-	-	1,986,618	-	1,986,618
Assigned	1,248,495	-	-	-	-	-	-	1,248,495
Unassigned	11,001,771	-	-	-	-	-	-	11,001,771
<b>Total Fund Balances</b>	<b>\$ 12,498,342</b>	<b>1,795,133</b>	<b>1,565,728</b>	<b>2,718,118</b>	<b>5,371,473</b>	<b>1,986,618</b>	<b>434,892</b>	<b>\$ 26,370,304</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 26,894,026</b>	<b>\$ 1,851,317</b>	<b>\$ 1,742,438</b>	<b>\$ 2,725,303</b>	<b>\$ 5,429,473</b>	<b>\$ 2,049,418</b>	<b>\$ 499,680</b>	
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The costs of assets is \$176,561,824 and the accumulated depreciation is \$67,586,475.								108,975,349
Federal commodities are distributed to the District to be used by the child nutrition program. Governmental funds are concerned about the flow of financial resources and, therefore, the receipt and usage of commodities are not reported in the governmental funds								20,309
Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds of the District. These assets and liabilities of the internal service funds, which are reported as proprietary funds rather than governmental funds, are included in governmental activities in the statement of net assets								17,898
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:								
				Bonds Payable	7,010,000			
				Lease Purchase	505,346			
				Compensated Absences	1,550,510			(9,065,856)
Net assets of governmental activities.								\$ 126,318,004

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds – Regulatory Basis  
For the Year Ended June 30, 2016

	General Fund	Building Fund	Municipal Tax Fund 26	2004 Bond Fund	2014 Bond Fund	Activity Fund	Other Governmental Funds	Total
<b>REVENUE</b>								
Property Taxes	\$ 15,602,373	\$ 2,232,001	\$ -	\$ -	\$ -	\$ -	\$ 3,559,415	\$ 21,393,789
Interest	19,442	155,976	-	-	-	1,508	4,643	181,569
County Revenue	2,459,537	-	-	-	-	-	-	2,459,537
State Revenue	71,757,046	-	-	-	-	-	473,065	72,230,111
Federal Revenue	21,580,642	3,291,858	-	-	-	-	-	24,872,500
Other	2,879,115	-	2,500,000	-	-	2,973,164	13,000	8,365,279
<b>Total Revenue</b>	<b>\$ 114,298,155</b>	<b>\$ 5,679,835</b>	<b>\$ 2,500,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,974,672</b>	<b>\$ 4,050,123</b>	<b>\$ 129,502,785</b>
<b>EXPENDITURES</b>								
Current								
Instruction	\$ 59,774,554	\$ 75	\$ -	\$ -	\$ 487,767	\$ 446,335	\$ 473,291	\$ 61,182,022
Support Services	43,227,034	2,142,555	1,657,821	85,635	2,638,960	1,226,160	550,063	51,528,228
Non-instruction Services	7,892,779	75,183	-	-	-	914,513	-	8,882,475
Capital Outlay	-	3,205,909	109,784	10,347	488,024	-	930,079	4,744,143
Other Outlays	54,608	-	-	-	-	-	-	54,608
Debt Service								
Judgments and Related Interest	-	-	-	-	-	-	2,799	2,799
Interest Paid	-	-	-	-	-	-	41,123	41,123
Principal Retirement	-	-	-	-	-	-	5,960,000	5,960,000
<b>Total Expenditures</b>	<b>\$ 110,948,975</b>	<b>\$ 5,423,722</b>	<b>\$ 1,767,605</b>	<b>\$ 95,982</b>	<b>\$ 3,614,751</b>	<b>\$ 2,587,008</b>	<b>\$ 7,957,355</b>	<b>\$ 132,395,398</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 3,349,180	256,113	\$ 732,395	(95,982)	(3,614,751)	\$ 387,664	\$ (3,907,232)	\$ (2,892,613)
Other Financing Sources								
Transfers	379,005	-	-	-	-	(379,005)	-	-
Proceeds of Bonds	-	-	-	-	5,085,000	-	-	5,085,000
Sale of Capital Assets	325,136	-	-	-	-	-	-	325,136
<b>Total Other Financing Sources</b>	<b>\$ 704,141</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,085,000</b>	<b>(379,005)</b>	<b>-</b>	<b>5,410,136</b>
<b>Net Change in Fund Balances</b>	<b>\$ 4,053,321</b>	<b>256,113</b>	<b>732,395</b>	<b>(95,982)</b>	<b>1,470,249</b>	<b>8,659</b>	<b>(3,907,232)</b>	<b>2,517,523</b>
Fund Balances - Beginning	8,445,021	1,539,020	833,333	2,814,100	3,901,224	1,977,959	4,342,124	23,852,781
Fund Balances - Ending	<u>\$ 12,498,342</u>	<u>\$ 1,795,133</u>	<u>\$ 1,565,728</u>	<u>\$ 2,718,118</u>	<u>\$ 5,371,473</u>	<u>\$ 1,986,618</u>	<u>\$ 434,892</u>	<u>\$ 26,370,304</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds – Regulatory Basis  
For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds			\$ 2,517,523
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	Capital Outlay, net	\$ 11,779,756	
	Depreciation Expense	<u>(4,845,057)</u>	6,934,699
The net effect of various miscellaneous transactions involving capital assets (I.e., sales, trade-ins, and donations) is to decrease net assets.			(236,684)
The net portion of fixed assets which are reclassified from inventory to fixed assets in the statement of net assets.			(218,285)
In the statement of activities, compensated absences are measured by the amounts earned and unused during the year. In governmental funds, expenditures is the amount of financial resources used (essentially the amounts actually paid). This year, compensated absences earned were more than the amounts used.			16,527
Proceeds of debt provide current financial resources for governmental funds but issuing debt increases long-term liabilities in the statement of net assets.	Bonds payable		(5,085,000)
Repayment of debt is an expenditure in the governmental funds, but repayment of debt reduced long-term liabilities in the statement of net assets	Bonds payable	\$ 5,960,000	
	Lease payable	<u>240,350</u>	6,200,350
The receipt of USDA commodities are not reported as revenue in the governmental funds but are reflected in the statement of net assets			(13,788)
Purchase of Fixed assets with a lease purchase agreement, recorded as lease purchase payable and fixed assets in the statement of net assets.			
Internal service funds are used to charge costs of workers' compensation and unemployment to individual funds. The governmental funds included expenditures of \$60,227 and \$0 respectively. The expenses of the governmental activities however reflects the actual costs incurred, (\$52,778) and \$0 respectively. The difference represents the undercharge by the internal service funds that is allocated back to governmental activities and transfers			<u>7,449</u>
Change in net assets position of governmental activities.			<u>\$ 10,122,791</u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Net Position – Proprietary Funds – Regulatory Basis  
June 30, 2016

	<u>Internal Service Funds Workers' Compensation</u>
<b>ASSETS</b>	
Cash and Cash Investments	<u>\$ 18,109</u>
<b>Total Assets</b>	<u>\$ 18,109</u>
 <b>LIABILITIES</b>	
Warrants Outstanding	<u>\$ 211</u>
 <b>NET POSITION</b>	
Restricted	<u><u>\$ 17,898</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Statement of Changes in Fund Net Position – Proprietary Funds – Regulatory Basis  
 For the Year Ended June 30, 2016

