

LITTLE ELM INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE

YEAR ENDED AUGUST 31, 2018

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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CERTIFICATE OF BOARD

Little Elm Independent School District
Name of School District

Denton
County

061-914
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2018, at a meeting of the Board of Trustees of such school district on the 17th day of December, 2018.

Signature of Board Secretary

Signature of Board President

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

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Independent Auditors' Report

To the Board of Trustees
Little Elm Independent School District
Little Elm, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Little Elm Independent School District (the District), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Little Elm Independent School District as of August 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 11 and 22 to the financial statements, in the current fiscal year, the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other post-employment benefit (OPEB) plan – a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 13 and the *pension and OPEB schedules* on pages 64 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Little Elm Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents 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 the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, 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 combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018 on our consideration of Little Elm Independent School District's internal control over financial reporting and on our test 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 Little Elm Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay
Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 27, 2018

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2018
(UNAUDITED)**

As management of Little Elm Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2018. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$15,378,603) (*deficit net position*). Of this amount, \$(33,133,920) represents negative unrestricted net position.
- The District's total net position increased by \$18,448,813 during the current fiscal year from the result of current year operations. However, beginning net position decreased by \$37,133,180 due to new standards that required recording of the District's proportionate share of the Teacher Retirement System's net OPEB liability.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$212,294,367. 9.8% of this total amount, \$20,850,350, is unassigned and available for use within the District's policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$20,850,350 or 31.6% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements (starting on page 32) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District charges a fee to "customers" to help it cover all or most of the cost of services it provides in its child care operation.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds-government and proprietary-use different accounting approaches.

· Governmental funds—All of the District’s basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District’s general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

· Proprietary funds—The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District’s enterprise funds (one category of propriety funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

The District as Trustee

Reporting the District’s Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and for scholarships. The District’s fiduciary activity is reported in a separate Statement of Fiduciary Net Position on page 31. We exclude these resources from the District’s other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in this fund are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis of comparative balances and changes therein is presented for the current and prior year’s operations and a discussion of significant changes in the accounts. The analysis focuses on the net position (Table I) and changes in net position (Table II) of the District’s governmental activities.

Net position of the District’s governmental activities decreased from \$3,221,747 to (\$15,443,051). Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was (\$33,129,556) at August 31, 2018. This decrease in governmental net position was the result of a prior period adjustment of \$37.1 million as a result of implementation of GASB Statement No. 75, which deals with accounting for the District’s participation in the State of Texas retiree health insurance plan.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current and other assets	\$ 55,231,793	\$219,807,247	\$ 9,533	\$ 221	\$ 55,241,326	\$219,807,468
Capital assets	151,596,267	163,567,106	80,281	68,812	151,676,548	163,635,918
Total assets	206,828,060	383,374,353	89,814	69,033	206,917,874	383,443,386
Deferred outflows of resources	13,539,963	12,306,511	-	-	13,539,963	12,306,511
Total assets and deferred outflows of resources	220,368,023	395,680,864	89,814	69,033	220,457,837	395,749,897
Long-term liabilities	202,877,427	391,028,817	-	-	202,877,427	391,028,817
Other liabilities	11,804,937	7,348,305	5,797	4,585	11,810,734	7,352,890
Total liabilities	214,682,364	398,377,122	5,797	4,585	214,688,161	398,381,707
Deferred inflows of resources	2,463,912	12,746,793	-	-	2,463,912	12,746,793
Total liabilities and deferred inflows of resources	217,146,276	411,123,915	5,797	4,585	217,152,073	411,128,500
Net Position:						
Net investment in capital assets	2,236,539	11,303,327	80,281	68,812	2,316,820	11,372,139
Restricted	5,762,546	6,383,178	-	-	5,762,546	6,383,178
Unrestricted	(4,777,338)	(33,129,556)	3,736	(4,364)	(4,773,602)	(33,133,920)
Total Net Position	\$ 3,221,747	\$ (15,443,051)	\$ 84,017	\$ 64,448	\$ 3,305,764	\$ (15,378,603)

The District's total ending net position is \$29.7 million lower due to new accounting standards adopted regarding the accounting for OPEB (TRS-Care retiree health insurance program) promulgated by the Governmental Accounting Standards Board.

Table II
CHANGES IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2018	2017	2018	2017	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 4,094,095	\$ 4,265,640	\$ 590,507	\$ 612,781	\$ 4,684,602	\$ 4,878,421
Operating grants and contributions	8,216,172	(2,633,079)	-	-	8,216,172	(2,633,079)
General Revenues:						
Maintenance and operations taxes	37,932,185	44,763,914	-	-	37,932,185	44,763,914
Debt service taxes	12,054,026	14,204,126	-	-	12,054,026	14,204,126
State aid	23,446,772	19,642,174	-	-	23,446,772	19,642,174
Other grants and contributions	653,548	839,107	-	-	653,548	839,107
Investment earnings	438,764	1,511,156	-	-	438,764	1,511,156
Miscellaneous	686,130	712,945	-	-	686,130	712,945
Extraordinary item - resource	-	2,571,786	-	-	-	2,571,786
Total Revenue	87,521,692	85,877,769	590,507	612,781	88,112,199	86,490,550
Expenses:						
Instruction, curriculum and media services	43,674,820	31,472,583	-	-	43,674,820	31,472,583
Instructional and school leadership	5,798,096	3,687,057	-	-	5,798,096	3,687,057
Student support services	4,513,754	4,123,108	-	-	4,513,754	4,123,108
Child nutrition	4,266,347	3,497,664	-	-	4,266,347	3,497,664
Cocurricular activities	3,170,817	2,851,008	-	-	3,170,817	2,851,008
General administration	2,964,157	2,483,015	-	-	2,964,157	2,483,015
Plant maintenance, security and data processing	8,700,315	8,165,817	-	-	8,700,315	8,165,817
Community services	144,714	114,660	-	-	144,714	114,660
Childcare services	-	-	582,286	632,350	582,286	632,350
Debt services	8,814,444	10,119,523	-	-	8,814,444	10,119,523
Capital outlay	-	47,378	-	-	-	47,378
Intergovernmental charges	334,381	847,574	-	-	334,381	847,574
Total Expenses	82,381,845	67,409,387	582,286	632,350	82,964,131	68,041,737
Increase (Decrease) in Net Position	5,139,847	18,468,382	8,221	(19,569)	5,148,068	18,448,813
Net Position - beginning of year	(1,658,083)	3,221,747	75,796	84,017	(1,582,287)	3,305,764
Prior period adjustment	(260,017)	(37,133,180)	-	-	(260,017)	(37,133,180)
Net Position - end of year	\$ 3,221,747	\$ (15,443,051)	\$ 84,017	\$ 64,448	\$ 3,305,764	\$ (15,378,603)

The District notes the following highlights for the 2017-2018 school year in response to changes in personnel and continued growth in student enrollment.

- The District maintained its contract with a professional demographer in an effort to plan for future facility needs.
- The District increased the employer's health insurance contribution to \$351 per month.
- The District operated an Energy Education Plan and an Energy Manager in an effort to conserve energy and reduce energy costs.
- The Board of Trustees approved a property tax rate of \$1.54/\$100 of value (\$1.17 for M&O and \$0.37 for Debt Service).
- The District maintained an employee induction program for new teachers that provides training and staff development.
- The District maintained its status of "Superior Achievement" according to the Financial Integrity Rating System of Texas.

The cost of all governmental activities for the current fiscal year was \$67,409,387. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was \$58,968,040 because some of the costs were paid by those who directly benefited from the programs (\$4,265,640) or by other governments and organizations that subsidized certain programs with grants and contributions (negative \$2,633,079) or by State equalization funding (\$19,642,174), or by other grants and contributions (\$839,107).

THE DISTRICT'S FUNDS

As the District completed the fiscal year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$212,294,367, which is \$169,708,722 more than last year's total of \$42,585,645. Included in this year's total change in fund balance is an increase of \$1,144,363 in the District's General Fund and an increase of \$167,482,777 in the Capital Projects Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2017). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$28,930,503 reported on page 20 differs from the General Fund's budgetary fund balance of \$23,208,905 reported in the budgetary comparison schedule on page 27. This is principally due to cost savings achieved during the year throughout all functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2018, the District's governmental activities had \$163,567,106 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$11,970,839 or 7.9 percent, more than last year.

This year's major additions were completion of several building renovations and additions and construction in progress on several new building projects.

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At August 31, 2018, the District had \$357,173,522 in bonds, capital leases and maintenance tax notes outstanding (including accreted interest on bonds) versus \$188,005,972 last year—an increase of 89.98 percent. The District issued two new bond series for a total of \$159.0 million (par value) to fund future construction and other capital projects. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund), according to national rating agencies.

More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District took actions for 2018-2019 to compensate for some increases in costs and continued increases in enrollment:

- The Board adopted a \$96.0 million appropriations budget including General Operating, Child Nutrition, and Debt Service.
- Certified Taxable Property Values increased \$670.3 million from \$3,345,743,154 to \$4,016,072,701 from 2017 to 2018.
- Student enrollment is estimated to increase 245 students from 7,519 to 7,764 students from the beginning of the 17-18 school year to the beginning of the 18-19 school year.
- The Board adopted a total tax rate of \$1.64/\$100 of taxable property value (\$1.17 for M&O and \$.47 for Debt Service).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Little Elm Independent School District, 300 Lobo Lane, Little Elm, Texas 75068, (972) 947-9340.

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BASIC FINANCIAL STATEMENTS

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 217,269,618	\$ 221	\$ 217,269,839
1220 Property Taxes - Delinquent	768,151	-	768,151
1230 Allowance for Uncollectible Taxes	(49,930)	-	(49,930)
1240 Due from Other Governments	1,672,771	-	1,672,771
1290 Other Receivables, Net	66,234	-	66,234
1410 Prepayments	80,403	-	80,403
Capital Assets:			
1510 Land	18,123,258	-	18,123,258
1520 Buildings, Net	135,158,188	68,812	135,227,000
1530 Furniture and Equipment, Net	4,855,459	-	4,855,459
1580 Construction in Progress	5,430,201	-	5,430,201
1000 Total Assets	<u>383,374,353</u>	<u>69,033</u>	<u>383,443,386</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701 Deferred Charges on Bond Refunding	5,151,231	-	5,151,231
1705 Deferred Resource Outflows Related to TRS Pension	6,808,029	-	6,808,029
1706 Deferred Resource Outflows Related to TRS OPEB	347,251	-	347,251
1700 Total Deferred Outflows of Resources	<u>12,306,511</u>	<u>-</u>	<u>12,306,511</u>
LIABILITIES			
2110 Accounts Payable	2,027,095	3,973	2,031,068
2140 Accrued Interest Payable	553,646	-	553,646
2150 Payroll Deductions and Withholdings	2,066	-	2,066
2160 Accrued Wages Payable	3,268,324	599	3,268,923
2200 Accrued Expenses	235,362	13	235,375
2300 Unearned Revenue	1,261,812	-	1,261,812
Noncurrent Liabilities:			
2501 Due Within One Year	7,057,152	-	7,057,152
2502 Due in More Than One Year	350,116,370	-	350,116,370
2540 Net Pension Liability (District's Share)	12,683,167	-	12,683,167
2545 Net OPEB Liability (District's Share)	21,172,128	-	21,172,128
2000 Total Liabilities	<u>398,377,122</u>	<u>4,585</u>	<u>398,381,707</u>
DEFERRED INFLOWS OF RESOURCES			
2605 Deferred Resource Inflows Related to TRS Pension	3,890,452	-	3,890,452
2606 Deferred Resource Inflows Related to TRS OPEB	8,856,341	-	8,856,341
2600 Total Deferred Inflows of Resources	<u>12,746,793</u>	<u>-</u>	<u>12,746,793</u>
NET POSITION			
3200 Net Investment in Capital Assets	11,303,327	68,812	11,372,139
Restricted:			
3820 Restricted for Federal and State Programs	1,420,760	-	1,420,760
3850 Restricted for Debt Service	4,962,418	-	4,962,418
3900 Unrestricted	(33,129,556)	(4,364)	(33,133,920)
3000 Total Net Position	<u>\$ (15,443,051)</u>	<u>\$ 64,448</u>	<u>\$ (15,378,603)</u>

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 29,425,135	\$ 1,773,294	\$ (3,655,685)
12 Instructional Resources and Media Services	611,180	483	(97,105)
13 Curriculum and Instructional Staff Development	1,436,268	46,103	127,784
21 Instructional Leadership	850,451	-	(33,560)
23 School Leadership	2,836,606	34,136	(638,741)
31 Guidance, Counseling and Evaluation Services	1,482,406	-	(39,846)
32 Social Work Services	30,283	-	-
33 Health Services	355,404	-	(92,416)
34 Student (Pupil) Transportation	2,255,015	-	407,442
35 Food Services	3,497,664	1,615,828	1,914,798
36 Extracurricular Activities	2,851,008	707,238	(156,659)
41 General Administration	2,483,015	-	(267,251)
51 Facilities Maintenance and Operations	6,022,017	88,398	(536,292)
52 Security and Monitoring Services	1,179,868	160	(12,988)
53 Data Processing Services	963,932	-	56,179
61 Community Services	114,660	-	76,183
72 Debt Service - Interest on Long-Term Debt	8,806,691	-	333,355
73 Debt Service - Bond Issuance Cost and Fees	1,312,832	-	-
81 Capital Outlay	47,378	-	(18,277)
91 Contracted Instructional Services Between Schools	496,071	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	20,470	-	-
99 Other Intergovernmental Charges	331,033	-	-
[TG] Total Governmental Activities:	67,409,387	4,265,640	(2,633,079)
BUSINESS-TYPE ACTIVITIES:			
01 Child Care Fund	632,350	612,781	-
[TB] Total Business-Type Activities:	632,350	612,781	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 68,041,737	\$ 4,878,421	\$ (2,633,079)