	Internal Workers' Compensation
Operating Revenues	
Charges to other funds	\$ 60,227
Total Operating Revenues	\$ 60,227
Operating Expenses	
Other Outlays	\$ 52,778
Total Operating Expenses	\$ 52,778
Operating Loss	\$ 7,449
Change in net position	7,449
Net Position- Beginning	10,449
Net Position- Ending	\$ 17,898

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Cash Flows– Proprietary Funds – Regulatory Basis  
For the Year Ended June 30, 2016

	<u>Internal Service Funds Workers' Compensation</u>
Cash Flows from Operating Activities	
Received from assessments made to other funds	\$ 60,227
Payments of claims	<u>(53,418)</u>
Net cash used by operating activities	<u>\$ 6,809</u>
Cash Flows from Noncapital Financing Activities	
Operating transfers to other funds	<u>\$ -</u>
Net increase (decrease) in cash	\$ 6,809
Cash and cash equivalents, Beginning	<u>11,299</u>
Cash and cash equivalents, Ending	<u><u>\$ 18,108</u></u>
Cash Flows from Operating Activities	
Operating loss	\$ 7,449
Adjustments to reconcile operating loss to	
Net cash provided (used) by operating activities	
Warrants Outstanding	(640)
Net cash provided (used) by operating activities	<u><u>\$ 6,809</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Statement of Fiduciary Net Position – Regulatory Basis  
June 30, 2016

	<u>Private- Purpose Trust</u>
<b>ASSETS</b>	
Pooled Cash and Investments	<u>\$ 51,193</u>
<b>Total Assets</b>	<u>\$ 51,193</u>
<b>LIABILITIES</b>	
Warrants Outstanding	<u>\$ 3,000</u>
<b>NET POSITION</b>	
Restricted for Scholarships	<u><u>\$ 48,193</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Statement of Changes in Fiduciary Net Position – Regulatory Basis  
 For the Year Ended June 30, 2016

	<u>Private- Purpose Trust</u>
Additions:	
Interest	<u>\$ 24</u>
Total Additions	<u>\$ 524</u>
Deductions	
Scholarships Awarded	<u>\$ 3,500</u>
Total Deductions	<u>\$ 3,500</u>
Change In Net Position	\$ (2,976)
Net Position- Beginning	<u>51,169</u>
Net Position- Ending	<u><u>\$ 48,193</u></u>

See Notes to Financial Statements

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2016

**Note 1 - Summary of Significant Accounting Policies**

The Reporting Entity - The Lawton Independent School District No. 8 (the District) is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on the State of Oklahoma for support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70 of the Oklahoma Statutes.

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

Financial Statement Presentation – The District prepares its financial statements in a presentation format that is, in substance, the format established by the Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statement – Management Discussion and Analysis for State and Local Governments*.

GASB Statement 34 established a financial reporting model for state and local governments that included the addition of management’s discussion and analysis, government-wide financial statements and the use elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

Basic Financial Statements – Government-Wide Statements

The District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities include programs primarily supported by taxes, State aid, grants and other intergovernmental revenue. The District does not have any activities classified as business-type activities.

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

The government-wide Statement of Activities reports both the gross and net cost of each of the District’s programs and functions reported on the cash receipts and disbursement basis modified for depreciation. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Direct expenses are those that are clearly identifiable with a specific function. Program revenues must be directly associated with the function. Charges for services include charges and fees to students, or

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2016

customers who purchase, use or directly benefit from the goods, services, or privileges provided by a given function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

All interfund transactions between governmental funds and internal service funds are eliminated in the district- wide statements.

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

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

Basic Financial Statements – Fund Financial Statements

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

The District reports the following major governmental funds:

- General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Building Fund is used to account for monies derived from the building fund levy and rental of facilities to be used for erecting, remodeling, repairing or maintaining school buildings, paying energy and utility costs; paying fire and casualty insurance premiums for school facilities, security systems and personnel.
- Municipal Tax Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment as approved by voters for a special sales tax.
- Bond Funds are used to account for proceeds from long-term financing and revenues and expenditures related to voter authorized construction and other capital asset acquisitions.
- Activity Fund is special revenue fund the district accounts for resources and expenditures incurred by the student activity groups.

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Financial Statements  
June 30, 2016

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

- Sinking Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- 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.
- Proprietary Funds- Internal Service Funds – Revenues and expenses related to services provided to organizations within the District on a cost reimbursement basis are accounted for in the internal service fund. The District’s Internal Service Funds are the Workers’ Compensation Fund (which is used only to fund remaining claims after self-insurance was discontinued in 2000) and the Cafeteria Incentive Payment Fund (which is used to account for funds accumulated to compensate employees, who terminate or retire, for not using all of their sick leave).
- Fiduciary Funds- Private purpose trust fund - The District accounts for resources held in a trust or custodial capacity for individuals or private organizations. These funds are primarily used for scholarships.

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

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

- Encumbrances represented by purchase orders, contracts and other commitments for the expenditure of monies are recorded as expenditures when approved.
- Vendor obligations due and payable for goods and services received are recorded as a reduction of the encumbrance when received and a payable until paid.
- Warrants/Checks payable are recorded as liabilities when issued.
- Investments and inventories are recorded as assets when purchased and reduced when used or sold.
- Capital assets in the government-wide statements are recorded when acquired and depreciated over their useful lives.
- Long-term debt reported in the government-wide statements is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

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

**Inventories** - Inventories in the general fund consist of expendable supplies held for the District’s use and are carried at cost using the first-in, first-out method. Inventories are accounted for using the consumption method where materials and supplies are recorded as an expenditure when used rather than when purchased.

Lawton Independent School District No. 8  
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On the government-wide financial statements, United States Department of Agriculture (USDA) food commodities are recorded as revenue when received at fair value at the date of receipt and as an expense when used. USDA food commodities are not reported in the governmental funds. The inventory expense related to fixed assets available for sale will be recorded when the assets are sold.

Capital Assets - Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

• School Buildings	50 years
• Improvements	25 years
• Band Instruments	7 years
• Computers and Related Equipment	5 years
• Furniture and Equipment	10 years
• Vehicles	12 years

Compensated Absences – Sick leave is provided to all personnel who work more than 172 contract days per year. Employees on 9 or 10-month contracts earn 10 days per year. Employees on 12-month contracts earn 12 days per year. The District has a sick leave accumulation incentive program to encourage accumulation of sick leave by offering a stipend at time of termination or retirement. The stipend is based on a tier system, which pays a different rate per day for each tier, from \$5 per day to \$20 per day. The maximum amount of the stipend is \$3,000.

Personnel in a full-time position, six or more hours per day, earn vacation time based on years of service. Those with less than 4 years of service earn 1 day per month of employment up to a maximum of 10 days per year and accumulated maximum of 20 days. Those with 4 or more years of service earn 1.5 days per month of employment up to a maximum of 15 days per year and an accumulated maximum of 30 days. Upon retirement or termination, the accumulated days are reimbursed at the employee's effective rate of pay.