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
E1	Extraordinary Item - resource
TR	Total General Revenues & Extraordinary Items
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (31,307,526)	\$ -	\$ (31,307,526)
(707,802)	-	(707,802)
(1,262,381)	-	(1,262,381)
(884,011)	-	(884,011)
(3,441,211)	-	(3,441,211)
(1,522,252)	-	(1,522,252)
(30,283)	-	(30,283)
(447,820)	-	(447,820)
(1,847,573)	-	(1,847,573)
32,962	-	32,962
(2,300,429)	-	(2,300,429)
(2,750,266)	-	(2,750,266)
(6,469,911)	-	(6,469,911)
(1,192,696)	-	(1,192,696)
(907,753)	-	(907,753)
(38,477)	-	(38,477)
(8,473,336)	-	(8,473,336)
(1,312,832)	-	(1,312,832)
(65,655)	-	(65,655)
(496,071)	-	(496,071)
(20,470)	-	(20,470)
(331,033)	-	(331,033)
(65,776,826)	-	(65,776,826)
-	(19,569)	(19,569)
-	(19,569)	(19,569)
(65,776,826)	(19,569)	(65,796,395)
44,763,914	-	44,763,914
14,204,126	-	14,204,126
19,642,174	-	19,642,174
839,107	-	839,107
1,511,156	-	1,511,156
712,945	-	712,945
2,571,786	-	2,571,786
84,245,208	-	84,245,208
18,468,382	(19,569)	18,448,813
3,221,747	84,017	3,305,764
(37,133,180)	-	(37,133,180)
\$ (15,443,051)	\$ 64,448	\$ (15,378,603)

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 33,220,212	\$ 5,326,647	\$ 176,993,045
1220 Property Taxes - Delinquent	565,566	202,585	-
1230 Allowance for Uncollectible Taxes	(36,762)	(13,168)	-
1240 Due from Other Governments	1,226,942	-	-
1290 Other Receivables	66,030	-	-
1410 Prepayments	80,153	-	-
1000 Total Assets	<u>\$ 35,122,141</u>	<u>\$ 5,516,064</u>	<u>\$ 176,993,045</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,181,234	\$ -	\$ 633,046
2150 Payroll Deductions and Withholdings Payable	2,066	-	-
2160 Accrued Wages Payable	3,105,677	-	-
2200 Accrued Expenditures	221,966	-	-
2300 Unearned Revenue	1,151,891	-	-
2000 Total Liabilities	<u>5,662,834</u>	<u>-</u>	<u>633,046</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	528,804	189,417	-
2600 Total Deferred Inflows of Resources	<u>528,804</u>	<u>189,417</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	80,153	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	176,359,999
3480 Retirement of Long-Term Debt	-	5,326,647	-
Committed Fund Balance:			
3545 Local Grants	-	-	-
3545 Campus Activities	-	-	-
3545 Textbooks	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	8,000,000	-	-
3600 Unassigned Fund Balance	20,850,350	-	-
3000 Total Fund Balances	<u>28,930,503</u>	<u>5,326,647</u>	<u>176,359,999</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 35,122,141</u>	<u>\$ 5,516,064</u>	<u>\$ 176,993,045</u>

The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 1,729,714	\$ 217,269,618
-	768,151
-	(49,930)
445,829	1,672,771
204	66,234
250	80,403
<u>\$ 2,175,997</u>	<u>\$ 219,807,247</u>
\$ 212,815	\$ 2,027,095
-	2,066
162,647	3,268,324
13,396	235,362
109,921	1,261,812
<u>498,779</u>	<u>6,794,659</u>
-	718,221
<u>-</u>	<u>718,221</u>
-	80,153
1,420,760	1,420,760
-	176,359,999
-	5,326,647
24,772	24,772
209,117	209,117
22,569	22,569
-	8,000,000
-	20,850,350
<u>1,677,218</u>	<u>212,294,367</u>
<u>\$ 2,175,997</u>	<u>\$ 219,807,247</u>

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	212,294,367
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.		227,292,601
2 Accumulated depreciation has not been included in the fund financial statements..		(63,725,495)
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$12,683,167, a Deferred Inflow of Resources related to TRS in the amount of \$3,890,452, and a Deferred Outflow of Resources related to TRS in the amount of \$6,808,029. This results in a decrease in Net Position in the amount of \$9,765,590.		(9,765,590)
4 Bonds payable, capital leases payable and maintenance tax notes payable are not included in the fund financial statements.		(307,249,190)
5 Accreted interest payable on capital appreciation bonds has not been included in the fund financial statements.		(23,398,513)
6 Deferred loss on bond refunding has not been included in the fund financial statements.		5,151,231
7 Bond discounts and premiums were not recognized in the fund financial statements.		(26,525,819)
8 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(553,646)
9 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.		718,221
10 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$21,172,128, a Deferred Resource Inflow related to TRS OPEB in the amount of \$8,856,341, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$347,251. This results in a net decrease in Net Position in the amount of \$29,681,218.		(29,681,218)
19 Net Position of Governmental Activities	\$	<u>(15,443,051)</u>

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 46,719,404	\$ 14,494,690	\$ 963,004
5800 State Program Revenues	22,957,313	333,355	-
5900 Federal Program Revenues	2,422,020	-	-
5020 Total Revenues	<u>72,098,737</u>	<u>14,828,045</u>	<u>963,004</u>
EXPENDITURES:			
Current:			
0011 Instruction	36,089,710	-	-
0012 Instructional Resources and Media Services	661,284	-	-
0013 Curriculum and Instructional Staff Development	1,402,495	-	-
0021 Instructional Leadership	1,000,891	-	-
0023 School Leadership	4,034,811	-	-
0031 Guidance, Counseling and Evaluation Services	1,817,575	-	-
0032 Social Work Services	30,283	-	-
0033 Health Services	537,059	-	-
0034 Student (Pupil) Transportation	1,833,663	-	-
0035 Food Services	117,963	-	-
0036 Extracurricular Activities	1,971,600	-	-
0041 General Administration	3,185,664	-	-
0051 Facilities Maintenance and Operations	6,589,611	-	-
0052 Security and Monitoring Services	1,223,683	-	-
0053 Data Processing Services	1,600,521	-	-
0061 Community Services	37,064	-	-
Debt Service:			
0071 Principal on Long-Term Debt	1,178,577	4,411,158	-
0072 Interest on Long-Term Debt	223,139	9,581,141	-
0073 Bond Issuance Cost and Fees	500	22,510	1,289,822
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,515,201	-	14,549,354
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	496,071	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	20,470	-	-
0099 Other Intergovernmental Charges	331,033	-	-
6030 Total Expenditures	<u>65,898,868</u>	<u>14,014,809</u>	<u>15,839,176</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,199,869</u>	<u>813,236</u>	<u>(14,876,172)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	159,045,000
7912 Sale of Real and Personal Property	27,544	-	-
7915 Transfers In	-	-	6,069,127
7916 Premium or Discount on Issuance of Bonds	-	40,659	17,244,822
8911 Transfers Out (Use)	(6,072,127)	-	-
7080 Total Other Financing Sources (Uses)	<u>(6,044,583)</u>	<u>40,659</u>	<u>182,358,949</u>
EXTRAORDINARY ITEMS:			
7919 Extraordinary Item - Resource	2,571,786	-	-
8913 Extraordinary Item - (Use)	(1,582,709)	-	-
1200 Net Change in Fund Balances	1,144,363	853,895	167,482,777
0100 Fund Balance - September 1 (Beginning)	<u>27,786,140</u>	<u>4,472,752</u>	<u>8,877,222</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 28,930,503</u>	<u>\$ 5,326,647</u>	<u>\$ 176,359,999</u>