Budgets and Budgetary Accounting - The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. Because a majority of voters of the District approved a permanent levy in 2001 for the emergency levy and local support levy, an election to approve the levy is no longer held.

No later than October 1, each board of education shall prepare a financial statement and estimate of needs to be filed with the applicable county clerk and the State Department of Education. Once the county excise board has approved the estimate of needs, the board shall adopt a final budget within 45 days or the second regularly scheduled board meeting. No later than 15 days prior to adoption of a final budget, the board must conduct a public hearing for purposes of taking public comments. The final budget may be revised upon approval of the Board of Education in open meeting.

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

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

Encumbrances - Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of resources are recorded as expenditures of the applicable funds, is used.

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

Investments - The District's investment policies are governed by state statutes. Permissible investments include:

1. Direct obligations of the United States Government and Agencies
2. Obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged
3. Certificates of deposit of savings and loan associations and bank and trust companies secured by acceptable collateral
4. Savings accounts or savings certificates of savings and loan associations that are fully insured
5. County, municipal and school district direct debt obligations
6. Money market mutual funds regulated by the Securities and Exchange Commission
7. Warrants, bonds or judgments of the school district
8. Qualified pooled investment programs

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

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

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State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the districts. Approximately 56% of the District's revenue comes from state sources.

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

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

Interfund Transfers - During the course of normal operations, the District has transactions between funds including expenditures and transfers of resources to provide services, purchase assets and service debt. Transactions that are normal and recurring between funds are recorded as transfers.

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

## **Note 2 -Net Position and Fund Balance**

*District-Wide Financial Statements* – When the District incurs an expense for which it may use either restricted or unrestricted Net Position, it uses restricted Net Position first unless unrestricted Net Position will have to be returned because they were not used. Net Position on the Statement of Net Position include the following:

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

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

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

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

Restricted for Scholarships – the component of net position that report the assets restricted for scholarships.

Restricted for Other – The component of net position that reports the assets restricted for payment of sick leave incentive program, outstanding workers' compensation claims, and unemployment claims for employees paid with federal salaries.

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

The government-wide statement of net position reports \$3,831,335 of restricted net position.

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified inventory as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified school construction expenditures as being restricted because their use is restricted by state statute or legislation regarding use of expenditures. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Other purposes are restricted for scholarship purposes from contributors.

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

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**Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. The District has assigned funds for education that are to be used for utilities, contract services, construction and repairs, food services, textbooks and other operating expenditures.

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

As of June 30, 2016, fund balances are comprised of the following:

	General Fund	Building Fund	Municipal Tax Fund 26	2004 Bond Fund	2014 Bond Fund	Activity Fund	Other Governmental Funds	Total Governmental Funds
Nonexpendable								
Inventory	\$ 248,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,076
Restricted								
Debt Service	-	-	-	-	-	-	31,545	31,545
School Construction and Fixed Assets	-	-	1,565,728	2,718,118	5,371,473	-	403,206	10,058,525
Building Operation and Maintenance	-	1,795,133	-	-	-	-	-	1,795,133
Scholarships	-	-	-	-	-	-	141	141
Committed								
School Organizations	-	-	-	-	-	1,986,618	-	1,986,618
Assigned								
Supplies and equipment	467,849	-	-	-	-	-	-	467,849
Construction and repair	160,367	-	-	-	-	-	-	160,367
Contract services	397,903	-	-	-	-	-	-	397,903
Other	124,522	-	-	-	-	-	-	124,522
Dues, travel, registration and cocurricular	1,800	-	-	-	-	-	-	1,800
Communications	96,054	-	-	-	-	-	-	96,054
Unassigned	11,001,771	-	-	-	-	-	-	11,001,771
	<u>\$ 12,498,342</u>	<u>\$ 1,795,133</u>	<u>\$ 1,565,728</u>	<u>\$ 2,718,118</u>	<u>\$ 5,371,473</u>	<u>\$ 1,986,618</u>	<u>\$ 434,892</u>	<u>\$ 26,370,304</u>

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

**Note 3 - Cash and Investments**

**Deposits –** At June 30, 2016, the bank balance of deposits and cash pools was \$5,768,537. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy requires collateral for all deposits not covered by Federal Deposit Insurance Corporation insurance. At June 30, 2016, the District was not exposed to custodial credit risk.

**Investments -** The District participates in an external investment pool, Oklahoma Public School Liquid Asset Pool (OLAP). The plan is sponsored by the Oklahoma State School Boards Association, Cooperative Council of Oklahoma School Administration, Organization of Rural Oklahoma Schools and

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the Oklahoma Association of School Business Officials. OLAP is governed through an inter local cooperative agreement and the investment advisors and other professionals are competitively selected. OLAP reported value and fair market value are equal at June 30, 2016. To receive a copy of the Oklahoma Public School Liquid Asset Pool annual audit report, call toll free 1-866-472-6527 or visit [www.OLAPonline.org](http://www.OLAPonline.org). OLAP's portfolio consists of cash and short-term investments valued at amortized cost which approximates fair value. OLAP invest in obligations of the U.S Government, its agencies and instrumentalities and repurchase agreements, provided that the underlying collateral consists of obligations of the U.S. government, its agencies and instrumentalities and the OLAP custodian takes delivery of the collateral.

The District's other investments consist of money market mutual fund investments held in sweep accounts and short term investment fund cash held in money market mutual funds and insured accounts. Total investments at June 30, 2016 are \$35,244,343 which are shown on the statement of net position as unrestricted \$35,193,150 and on the statement of fiduciary net position at \$51,193.

Credit Risk - Investments – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District does not have a formal policy limiting its exposure arising from concentration of investments. Investments held by the District in investment pools (sweep accounts and external investment pools) are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. OLAP held securities of \$35,244,343 have Standard & Poor's ratings of 7.1 percent AA+, 37.9 percent NA, and 55.0 percent NR. Securities with an NA rating are governmental securities and securities with NR rating are bank deposit accounts. U.S.

Investment Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Due to the nature of the District's investments, there are no defined maturity dates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

**Note 4 - Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	\$ 7,885,000	\$ 5,085,000	\$ 5,960,000	\$ 7,010,000	\$ 1,925,000
Lease Purchase/HP Computers	745,696	-	240,350	505,346	248,474
Compensated absences	1,567,037	543,800	560,327	1,550,510	108,760
	<u>\$ 10,197,733</u>	<u>\$ 5,628,800</u>	<u>\$ 6,760,677</u>	<u>\$ 9,065,856</u>	<u>\$ 2,282,234</u>

Payments on bonds are made by the debt service fund with property taxes. Compensated absences and early retirement incentive are generally liquidated by the general fund.

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Bonds: Bonds payable June 30, 2016, is composed of the following individual general obligation bond issues:

Original Issue Amount	Purpose	Issue Date	Final Payment	Interest Rates	Maturity
3,000,000	Building	6/1/2011	3,000,000	1.125%	8/1/2014
2,860,000	Building	8/1/2012	3,000,000	0.700%	8/1/2015

The annual requirements to amortize all bond debt outstanding as of June 30, 2016 including interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 1,925,000	\$ 12,513	\$ 1,937,513
2018	1,695,000	115,260	1,810,260
2019	1,695,000	40,680	1,735,680
2020	1,695,000	19,493	1,714,493
	<u>\$ 7,010,000</u>	<u>\$ 187,946</u>	<u>\$ 7,197,946</u>

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues have been approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years from the date of issue. General obligation bonded debt of the District is limited by state law to 10% of the assessed valuation of the District. The legal debt limit at June 30, 2016 is \$42,878,879.