The notes to the financial statements are an integral part of this statement.

	Other Funds	Total Governmental Funds
\$	2,400,824	\$ 64,577,922
	536,613	23,827,281
	4,008,621	6,430,641
	6,946,058	94,835,844
	1,710,175	37,799,885
	483	661,767
	310,986	1,713,481
	77,519	1,078,410
	35,561	4,070,372
	230,138	2,047,713
	-	30,283
	-	537,059
	2,692	1,836,355
	3,655,835	3,773,798
	595,182	2,566,782
	27,533	3,213,197
	-	6,589,611
	160	1,223,843
	-	1,600,521
	76,183	113,247
	-	5,589,735
	-	9,804,280
	-	1,312,832
	-	16,064,555
	-	496,071
	-	20,470
	-	331,033
	6,722,447	102,475,300
	223,611	(7,639,456)
	-	159,045,000
	1,076	28,620
	3,000	6,072,127
	-	17,285,481
	-	(6,072,127)
	4,076	176,359,101
	-	2,571,786
	-	(1,582,709)
	227,687	169,708,722
	1,449,531	42,585,645
\$	1,677,218	\$ 212,294,367

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	169,708,722
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.		17,994,242
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.		(6,023,403)
Current year long-term debt principal payments on bonds payable, notes payable, and capital leases payable are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.		8,148,578
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.		(1,598,971)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2017 caused the ending net position to increase in the amount of \$69,643. These contributions were replaced with the District's additional GASB 68 pension expense for the year of \$629,192, which caused a net decrease in the change in net position. The impact of all of these is to decrease the change in net position by \$559,549.		(559,549)
Revenues from property taxes are shown as unearned in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.		(360,435)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.		613,324
The premium on the current year issuance of bonds is recorded as other resources in the fund financial statements, but is capitalized in the government-wide financial statements.		(17,285,481)
Current year issuances of bonds are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.		(159,045,000)
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.		(259,406)
Interest expense on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.		(316,201)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2017 but during the current fiscal year caused the ending net position to increase in the amount of \$98,794. These contributions were replaced with the District's OPEB expense for the year, which was a \$7,353,168 benefit and also caused an increase in net position. The net effect of both of these is to increase the change in net position by \$7,451,962.		7,451,962
Change in Net Position of Governmental Activities	\$	18,468,382

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 42,952,567	\$ 46,622,279	\$ 46,719,404	\$ 97,125
5800	State Program Revenues	22,354,908	23,354,908	22,957,313	(397,595)
5900	Federal Program Revenues	1,250,000	2,074,151	2,422,020	347,869
5020	Total Revenues	66,557,475	72,051,338	72,098,737	47,399
EXPENDITURES:					
Current:					
0011	Instruction	37,534,485	37,945,600	36,089,710	1,855,890
0012	Instructional Resources and Media Services	691,292	700,991	661,284	39,707
0013	Curriculum and Instructional Staff Development	1,347,779	1,499,062	1,402,495	96,567
0021	Instructional Leadership	1,200,953	1,128,455	1,000,891	127,564
0023	School Leadership	4,071,730	4,133,341	4,034,811	98,530
0031	Guidance, Counseling and Evaluation Services	1,931,897	1,911,545	1,817,575	93,970
0032	Social Work Services	31,300	31,300	30,283	1,017
0033	Health Services	556,638	566,601	537,059	29,542
0034	Student (Pupil) Transportation	2,132,622	2,125,144	1,833,663	291,481
0035	Food Services	109,499	131,796	117,963	13,833
0036	Extracurricular Activities	1,867,951	2,115,671	1,971,600	144,071
0041	General Administration	3,180,633	3,424,683	3,185,664	239,019
0051	Facilities Maintenance and Operations	6,616,320	7,548,833	6,589,611	959,222
0052	Security and Monitoring Services	984,288	1,552,382	1,223,683	328,699
0053	Data Processing Services	1,399,108	1,711,708	1,600,521	111,187
0061	Community Services	42,380	52,502	37,064	15,438
Debt Service:					
0071	Principal on Long-Term Debt	1,404,700	1,178,607	1,178,577	30
0072	Interest on Long-Term Debt	-	225,593	223,139	2,454
0073	Bond Issuance Cost and Fees	-	500	500	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	582,900	1,695,135	1,515,201	179,934
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	500,000	515,000	496,071	18,929
0095	Payments to Juvenile Justice Alternative Ed. Prg.	40,000	40,000	20,470	19,530
0099	Other Intergovernmental Charges	325,000	337,000	331,033	5,967
6030	Total Expenditures	66,551,475	70,571,449	65,898,868	4,672,581
1100	Excess of Revenues Over Expenditures	6,000	1,479,889	6,199,869	4,719,980
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	18,003	27,544	9,541
8911	Transfers Out (Use)	(6,000)	(6,075,127)	(6,072,127)	3,000
7080	Total Other Financing Sources (Uses)	(6,000)	(6,057,124)	(6,044,583)	12,541
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	2,571,787	2,571,786	(1)
8913	Extraordinary Item - (Use)	-	(2,571,787)	(1,582,709)	989,078
1200	Net Change in Fund Balances	-	(4,577,235)	1,144,363	5,721,598
0100	Fund Balance - September 1 (Beginning)	27,786,140	27,786,140	27,786,140	-
3000	Fund Balance - August 31 (Ending)	\$ 27,786,140	\$ 23,208,905	\$ 28,930,503	\$ 5,721,598

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2018

	Business-Type Activities
	Total Enterprise Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 221
Total Current Assets	<u>221</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	114,687
Depreciation on Buildings	<u>(45,875)</u>
Total Noncurrent Assets	<u>68,812</u>
Total Assets	<u>69,033</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,973
Accrued Wages Payable	599
Accrued Expenses	<u>13</u>
Total Liabilities	<u>4,585</u>
NET POSITION	
Net Investment in Capital Assets	68,812
Unrestricted Net Position	<u>(4,364)</u>
Total Net Position	<u>\$ 64,448</u>

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 612,781
Total Operating Revenues	<u>612,781</u>
OPERATING EXPENSES:	
Payroll Costs	556,347
Professional and Contracted Services	12,842
Supplies and Materials	42,708
Other Operating Costs	8,984
Depreciation Expense	11,469
Total Operating Expenses	<u>632,350</u>
Operating Income (Loss)	(19,569)
Total Net Position - September 1 (Beginning)	<u>84,017</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 64,448</u></u>

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 613,614
Cash Payments for Payroll Costs	(559,430)
Cash Payments for Professional Services	(12,842)
Cash Payments for Supplies and Materials	(40,837)
Cash Payments for Other Costs	(8,984)
Net Cash Used for Operating Activities	<u>(8,479)</u>
Net Decrease in Cash and Cash Equivalents	(8,479)
Cash and Cash Equivalents at Beginning of Year	<u>8,700</u>
Cash and Cash Equivalents at End of Year	<u>\$ 221</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (19,569)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	11,469
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Other Receivables	833
Increase (decrease) in Accounts Payable	1,871
Increase (decrease) in Accrued Wages Payable	(1,737)
Increase (decrease) in Accrued Expenses	(1,346)
Net Cash Used for Operating Activities	<u>\$ (8,479)</u>

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2018

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 134,795
Total Assets	<u>\$ 134,795</u>
LIABILITIES	
Due to Student Groups	\$ 134,795
Total Liabilities	<u>\$ 134,795</u>

The notes to the financial statements are an integral part of this statement.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Little Elm Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Little Elm Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Enterprise Fund** - The District utilizes an enterprise fund to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its child care program, because the child care program is self-supporting and does not require subsidies from the general fund.
3. **Private Purpose Trust Fund** - This fund is used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types. This fund is not budgeted.
4. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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

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

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2018

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Debt Service Fund and Child Nutrition Fund. The special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

August 31, 2018	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$1,420,760
Nonappropriated Budget Funds	<u>256,458</u>
All Special Revenue Funds	<u>\$1,677,218</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2018 that were subsequently provided for in the 2018-19 budget.

F. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable fund balance has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

G. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for propriety funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 Years
Furniture and Equipment	5-10 Years

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2018 was \$5,151,231.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Deferred outflows of resources for pensions - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 6.7 years.

The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2018 was \$6,808,029.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years. The amount of deferred outflows reported for deferred OPEB expense at August 31, 2018 was \$347,241.

A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2018 was \$718,221.

Deferred inflows of resources for pensions - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments and other actuarial and other assumption differences. These amounts will be amortized over a closed 5 year period. In fiscal year 2018, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$3,890,452.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2017 measurement year). In fiscal year 2018, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$8,856,341.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

I. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. CASH EQUIVALENTS

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity three months or less.

K. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation's adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is available for general governmental uses. When both restricted and unrestricted net position is available, restricted net position is expended before unrestricted net position if such use is consistent with the restricted purpose.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expenditures in the year bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

During the year ended August 31, 2018, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund). The Fund was created and is operated under provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The following are Funds the District participated in during the year ended August 31, 2018.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2018

Workers' Compensation Aggregate Deductible

The District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability. The District's 2018 deductible was \$204,467.

The Fund and its members are protected against higher than expected claims cost through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2.0 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2017, the fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Changes in the workers compensation claims liability amounts in fiscal years 2018 and 2017 is presented below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2018	\$150,337	\$104,473	\$93,890	\$160,920
2017	88,979	147,138	85,780	150,337

Unemployment Compensation Pool

During the year ended August 31, 2018, Little Elm ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2018, the Fund anticipates that Little Elm ISD has no additional liability beyond the contractual obligation for payment of contribution.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Auto, Liability and Property Programs

During the year ended August 31, 2018, Little Elm ISD participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Legal Liability
Privacy & Information Security
Property

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2018, the Fund anticipates Little Elm ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

N. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. IMPLEMENTATION OF NEW STANDARD

In the current fiscal year the District implemented the following new standard:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 2. FUND BALANCE

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: 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 prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Unspent bond proceeds are restricted for future capital acquisition programs. Federal and State grant resources are restricted because their use is restricted pursuant to the mandates of the Federal or State grants.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action 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 Board of Trustees have committed resources as of August 31, 2018 for campus activities, textbooks, and local grants.
- 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 Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. At August 31, 2018, the District has assigned \$8.0 million of the General Fund fund balance for future capital projects, payroll, and general operating expenses.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 20 & 21) and are described below:

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

General Fund

The General Fund has unassigned fund balance of \$20,850,350 at August 31, 2018. Prepayments of \$115,826 are considered nonspendable fund balance. \$8,000,000 has been assigned for future capital projects, payroll, and general operating expenditures.

Other Major Funds

The Debt Service Fund has restricted funds of \$5,326,647 at August 31, 2018 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

The Capital Projects Fund has restricted funds of \$176,359,999 at August 31, 2018 consisting primarily of unspent bond funds for future construction and other approved projects.

Other Funds

The fund balance of \$209,117 of the Campus Activity Fund and \$22,569 of Textbook Funds and \$24,772 of local grant funds (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities, textbooks, and local grants. The fund balance of \$1,420,760 in the Food Service Fund is shown as restricted for food service operations. The fund balance in the State Textbook Fund is shown as committed for textbooks.

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$28,859,691, which includes \$8,912 cash on hand. The combined bank balance was \$31,160,032. The District's cash deposits at August 31, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. There was one day during the fiscal year when the District's deposits were not fully collateralized.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. As of August 31, 2018, the District’s cash balances in the bank totaled \$31,160,032. This entire amount was either collateralized with securities held by the District’s financial institution’s agent in the District’s name or covered by FDIC insurance. Thus, the District’s deposits were not exposed to custodial credit risk at August 31, 2018.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2018, the District held investments in four public funds investment pools (TexPool, TexSTAR, Lonestar and Texas Class). Investments in 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.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the four investment pools range from AAA (Standard & Poor’s) to AAAM (Standard & Poor’s).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for both TexPool and TexStar is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2018, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District’s investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools and government securities are excluded from the 5 percent disclosure requirement.