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

Capital Lease: On July 17, 2014, the District entered into a lease purchase agreement for the purchase of laptop computers of \$1,017,500 with an annual interest rate of 3.44%. Annual payments are made from the bond fund. As of June 30, 2016, all equipment have been purchased and installed. The following schedule presents future minimum lease payments:

	<u>2017</u>	<u>2018</u>	<u>Total</u>
Future Minimum Lease Payments	\$ 265,554	\$ 265,554	\$ 531,108
Less Interest	(17,081)	(8,681)	\$ (25,762)
Present Value of Minimum Lease Payments	<u>\$ 248,473</u>	<u>\$ 256,873</u>	<u>\$ 505,346</u>

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**Note 5 - Employee Retirement System**

Teachers' Retirement System of Oklahoma

Plan Description – The System provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The ability to establish and amend benefit provisions is the responsibility of the state legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the employees of the District. The System issues a publically available financial report that can be obtained at <http://www.ok.gov/trs/>.

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

Contributions – In accordance with *Oklahoma Statutes*, System members are required to contribute 7.00% of applicable compensation. For the year ended June 30, 2016, qualifying employee contributions were reduced by a retirement credit of \$754,106 provided by Enrolled House Bill 1873 and paid by the State of Oklahoma as on-behalf payments. For the year ended June 30, 2016, the District had a statutory contribution rate of 9.5% plus 8.25% as a match for salaries funded by federal programs. The contribution requirements of System members and the District are established and may be amended by the state legislature. For the year ended June 30, 2016, the District contributions to the System for were \$6,023,261

The State of Oklahoma, a non-employer contributing entity, provides funds through 5% of the State's sales, use, corporate and individual income taxes collected. The System receives 1% of the cigarette taxes collected by the State and 5% of net lottery proceeds collected by the State. The District's estimated share of these contributions based on their covered payroll for the measurement period was \$5,303,487.

Pension Liability and Pension Expense

For the year ended June 30, 2016, the District's proportionate share of the net pension liability was \$90,234,151. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of the contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 1.48588411%, which decreased .10054754% from the proportion measured as of June 30, 2014.

For the year ended June 30 2016, the District had pension expense of \$5,331,008.

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Actuarial assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method – Entry Age Normal

Inflation – 3.00%

Futuer Ad Hoc Cost-of-living increases – None

Salary Increases – Composed of 3.75% wage inflation, including 3.00 % price inflation, plus a service-related component ranging from 0.00%-8.00% based on years of service.

Investment Rate of Return – 8.00%

Retirement Age – Experience-based table of rates based on age, service, and gender. Adopted by the Board in May 2015 in conjunction with the five year experience study for the period ending June 30, 2014.

Mortality Rates after Retirement—Males:RP-2000 Combined Healthy mortality table for males with White Collar Adjustments. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2000. Females: GRS Southwest Region Teacher Mortality Table, scaled at 105%. Generational mortality improvements in accordance with Scale BB from the table’s base year of 2012.

Mortality Rates for Active Members—RP-2000 Employee Mortality tables, with male rates multiplied by 60% and female rates multiplies by 50%.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expecting inflation.

The target asset allocation and best estimates of arithmetic expected real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	23.50%	2.95%
Domestic Equity	40.00%	6.00%
International Equity	17.50%	5.80%
Private Equity	5.00%	7.60%
Real Estate	7.00%	5.50%
Limited Partnerships	7.00%	7.60%
	<u>100.00%</u>	

Discount rate –A single discount rate of 8.00% was used to measure the total pension liability as of June 30, 2014 and 2015. This single discount rate was based solely on the expected rate of return on pension plan investments of 8.00%. Based on the stated assumptions and the projection of cash flows, the pension plan’s fiduciary net position and future contributions were projected to be available to finance all projected 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.

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Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's Proportionate share of the net pension liability	\$ 125,332,289	\$ 90,663,093	\$ 61,522,057

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

**Note 6 - Commitments and Contingencies**

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

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

In exchange for \$50, the District entered into a lease with the City of Lawton for use of the original Lawton High School building. The lease has a 50 year term commencing fiscal year 2010. The property will become the City of Lawton's at the end of the lease.

The District has outstanding construction and purchase commitments of approximately \$3,049,221 to be financed from building/levy fund and \$466,193 to be financed from bond fund and \$506,957 to be financed from sales tax fund.

**Note 7 - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

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**Note 8 - Interfund transactions**

Interfund amounts result from short term cash funding in pooled cash. Transfers are used to move revenues to the fund that state statute requires them to be accounted for.

Transfer From Activity Fund	Transfer to General Fund	Amount	Nature of Transfer
		379,005	Operating transfer
		379,005	

**Note 9 - Operating Lease**

The District has a lease with a vendor for the use of copier machines at all District locations. February 2016, a lease was executed for 36 months. The lease is renewable at the District's option for one year increments. The total lease expense paid by the District for the year ended June 30, 2016 was approximately \$477,858. Total lease expense anticipated for fiscal year 2017 is approximately \$513,900.

**Note 10 - Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Government Activities:</i>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 2,986,617	\$ 48,252	\$ 25,755	\$ 3,009,114
Construction in progress	34,751,323	5,637,541	868,414	39,520,450
Total capital assets, not being depreciated	\$ 37,737,940	\$ 5,685,793	\$ 894,169	\$ 42,529,564
<i>Capital assets, being depreciated</i>				
Land Improvements	\$ 23,655,126	\$ 3,046,720	\$ 380,697	\$ 26,321,149
Buildings	76,929,650	270,121	697,104	76,502,667
Buses and Vehicles	11,024,938	1,896,464	161,268	12,760,134
Furniture and Equipment	5,232,740	311,044	31,598	5,512,186
Musical Instruments	1,591,433	-	-	1,591,433
Computers	10,431,409	1,438,028	524,740	11,344,697
Total capital assets, being depreciated	\$ 128,865,296	\$ 6,962,377	\$ 1,795,407	\$ 134,032,266
Less Accumulated Depreciation	64,325,902	4,845,057	1,584,478	67,586,481
Total capital assets, being depreciated, net	\$ 64,539,394	\$ 2,117,320	\$ 210,929	\$ 66,445,785
Governmental activities capital assets, net	102,277,334	7,803,113	1,105,098	108,975,349
<b>Total Primary Government</b>	<b>\$ 102,277,334</b>	<b>\$ 7,803,113</b>	<b>\$ 1,105,098</b>	<b>\$ 108,975,349</b>

As of June 30, 2016, The District has land, buildings and land improvements which are not in use currently, but could eventually be returned to service. The amounts noted below are included in the above Capital Assets as of June 30, 2016.