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Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

The District’s investments pools at August 31, 2018, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	\$ 5,282,393	\$ 5,282,393
TexSTAR	59,589,357	59,589,357
Lonestar	67,272,072	67,272,072
Texas Class	<u>56,401,120</u>	<u>56,401,120</u>
Total	<u>\$188,544,942</u>	<u>\$188,544,942</u>

Fair Value Measurements

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

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

The District’s investment in Texpool, TexStar, Lone Star, and Texas Class (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

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NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018, was as follows:

	<u>Balance</u> <u>September 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirement/</u> <u>Adjustments</u>	<u>Balance</u> <u>August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,742,680	\$ 7,380,578	\$ -	\$ 18,123,258
Construction in Progress	<u>19,538,714</u>	<u>4,969,074</u>	<u>(19,077,587)</u>	<u>5,430,201</u>
Total capital assets, not being depreciated	<u>30,281,394</u>	<u>12,349,652</u>	<u>(19,077,587)</u>	<u>23,553,459</u>
Capital assets, being depreciated:				
Buildings	169,768,459	24,287,973	-	194,056,432
Furniture and Equipment	<u>9,248,506</u>	<u>434,204</u>	<u>-</u>	<u>9,682,710</u>
Total capital assets, being depreciated	<u>179,016,965</u>	<u>24,722,177</u>	<u>-</u>	<u>203,739,142</u>
Less accumulated depreciation for:				
Buildings	(53,687,654)	(5,210,590)	-	(58,898,244)
Furniture and Equipment	<u>(4,014,438)</u>	<u>(812,813)</u>	<u>-</u>	<u>(4,827,251)</u>
Total accumulated depreciation	<u>(57,702,092)</u>	<u>(6,023,403)</u>	<u>-</u>	<u>(63,725,495)</u>
Total capital assets being depreciated, net	<u>121,314,873</u>	<u>18,698,774</u>	<u>-</u>	<u>140,013,647</u>
Governmental activities capital assets, net	<u>\$151,596,267</u>	<u>\$31,048,426</u>	<u>\$(19,077,587)</u>	<u>\$163,567,106</u>
Business-type activities:				
Buildings and Improvements	\$ 114,687	\$ -	\$ -	\$ 114,687
Totals at historic cost	<u>114,687</u>	<u>-</u>	<u>-</u>	<u>114,687</u>
Less accumulated depreciation for:				
Buildings and Improvements	<u>(34,406)</u>	<u>(11,469)</u>	<u>-</u>	<u>(45,875)</u>
Total accumulated depreciation	<u>(34,406)</u>	<u>(11,469)</u>	<u>-</u>	<u>(45,875)</u>
Business-type activities capital assets net	<u>\$ 80,281</u>	<u>\$ (11,469)</u>	<u>\$ -</u>	<u>\$ 68,812</u>

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$3,349,071
Instructional Resources & Media Services	161,377
Curriculum & Instructional Staff Development	23,892
Instructional Leadership	14,499
School Leadership	177,392
Guidance, Counseling & Evaluation Services	24,004
Health Services	20,079
Student (Pupil) Transportation	418,660
Food Services	419,582
Cocurricular/Extracurricular Activities	664,612
General Administration	41,644
Plant Maintenance and Operations	633,865
Security and Monitoring Services	44,072
Data Processing Services	29,241
Community Services	<u>1,413</u>
Total depreciation expense-Governmental activities	<u>\$6,023,403</u>
Business-type activities:	
Child Care	<u>\$ 11,469</u>
Total depreciation expense Business-type activities	<u>\$ 11,469</u>

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NOTE 5. MAINTENANCE TAX NOTE

The District is obligated under a maintenance tax note, which is an obligation of the General Fund.

A summary of changes in the maintenance tax note for the year ended August 31, 2018 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-17</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-18</u>	<u>Due Within One Year</u>
Maintenance Tax Note	4.25%	<u>\$4,020,000</u>	<u>\$ -</u>	<u>\$200,000</u>	<u>\$3,820,000</u>	<u>\$200,000</u>

Presented below is a summary of the maintenance tax note requirements to maturity:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 200,000	\$ 139,638	\$ 339,638
2020	205,000	134,638	339,638
2021	210,000	129,513	339,513
2022	220,000	123,213	343,213
2023	225,000	116,613	341,613
2024-2028	1,245,000	463,411	1,708,411
2029-2033	<u>1,515,000</u>	<u>197,773</u>	<u>1,712,773</u>
	<u>\$3,820,000</u>	<u>\$1,304,799</u>	<u>\$5,124,799</u>

NOTE 6. CAPITAL LEASES

The District is obligated under three leases; two for equipment, and one for buses, accounted for as capital leases. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one, which transfers benefits and risks of ownership to the lease.

The following schedule lists personal property leased:

<u>Description</u>	<u>Interest Rate</u>	<u>Date of Agreement</u>	<u>Original Property Value</u>
Buses	2.42%	8/18/2003	\$3,732,284
Computers	2.10%	3/24/2016	665,324
Computers	2.30%	3/24/2016	<u>1,851,964</u>
Total			<u>\$6,249,572</u>

The lease terms range from three to ten years. The terms call for annual payments over the life of the leases. The capital lease obligations are payable from the General Fund.

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The following schedule shows the future minimum lease payments under the capitalized lease together with the present value of the net minimum lease payments as of August 31, 2018:

Years Ending <u>August 31,</u>	<u>Annual Lease Payments</u>
2019	\$1,062,501
2020	890,953
2021	412,593
2022	412,592
2023	412,593
Thereafter	-
Total future minimum lease payments	<u>3,191,232</u>
Less: Amount representing interest	<u>(175,073)</u>
Present value of net minimum lease payments	<u>\$3,016,159</u>

NOTE 7. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, maintenance tax notes and four capital leases. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2018:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/17</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/18</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1995A School Bldg.	5.90%	\$ 90,000	\$ -	\$ -	\$ 90,000	\$ -
1999 School Bldg. & Ref.	6.22%	1,374,262	-	144,661	1,229,601	135,428
2002 School Bldg. & Ref.	6.29%	2,159,927	-	766,497	1,393,430	718,390
2008A School Building	4.00%	1,785,000	-	540,000	1,245,000	250,000
2008B Refunding	4.00%	720,000	-	135,000	585,000	130,000
2010 Refunding	4.25%	19,410,000	-	490,000	18,920,000	440,000
2012 Refunding	5.00%	44,700,000	-	-	44,700,000	-
2013 School Bldg. & Ref.	5.00%	5,880,000	-	-	5,880,000	-
2014 Refunding	4.25%	4,960,000	-	-	4,960,000	-
2015A Refunding	4.00%	10,615,000	-	495,000	10,120,000	505,000
2015B Refunding	4.00%	8,380,000	-	30,000	8,350,000	30,000
2016 School Bldg. & Ref.	5.00%	36,865,000	-	1,750,000	35,115,000	1,790,000
2017 School Refunding	4.00%	8,840,000	-	60,000	8,780,000	-
2018 School Building	3.0-5.0%	-	135,160,000	-	135,160,000	425,000
2018A School Building	4.0-5.0%	-	23,885,000	-	23,885,000	1,440,000
Total Bonded Indebtedness		<u>145,779,189</u>	<u>159,045,000</u>	<u>4,411,158</u>	<u>300,413,031</u>	<u>5,863,818</u>
Maintenance Tax Notes	4.25%	4,020,000	-	200,000	3,820,000	200,000
Capital Leases Payable	1.99%-5.36%	3,994,736	-	978,577	3,016,159	993,334
Accreted Interest Payable		24,358,385	1,598,971	2,558,843	23,398,513	-
Discount/Premium on Issuance of Debt		9,853,662	17,285,481	613,324	26,525,819	-
Total Other Obligations		<u>42,226,783</u>	<u>18,884,452</u>	<u>4,350,744</u>	<u>56,760,491</u>	<u>1,193,334</u>
Total Obligations of District		<u>\$188,005,972</u>	<u>\$177,929,452</u>	<u>\$ 8,761,902</u>	<u>\$357,173,522</u>	<u>\$7,057,152</u>

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The 1995A, 1999, 2002, 2003, 2008A, 2008B, 2010, 2012 and 2013 bond series include outstanding capital appreciation bonds in the principal amount of \$8,583,031. The bonds mature variously beginning in 2019 through 2042. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity. The accrued interest of \$23,398,513 is accounted for as Accreted Interest Payable-Capital Appreciation Bonds.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2018.

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 5,863,818	\$ 15,222,784	\$ 21,086,602
2020	6,475,215	15,157,284	21,632,499
2021	4,232,589	15,075,371	19,307,960
2022	4,191,267	15,111,039	19,302,306
2023	3,339,267	15,963,539	19,302,806
2024-2028	23,284,461	74,946,596	98,231,057
2029-2033	42,946,414	55,288,043	98,234,457
2034-2038	55,040,000	43,189,250	98,229,250
2039-2043	68,455,000	29,767,500	98,222,500
2044-2048	<u>86,585,000</u>	<u>11,648,500</u>	<u>98,233,500</u>
	<u>\$300,413,031</u>	<u>\$291,369,906</u>	<u>\$591,782,937</u>

NOTE 8. DEBT ISSUANCES AND DEFEASED BONDS OUTSTANDING

In April 2018, the District issued \$135,160,000 (par value) in Unlimited Tax School Building Bonds to provide funds for future construction and other capital projects. The net proceeds of \$150,000,000 (\$135,160,000 par amount of the bonds plus \$15,919,438 of premium paid on the bonds less \$1,055,894 of underwriting fees and other issuance costs) were deposited to the District's Capital Projects Fund. Excess proceeds of \$23,544 were deposited to the District's Debt Service Fund.

In July 2018, the District issued \$23,885,000 (par value) in Unlimited Tax School Building Bonds to provide funds for future construction and other capital projects. The net proceeds of \$25,000,000 (\$23,885,000 par amount of the bonds plus \$1,366,043 of premium paid on the bonds less \$233,928 of underwriting fees and other issuance costs) were deposited to the District's Capital Projects Fund. Excess proceeds of \$17,115 were deposited to the District's Debt Service Fund.

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2018, \$15,715,000 of bonds outstanding are considered defeased.

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The District's deferred charges on bond refundings are as follows:

Balance – August 31, 2017	\$5,410,637
Current year gain on bond refunding	-
Current year amortization	<u>(259,406)</u>
Balance – August 31, 2018	<u>\$5,151,231</u>

NOTE 9. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2017-18 fiscal year was based was \$3,904,942,803. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.37 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2018 were 99.54% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$528,804 and \$189,417 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

NOTE 10. DEFINED BENEFIT PENSION PLAN

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

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

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Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2017</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Little Elm ISD FY2018 Employer Contributions	\$	1,379,178
Little Elm ISD FY2018 Member Contributions	\$	3,333,016
Little Elm ISD 2018 NECE On-Behalf Contributions	\$	2,011,355

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

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

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha	0%		1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Little Elm ISD's proportionate share of the net pension liability:	\$21,381,304	\$12,683,167	\$5,440,544

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Little Elm Independent School District reported a liability of \$12,683,167 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Little Elm Independent School District. The amount recognized by Little Elm Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Little Elm Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$12,683,167
State's proportionate share that is associated with the District	<u>19,618,342</u>
Total	<u>\$32,301,509</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0396664%, an increase of 0.000312% from its proportionate share of 0.0393544% at August 31, 2016.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
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Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the year ended August 31, 2018, Little Elm Independent School District recognized pension expense of \$2,006,673 and revenue of \$2,006,673 for support provided by the State.

At August 31, 2018, Little Elm Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 185,560	\$ 683,987
Changes in actuarial assumptions	577,738	330,742
Difference between projected and actual investment earnings	1,950,524	2,874,845
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,715,029	878
Contributions paid to TRS subsequent to the measurement date	1,379,178	-
Total	\$6,808,029	\$3,890,452

\$1,379,178 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2019	\$ 241,093
2020	1,050,692
2021	178,886
2022	(61,352)
2023	129,468
Thereafter	(388)

NOTE 11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
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Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

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

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

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

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1	TRS-Care 2	TRS-Care 3
	<u>Basic Plan</u>	<u>Optional Plan</u>	<u>Optional Plan</u>
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2017</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.00%
Employers	0.75%	0.55%
Federal/private Funding remitted by Employers	1.25%	1.00%
Little Elm ISD FY18 Employer Contributions		\$343,937
Little Elm ISD FY18 Member Contributions		\$281,357
Little Elm ISD 2018 NECE On-behalf Contributions		\$632,991

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Assumptions. The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District’s proportionate share of the Net OPEB Liability:	\$24,988,365	\$21,172,128	\$18,145,963

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

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	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$17,627,915	\$21,172,128	\$25,822,587

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$21,172,128 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$21,172,128
State's proportionate share that is associated with the District	<u>33,151,472</u>
Total	<u>\$54,323,600</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.048687% which was the same proportion measured as of August 31, 2016.

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact included assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the year ended August 31, 2018, the District recognized OPEB expense of (\$11,093,364) and revenue of (\$11,093,364) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 441,984
Changes in actuarial assumptions	-	8,414,357
Difference between projected and actual investment earnings	3,216	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	98	-
Contributions paid to TRS subsequent to the measurement date	343,937	-
Total	\$ 347,251	\$ 8,856,341

The net amounts of the employer's balance of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (1,168,167)
2020	(1,168,167)
2021	(1,168,167)
2022	(1,168,167)
2023	(1,168,971)
Thereafter	(3,011,388)

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
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NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% as of September 1, 2013 and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal year 2017 and 2016. In fiscal year 2018, the State of Texas contribution rate increased to 1.25% and the District contribution rate increased to 0.75%. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2018, 2017, and 2016, the State's contributions to TRS-Care were \$632,991, \$396,967, and \$406,252, respectively, the active member contributions were \$281,357, \$269,272, and \$264,064, respectively, and the school district's contribution were \$343,937, \$245,143, and \$223,645, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2018, the contribution made on behalf of the District was \$166,042.