	Costs	Accumulated Depreciation	Net value
Land	156,746	-	156,746
Land Improvements	613,933	(267,962)	345,971
Buildings	1,756,084	(1,653,111)	102,973
	2,526,763	(1,921,073)	605,690

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**Note 11 - Inventories**

Inventory consists of the following at June 30, 2016:

	Balance Sheet Governmental Funds - Regulatory	Statement of Net Position - Regulatory Basis
Fuel:	19,592	19,592
Supplies:	134,067	228,484
USDA Food Commodities:	-	20,309
Total Inventories:	\$ 153,659	\$ 268,385

**Note 12 - Sales Tax Agreement**

On October 28, 2014, the District signed an agreement with the City of Lawton to receive a seven-eighths of once percent (0.875%) sales tax for specified capital improvements, which include school building upgrades, renovation/remodeling and the purchase of vehicles. The District will receive up to \$12.5 million in the first five years of the collections. The District accounts for the tax revenues separately in the municipal tax fund. Per the agreement, the District is to provide a report of expenditures to the City on a calendar quarter basis.

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**OTHER SUPPLEMENTARY INFORMATION**

Lawton Independent School District No. 8  
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 Combining Balance Sheet – Other Governmental Funds – Regulatory Basis  
 June 30, 2016

	<u>Coop Fund</u>	<u>Sinking Fund</u>	<u>Gifts Fund</u>	<u>Municipal Tax Fund 25</u>	<u>Total</u>
<b>Assets</b>					
Cash and Cash Investments	\$ 50,806	\$ 31,545	\$ 13,341	\$ 403,988	\$ 499,680
Total Assets	<u>\$ 50,806</u>	<u>\$ 31,545</u>	<u>\$ 13,341</u>	<u>\$ 403,988</u>	<u>\$ 499,680</u>
<b>Liabilities</b>					
Warrants Outstanding	\$ 50,806	\$ -	\$ 13,200	\$ 782	\$ 64,788
Due to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 50,806</u>	<u>\$ -</u>	<u>\$ 13,200</u>	<u>\$ 782</u>	<u>\$ 64,788</u>
<b>Fund Balances</b>					
Restricted	<u>\$ -</u>	<u>\$ 31,545</u>	<u>\$ 141</u>	<u>\$ 403,206</u>	<u>\$ 434,892</u>
Total Fund Balances	<u>-</u>	<u>31,545</u>	<u>141</u>	<u>403,206</u>	<u>434,892</u>
Total Liabilities and Fund Balances	<u>\$ 50,806</u>	<u>\$ 31,545</u>	<u>\$ 13,341</u>	<u>\$ 403,988</u>	<u>\$ 499,680</u>

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Combining Statement of Revenue, Expenditures and Changes in Fund Balance  
 – Other Governmental Funds – Regulatory Basis  
 For the Year Ended June 30, 2016

	Coop Fund	Sinking Fund	Gifts Fund	Municipal Tax Fund 25	Total
<b>REVENUE</b>					
Property Taxes	\$ -	\$ 3,559,415	\$ -	\$ -	\$ 3,559,415
Interest	-	4,643	-	-	4,643
State Revenue	473,065	-	-	-	473,065
Other	-	-	13,000	-	13,000
Total Revenue	<u>\$ 473,065</u>	<u>\$ 3,564,058</u>	<u>\$ 13,000</u>	<u>\$ -</u>	<u>\$ 4,050,123</u>
<b>EXPENDITURES</b>					
Current					
Instruction	\$ 379,809	\$ -	\$ -	\$ 93,482	\$ 473,291
Support Services	93,256	-	13,200	443,607	550,063
Capital Outlay	-	-	-	930,079	930,079
Debt Service					
Judgments and Related Interest	-	2,799	-	-	2,799
Interest Paid	-	41,123	-	-	41,123
Principal Retirement	-	5,960,000	-	-	5,960,000
Total Expenditures	<u>\$ 473,065</u>	<u>\$ 6,003,922</u>	<u>\$ 13,200</u>	<u>\$ 1,467,168</u>	<u>\$ 7,957,355</u>
Net Change in Fund Balances	-	(2,439,864)	(200)	(1,467,168)	(3,907,232)
Fund Balances, Beginning	-	2,471,409	341	1,870,374	4,342,124
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 31,545</u>	<u>\$ 141</u>	<u>\$ 403,206</u>	<u>\$ 434,892</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2016

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITES</u>	<u>BALANCE JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2016</u>
801	FOOTBALL EXTRAS	22,196	16,067	(11,489)	26,774
802	BOYS BASKETBALL EXTRAS	10,880	14,896	(17,191)	8,585
803	GIRLS BASKETBALL EXTRAS	2,817	5,015	(4,450)	3,381
805	BOYS BASEBALL EXTRAS	3,142	726	(615)	3,254
806	GIRLS SOFTBALL EXTRAS	10,825	12,510	(9,701)	13,634
807	WRESTLING EXTRAS	518	-	(435)	83
811	BOYS TRACK EXTRAS	918	-	-	918
812	GIRLS TRACK EXTRAS	594	-	-	594
813	BOYS GOLF EXTRAS	891	-	(83)	808
814	BOYS CROSS COUNTRY EXTRAS	86	-	-	86
815	BOYS SOCCER EXTRAS	51	-	-	51
816	GIRLS VOLLEYBALL EXTRAS	2,829	743	(2,023)	1,549
817	TRAINERS EXTRAS	1,569	-	-	1,569
819	ALL SPORTS EXTRAS	4,213	7,387	(6,366)	5,233
820	GIRLS SOCCER EXTRAS	2,864	-	(18)	2,846
821	GIRLS GOLF EXTRAS	333	-	(225)	108
822	GIRLS CROSS COUNTRY EXTRAS	36	-	-	36
830	DISTRICT ATHLETICS	241,296	69,443	(34,985)	275,754
831	DISTRICT CONCESSION	56,098	93,080	(66,830)	82,348
832	ATHLETICS (DISTRICT)	44,001	36,269	(31,404)	48,867
833	DISTRICT BASEMENT SUPPLY	896	-	(62)	834
836	DISTRICT SWIMMING	646	5,299	(5,829)	116
837	DRUG TESTING	2,033	797	(2,730)	100
840	ATHLETICS (SITES)	182,372	435,254	(429,924)	187,701
850	GENERAL	311,408	421,506	(440,120)	292,794
851	ACADEMIC TEAM	7,545	1,792	(2,197)	7,140
852	AGRICULTURE	22,173	96,674	(100,353)	18,494
853	AP EXAM	11,331	25,695	(22,011)	15,015
854	ART	16,364	29,073	(26,183)	19,253
855	A.H.S.C. ACTIVITIES	125	-	-	125
856	ASSISTANCE CLUB	19,190	17,955	(17,955)	19,190
857	ARTS IN EDUCATION	343	-	(241)	102
858	ACE	25,988	(434)	(3,340)	22,214
859	ADVANCE PLACEMENT	184	316	(489)	11
860	BAND	13,542	53,788	(56,798)	10,532
861	BUILDERS CLUB	1,653	1,486	(1,578)	1,561
862	BUSINESS	109	231	-	341
863	BOE REIMBURSEMENT	3,187	19,394	(15,134)	7,447
864	CAMPUS CRIME STOPPER	1,487	21	(519)	989
865	AMERICAN STUDIES CLUB	-	625	-	625
866	AMERICAN SIGN LANGUAGE	-	1,101	(329)	772
867	CHEERLEADERS	35,075	68,556	(71,121)	32,510
868	CHEMISTRY	4,248	10	(257)	4,001
869	CLOSE-UP	97	-	-	97
871	6TH GRADE TEAM	8,084	7,669	(10,442)	5,311
872	7TH GRADE TEAM	5,588	5,087	(5,928)	4,747
873	8TH GRADE TEAM	3,656	5,832	(7,507)	1,981

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2016

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITES</u>	<u>BALANCE JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2016</u>
875	CONCESSIONS	24,800	27,884	(25,503)	27,180
881	CULTURAL AWARENESS	1,358	-	-	1,358
883	COUNSELORS	16	-	-	16
885	DRAMA	5,398	8,299	(2,574)	11,123
886	LETTERMEN CLUB	12,136	1,605	(7,050)	6,691
887	COMPUTER CLASS	562	241	(256)	548
888	AFRICAN AMER. MULT.	3,514	4,731	(4,040)	4,204
889	FFA	4,409	2,925	(3,137)	4,197
890	FCA	675	1,525	(1,450)	749
891	FCCLA	5,266	6,270	(5,731)	5,806
892	FBLA	135	-	-	135
894	FENCING CLUB	152	982	-	1,134
895	FRENCH CLUB	882	3,529	(2,746)	1,666
897	GERMAN CLUB	691	18	(600)	110
898	FFA HORTICULTURE	12,169	15,808	(18,038)	9,940
900	GAEA	1,842	(1,842)	-	-
901	GIFTED/TALENTED	1,844	4,302	(4,121)	2,025
902	DRILL TEAM	22,364	17,638	(27,235)	12,766
903	MENTORSHIP PROGRAM	2,634	5,649	(4,981)	3,302
904	NEWSPAPER	1,870	104	(1,023)	951
905	LIBRARY	78,029	187,318	(187,199)	78,147
906	KEY CLUB	8,077	29,896	(28,989)	8,984
907	MATHEMATICS	4,521	3,622	(1,580)	6,563
908	NHS	10,284	8,549	(7,290)	11,543
909	NJHS	3,901	13,200	(11,185)	5,915
910	MISC. EXPENSE	23,960	22,354	(27,013)	19,301
911	NATIVE AMERICAN CLUB	3,665	3,141	(2,321)	4,485
912	MILITARY CHILD CLUB	5,038	3,911	(5,025)	3,924
913	OPEN DOORS	294	-	(125)	169
914	ORCHESTRA	14,270	29,647	(33,066)	10,851
915	PHYSICS	235	1,170	(1,291)	114
916	PHYSICAL EDUCATION	167	6,692	(2,927)	3,933
917	ROBOTICS	3,514	6,202	(5,374)	4,342
918	PEP CLUB	3,180	5,103	(5,542)	2,741
919	PICTURES	79,636	39,785	(53,618)	65,803
920	JROTC	42,606	33,311	(44,040)	31,877
921	RENAISSANCE	5,221	7,890	(7,241)	5,871
922	RESOURCE CENTER	11,306	3,200	(1,014)	13,491
924	SCIENCE CLUB	5,321	14,352	(8,412)	11,262
925	ELECTIVES	-	3,025	(318)	2,708
926	LPS STROLLING STRING	1,671	1,554	(1,577)	1,648
927	SPANISH CLUB	2,841	6,015	(5,442)	3,414
928	SPEECH & DEBATE	461	338	(445)	354
929	SPECIAL EDUCATION	5,299	9,267	(8,318)	6,247

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Combining Statement of Assets and Fund Balances  
– Activity Fund  
For the Year Ended June 30, 2016