NOTE 13. HEALTH CARE

During the year ended August 31, 2018, employees of Little Elm Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed \$351 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

NOTE 14. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

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Fund	State Grant	Federal Grants	Total
General Fund	\$1,217,106	\$ 9,836	\$1,226,942
Special Revenue	<u>350</u>	<u>445,479</u>	<u>445,829</u>
Total	<u>\$1,217,456</u>	<u>\$455,315</u>	<u>\$1,672,771</u>

NOTE 15. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$44,719,962	\$ -	\$14,205,002	\$ -	\$58,924,964
Food Sales	-	1,612,890	-	-	1,612,890
Investment Income	361,336	5,660	181,156	963,004	1,511,156
Penalties, interest and other tax related income	294,977	-	108,532	-	403,509
Co-curricular student activities	110,007	686,995	-	-	797,002
Other	<u>1,233,122</u>	<u>95,279</u>	<u>-</u>	<u>-</u>	<u>1,328,401</u>
Total	<u>\$46,719,404</u>	<u>\$2,400,824</u>	<u>\$14,494,690</u>	<u>\$963,004</u>	<u>\$64,577,922</u>

NOTE 17. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Total
Tuition and Fees	\$ 23,528	\$ 4,121	\$ 27,649
Devise Protection Plan	202,551	-	202,551
Grant Funds	-	104,800	104,800
State Revenue	910,812	-	910,812
Other	<u>15,000</u>	<u>1,000</u>	<u>16,000</u>
	<u>\$1,151,891</u>	<u>\$109,921</u>	<u>\$1,261,812</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
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NOTE 18. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Impact Aid	84.041	\$ 527,019	\$ 527,019
Watershed Protection & Flood Control	10.904	261,036	261,036
SHARS		1,305,576	1,305,576
E-Rate Reimbursements		260,949	260,949
Indirect Costs		<u>67,440</u>	<u>67,440</u>
Total for General Fund		<u>\$2,422,020</u>	<u>\$2,422,020</u>

NOTE 19. GOVERNMENTAL FUNDS EXPENDITURES

Expenditures reported in the governmental funds are generally recorded when a liability is incurred, as under accrual accounting, and reported in the statement of revenues, expenditures, and changes in fund balances according to function or general operational area.

The following presents Little Elm ISD's expenditures according to the nature of the transactions.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
TRS On-Behalf	\$ 2,910,389	\$ -	\$ -	\$ -	\$ 2,910,389
Other payroll costs	<u>46,459,138</u>	<u>2,863,922</u>	-	<u>78,511</u>	<u>49,401,571</u>
6100 Total payroll costs	<u>49,369,527</u>	<u>2,863,922</u>	-	<u>78,511</u>	<u>52,311,960</u>
Chapter 41 payments	496,071	-	-	-	496,071
Other professional and contracted services	<u>7,692,583</u>	<u>519,769</u>	-	-	<u>8,212,352</u>
6200 Total professional and contracted services	<u>8,188,654</u>	<u>519,769</u>	-	-	<u>8,708,423</u>
6300 Supplies and materials	<u>3,492,933</u>	<u>2,824,712</u>	-	<u>2,324</u>	<u>6,319,969</u>
6400 Other operating costs	<u>1,520,617</u>	<u>495,951</u>	-	-	<u>2,016,568</u>
6500 Debt service expenditures	<u>1,402,216</u>	-	<u>14,014,809</u>	<u>1,289,822</u>	<u>16,706,847</u>
6600 Capital outlay	<u>1,924,921</u>	<u>18,093</u>	-	<u>14,468,519</u>	<u>16,411,533</u>
 Total governmental expenditures	 <u>\$ 65,898,868</u>	 <u>\$ 6,722,447</u>	 <u>\$ 14,014,809</u>	 <u>\$ 15,839,176</u>	 <u>\$ 102,475,300</u>

NOTE 20. INTERFUND TRANSFERS

During the year ended August 31, 2018, the District transferred \$6,069,127 from the District's General Fund to the District's Capital Projects Fund as a fund balance transfer to cover construction and renovation projects. The District also transferred \$3,000 from the General Fund to the Campus Activity Fund (a special revenue fund) to transfer certain contributions.

NOTE 21. CONSTRUCTION COMMITMENTS

As of August 31, 2018, the District had entered into a construction contract for construction of a new transportation facility totaling \$8,772,082. At August 31, 2018, there was \$8,459,172 remaining costs under this contract. These costs will be paid from the District's Capital Projects Fund.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2018

NOTE 22. PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB)*. As such, a prior period adjustment was necessary to record the beginning OPEB liability of the District. The following illustrates the effect of the prior period adjustment on the District's Governmental Activities:

Beginning Net Position – As Originally Presented	\$ 3,221,747
Restatement due to:	
Net OPEB liability (measurement date as of August 31, 2016)	(37,378,323)
Deferred Outflows:	
District contributions made to TRS after August 31, 2016	<u>245,143</u>
Beginning Net Position – As Restated	<u>\$(33,911,433)</u>

REQUIRED SUPPLEMENTARY INFORMATION

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0396664%	0.0393544%	0.038084%	0.0253074%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 12,683,167	\$ 14,871,455	\$ 13,460,915	\$ 6,759,957
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	19,618,342	23,843,301	21,232,603	18,037,366
Total	<u>\$ 32,301,509</u>	<u>\$ 38,714,756</u>	<u>\$ 34,693,518</u>	<u>\$ 24,797,323</u>
District's Covered Payroll	\$ 41,426,312	\$ 40,626,075	\$ 36,340,923	\$ 34,299,303
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	30.62%	36.61%	37.04%	19.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,379,178	\$ 1,309,535	\$ 1,250,351	\$ 1,127,615
Contribution in Relation to the Contractually Required Contribution	(1,379,178)	(1,309,535)	(1,250,351)	(1,127,615)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 43,300,209	\$ 41,426,312	\$ 40,626,075	\$ 36,340,923
Contributions as a Percentage of Covered Payroll	3.19%	3.16%	3.07%	3.10%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018 Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.048687%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 21,172,128
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	33,151,472
Total	<u>\$ 54,323,600</u>
District's Covered Payroll	\$ 41,426,312
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	51.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 343,937
Contribution in Relation to the Contractually Required Contribution	343,937
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 43,300,209
Contributions as a Percentage of Covered Payroll	0.79%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION AND OPEB INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact included assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

COMBINING SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (36,332)	\$ (67,255)	\$ (647)	\$ 1,564,592
1240	Due from Other Governments	45,451	133,053	681	151,978
1290	Other Receivables	-	-	-	54
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 9,119</u>	<u>\$ 65,798</u>	<u>\$ 34</u>	<u>\$ 1,716,624</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 1,534	\$ 34	\$ 200,634
2160	Accrued Wages Payable	8,282	58,451	-	88,639
2200	Accrued Expenditures	837	5,813	-	6,591
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>9,119</u>	<u>65,798</u>	<u>34</u>	<u>295,864</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	1,420,760
Committed Fund Balance:					
3544	Local Grants	-	-	-	-
3545	Campus Activities	-	-	-	-
3546	Textbooks	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,420,760</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,119</u>	<u>\$ 65,798</u>	<u>\$ 34</u>	<u>\$ 1,716,624</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Programs
\$ (8,615)	\$ (15,149)	\$