<u>PROJECT NUMBER</u>	<u>PROJECT NAME ACTIVITES</u>	<u>BALANCE</u>			<u>BALANCE</u>
		<u>JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2016</u>
931	STUDENT COUNCIL	34,717	72,437	(73,572)	33,582
933	STUDENT STORE	11,260	11,148	(9,856)	12,553
934	SENIORS 2015	7,922	(6,752)	(1,170)	-
935	SENIORS 2016	3,614	19,054	(13,699)	8,969
936	SENIORS 2017	2,371	1,617	(1,031)	2,957
937	SENIORS 2018	137	2,213	(1,595)	754
939	AUTISM	2,125	3,286	(3,386)	2,025
940	SUMMER SCHOOL	825	990	(790)	1,025
941	RUNNING CLUB	-	730	(457)	273
942	DISTRICT TESTING	-	3,333	(3,333)	-
943	TECHNOLOGY	4,614	3,652	(6,161)	2,104
944	TECHNOLOGY STUDENT ASSOC	133	-	-	133
945	TEXTBOOKS	54	2,910	(2,964)	-
946	VOCAL MUSIC	18,078	99,799	(98,929)	18,948
947	TECH-NOW	2,022	3,029	(775)	4,276
950	STUDENT SERVICES	260	-	(83)	177
951	YEARBOOK	68,751	118,313	(129,644)	57,419
952	PARENT INVOLVEMENT	173	-	-	173
953	ACCELERATED READING	95	-	-	95
954	WEIGHTROOM LIFTATHON	1,790	19,472	(18,854)	2,408
957	MIDDLE LEAP	732	-	-	732
959	CHESS CLUB	970	130	(490)	610
960	COMMISSION	120,687	88,491	(81,161)	128,016
961	FRIENDS IN NEED	5,920	-	(508)	5,412
962	LPS CHRISTMAS CHEER	2,416	1,631	(2,123)	1,924
963	SCRAPBOOKING	915	61	(96)	880
967	GEOGRAPHY CLUB	1,718	(719)	(999)	-
969	LAWTON JROTC DRILL MEET	1,191	627	(373)	1,445
970	X-TENDED TIME	30,353	46,276	(48,226)	28,403
971	X-TENDED TIME BOARD	-	312,329	(312,329)	-
973	TEEN COUNCIL	82	-	-	82
974	ARCHERY	6,820	8,451	(6,242)	9,029
975	HOLDING ACCOUNT	2,174	430	(1,127)	1,477
976	OKLAHOMA DECATHLON	3,005	-	-	3,005
977	SPEECH PATHALOGY	594	-	(259)	335
978	MEDIA CLUB	1,423	2,745	(3,225)	943
981	HOMELESS EDUCATION	676	6,665	(1,255)	6,086
982	JOHNSON O'MALLEY	27,870	(125)	(27,745)	-
983	YOUTH IN GOVERNMENT	1,854	3,820	(4,383)	1,291
984	DESIGNATED CONTRIBUTIONS	88,799	48,346	(46,586)	90,558
985	STAGE PRODUCTION	197	-	(8)	189
986	FACULTY IN-SERVICE	3	-	-	3
987	TITLE I SUMMER KINDERGARTEN A	277	-	-	277
988	VISION IMPAIRED	767	-	-	767
989	AP ECONOMICS	2,710	400	(254)	2,856
990	SPECIAL OLYMPICS	9,589	17,948	(17,558)	9,980
991	MEDIA PRODUCTIONS	1,118	140	(160)	1,098
993	LEADERSHIP	622	-	(115)	507
994	LPS FOUNDATION GRANTS	3,008	82,061	(85,068)	-
995	FACULTY FUND	2,808	8,822	(8,425)	3,206
997	IPAD REPAIR/REPLACE	-	17,778	(6,237)	11,541
998	LAWTON COMMUNITY SERVICES	27	-	-	27
		<u>1,977,959</u>	<u>2,994,607</u>	<u>(2,985,948)</u>	<u>1,986,618</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2015	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2016
<b>U.S. Dept. of Education</b>						
Direct Program						
Indian Education, Grants to Local Educational Agencies	84.060	561	\$ (57,542)	\$ 192,646	\$ 234,291	\$ (99,187)
Impact Aid	84.041	591/592	\$ -	\$ 5,105,419	\$ 5,105,419	\$ -
Passed Through the Bureau of Indian Education						
Johnson-O'Malley Program	15.130	AF	\$ 28,047	\$ -	\$ 28,047	\$ -
Passed Through Oklahoma Department of Career and Technology Education						
Vocational Education - Basic Grant to States	84.048	421	\$ (42,790)	\$ 109,253	\$ 119,207	\$ (52,744)
Vocational Education - Basic Grant to States - Supplement	84.048	424	-	-	-	-
			<u>\$ (42,790)</u>	<u>\$ 109,253</u>	<u>\$ 119,207</u>	<u>\$ (52,744)</u>
<b>Passed Through State Department of Education:</b>						
Title I, Grants to Local Educational Agencies	84.010	511/512/515	\$ (701,383)	\$ 4,453,398	\$ 4,507,387	\$ (755,372)
Title I, Grants to Local Educational Agencies	84.010	786	(40,623)	233,436	199,174	(6,361)
Title I - Federal Academic Achievement Awards	84.010	517	-	-	-	-
Title I Cluster			<u>\$ (742,006)</u>	<u>\$ 4,686,834</u>	<u>\$ 4,706,561</u>	<u>\$ (761,733)</u>
		613/615/621				
Special Education - Grants to States	84.027	/625	\$ (827,458)	\$ 3,058,939	\$ 3,063,109	\$ (831,628)
Special Education - Preschool Grants	84.173	641/642	(19,100)	70,502	72,106	(20,704)
Special Education Cluster			<u>\$ (846,558)</u>	<u>\$ 3,129,441</u>	<u>\$ 3,135,215</u>	<u>\$ (852,332)</u>
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	541	\$ (109,800)	\$ 692,608	\$ 649,273	\$ (66,465)
Title II - Part A Teacher and Principal Training and Recruiting Fund	84.367	786	-	-	\$ 36,034	(36,034)
Title II - Technical Assistance Allocation	84.367	543	(2,984)	22,469	23,059	(3,574)
			<u>\$ (112,784)</u>	<u>\$ 715,077</u>	<u>\$ 708,366</u>	<u>\$ (106,073)</u>
Title II - Part B Math and Science	84.336	542/544	(134,922)	195,571	151,902	(91,253)
Title III, Part A - Limited English Proficiency	84.365	571, 572	(19,528)	54,373	48,966	(14,121)
Title X - Part C McKinney Homeless	84.196	596	(10,193)	43,623	43,759	(10,329)
Adult Education and Literacy	84.002	731	-	-	-	-
			<u>\$ (164,643)</u>	<u>\$ 293,567</u>	<u>\$ 244,627</u>	<u>\$ (115,703)</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Supplemental Schedule  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

	Federal CFDA Number	Pass Through Grantor's Project Number	Balance 6/30/2015	Federal Grant Receipts	Federal Grant Expenditures	Balance 6/30/2016
<i>Passed Through State Department of Career and Vocational Education:</i>						
Job Training Department of Rehabilitation Services	84.126	456	13,565	69,936	63,342	20,159
<b>Total U.S. Department of Education</b>			<u>\$ (1,924,711)</u>	<u>\$ 14,302,173</u>	<u>\$ 14,345,075</u>	<u>\$ (1,967,613)</u>
<i>U.S. Department of Agriculture</i>						
<i>Passed Through Oklahoma State Department of Education:</i>						
National School Lunch Program	10.555	763	\$ -	\$ 3,871,940	\$ 3,871,940	\$ -
School Breakfast Program	10.553	764	-	1,830,000	1,830,000	-
Summer Food Service Program	10.559	766	14,240	95,345	106,569	3,016
Lunch Program - Commodities	10.555		32,846	372,074	385,531	19,389
Summer Food Service Program -Commodities	10.559		1,251	9,162	9,494	919
Child Nutrition Cluster			\$ 48,337	\$ 6,178,521	\$ 6,203,534	\$ 23,324
Child Nutrition Discretionary Grants: Limited Availability	10.579	791	\$ -	\$ 22,226	22,226	\$ -
<b>Total U.S. Department of Agriculture</b>			<u>\$ 48,337</u>	<u>\$ 6,200,747</u>	<u>\$ 6,225,760</u>	<u>\$ 23,324</u>
<i>U.S. Department of Health and Human Services</i>						
<i>Passed Through Oklahoma Health Care Authority</i>						
Medical Assistance Program	93.778	698	\$ -	\$ 21	\$ 13	\$ 8
<b>Total U.S. Dept. of Transportation</b>			<u>\$ -</u>	<u>\$ 21</u>	<u>\$ 13</u>	<u>\$ 8</u>
<i>U.S. Department of Defense</i>						
<i>Direct Program</i>						
Community Economic Adjustment	12.600	772	\$ (85,949)	\$ 3,291,858	\$ 3,205,909	\$ -
Competitive Grants: Promoting K-12 Student Achievement at Military- Connected Schools	12.556	777	\$ -	\$ 244,747	\$ 248,321	\$ (3,574)
Invitational Grants for Military-Connected Schools-Special Education	12.557	778	\$ (171,675)	\$ 653,590	\$ 201,024	\$ 280,891
STEM for K-12 & Institutions of Higher Learning--Science Grant	12.330	776	\$ (156,855)	\$ 322,116	\$ 667,799	\$ (502,538)
<b>Total U.S. Dept. of Defense</b>			<u>\$ (414,479)</u>	<u>\$ 4,512,311</u>	<u>\$ 4,323,053</u>	<u>\$ (225,221)</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ (2,290,853)</u>	<u>\$ 25,015,252</u>	<u>\$ 24,893,901</u>	<u>\$ (2,169,502)</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2016

**Note A: Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lawton Independent School District No. 8, Comanche County, Oklahoma under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lawton Independent School District No.8, Comanche County, OK, it is not intended to and does not present the basic financial statements as listed in the table of contents, of Lawton Independent School District No. 8, Comanche County, OK.

**Note B: Summary of Significant Accounting Policies**

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

**Note C: Indirect Cost Rate**

Lawton Independent School District No. 8, Comanche County, Oklahoma has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Note D: Subrecipients**

Lawton Independent School District No. 8, Comanche County, Oklahoma did not have any awards that have been passed through to subrecipients.

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## **OTHER INFORMATION**

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Budgetary Comparison Schedule –General Fund (Unaudited)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Actual Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 13,709,982	\$ 13,709,982	\$ 15,602,373	\$ 1,892,391
Interest	10,500	19,002	19,442	440
County Revenue	2,225,000	2,459,537	2,459,537	-
State Revenue	72,396,082	71,782,951	71,757,046	(25,905)
Federal Revenue	23,855,151	25,119,909	21,580,642	(3,539,267)
Other	<u>1,876,431</u>	<u>3,317,478</u>	<u>3,204,251</u>	<u>(113,227)</u>
Total Revenue	<u>\$ 114,073,146</u>	<u>\$ 116,408,859</u>	<u>\$ 114,623,291</u>	<u>\$ (1,785,568)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 64,288,144	\$ 64,288,144	\$ 59,774,554	\$ 4,513,590
Support Services	43,412,910	43,412,910	43,227,034	185,876
Non-instruction Services	8,055,082	8,055,082	7,892,779	162,303
Other Outlays	<u>7,174,406</u>	<u>9,477,335</u>	<u>54,608</u>	<u>9,422,727</u>
Total Expenditures	<u>\$ 122,930,542</u>	<u>\$ 125,233,471</u>	<u>\$ 110,948,975</u>	<u>\$ 14,284,496</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (8,857,396)</u>	<u>\$ (8,824,612)</u>	<u>\$ 3,674,316</u>	<u>\$ 12,498,928</u>
Other Financing Sources				
Transfers In	\$ 412,375	\$ 379,591	379,005	(586)
Total Other Financing Sources	<u>412,375</u>	<u>379,591</u>	<u>379,005</u>	<u>(586)</u>
Net Change in Fund Balance	(8,445,021)	(8,445,021)	4,053,321	12,498,342
Fund Balance - Beginning	<u>8,445,021</u>	<u>8,445,021</u>	<u>8,445,021</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,498,342</u>	<u>\$ 12,498,342</u>

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Budgetary Comparison Schedule –Building (Unaudited)  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 1,960,216	\$ -	\$ 2,387,977	\$ 2,387,977
Federal Revenue	<u>6,053,942</u>	<u>6,053,942</u>	<u>3,291,858</u>	<u>(2,762,084)</u>
Total Revenue	<u>\$ 8,014,158</u>	<u>\$ 6,209,918</u>	<u>\$ 5,679,835</u>	<u>\$ (530,083)</u>
<b>EXPENDITURES</b>				
Current				
Instruction	\$ 60,000	\$ 60,000	\$ 75	\$ 59,925
Support Services	3,952,946	3,952,947	2,142,555	1,810,392
Non-instruction Services	-	-	75,183	(75,183)
Capital Outlay	<u>5,540,232</u>	<u>5,696,207</u>	<u>3,205,909</u>	<u>2,490,298</u>
Total Expenditures	<u>\$ 9,553,178</u>	<u>\$ 9,709,154</u>	<u>\$ 5,423,722</u>	<u>\$ 4,285,432</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,539,020)	(3,499,236)	256,113	3,755,349
Fund Balance - Beginning	<u>1,539,020</u>	<u>3,499,236</u>	<u>1,539,020</u>	<u>(1,960,216)</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,795,133</u>	<u>\$ 1,795,133</u>

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Statement of Statutory Fidelity and Honesty Bonds (unaudited)  
 For the Year Ended June 30, 2016

<u>Bonding Company</u>	<u>Position Bond Type</u>	<u>Bond Number</u>	<u>Amount</u>	<u>Effective Dates</u>
CAN Surety	Superintendent	0601-71399290	\$ 100,000	7/1/2015 - 6/30/2016
Safeco	Treasurer	E740110-0000	\$ 100,000	7/1/2015 - 6/30/2016
Safeco	Assistant Treasurer	E740110-0000	\$ 100,000	7/1/2015 - 6/30/2016
Safeco	Custodian of Activity Fund	E740110-0000	\$ 10,000	7/1/2015 - 6/30/2016
Safeco	Assistant Custodian of Activity Fund	E740110-0000	\$ 1,000	7/1/2015 - 6/30/2016
Safeco	Clerk	E740110-0000	\$ 1,000	7/1/2015 - 6/30/2016
Safeco	Deputy Clerk	E740110-0000	\$ 1,000	7/1/2015 - 6/30/2016
Safeco	Minutes Clerk	E740110-0000	\$ 1,000	7/1/2015 - 6/30/2016
Safeco	Encumbrance Clerk	E740110-0000	\$ 1,000	7/1/2015 - 6/30/2016



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

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Lawton, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lawton Independent School District No. 8, Comanche County, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise, Lawton Independent School District No. 8, Comanche County, Oklahoma's basic financial statements, and have issued our report thereon dated November 9, 2016. Our report included an adverse opinion on U.S. generally accepted accounting principles because the District prepares its financial statements on a prescribed regulatory basis of accounting.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control.

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

100 E Street S.W. , Suite 200 | Ardmore, OK 73401

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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 Lawton Independent School District No. 8, Comanche County, Oklahoma'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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
November 9, 2016



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

To the Board of Education  
Lawton Independent School District No. 8, Comanche County, Oklahoma  
Lawton, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs for the year ended June 30, 2016. Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lawton Independent School District No. 8, Comanche County, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Lawton Independent School District No. 8, Comanche County, Oklahoma's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Lawton Independent School District No. 8, Comanche County, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control over Compliance**

Management of Lawton Independent School District No. 8, Comanche County, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lawton Independent School District No. 8, Comanche County, Oklahoma's internal control over compliance.

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

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

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

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
November 9, 2016

Lawton Independent School District No. 8  
 Comanche County, Oklahoma  
 Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2016

**Section I Summary of Auditor's Results**

**Financial Statements:**

Type of audit report:	Unmodified Regulatory Basis		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant Deficiency(ies) identified ?	_____ Yes	_____ <u>X</u> None Reported	
Noncompliance material to financial statement	_____ Yes	_____ <u>X</u> No	

**Federal Awards:**

Internal control over major program:			
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant Deficiency(ies) identified ?	_____ Yes	_____ <u>X</u> None Reported	

Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported under 2 CFR section 200.516(a)?	_____ Yes	_____ <u>X</u> No	

Identification of Major Programs:		
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
10.553;10.555;10.559	Child Nutrition Cluster	
84.041	Impact Aid	
84.367	Improving Teacher Quality State Grants	

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

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

Lawton Independent School District No. 8  
Comanche County, Oklahoma  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2016

None

*Joy Hofmeister*  
*State Superintendent of Public Instruction*  
*Oklahoma State Department of Education*  
*2500 North Lincoln Boulevard, Oklahoma City, Oklahoma 73105-4599*

State of Oklahoma )

County of Carter )

The undersigned auditing firm of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Lawton Independent School District No. 8 for the audit year 2015-2016.

RAHHAL HENDERSON JOHNSON, PLLC

BY: *Maye E Johnson*  
Authorized Agent

Subscribed and sworn to before me on this *9<sup>th</sup>* day of, *November*, 2016.

*Brenda Richardson*  
Notary Public

Commission Number: \_\_\_\_\_

My commission expires on: \_\_\_\_\_ day of, \_\_\_\_\_, 20\_\_\_\_.

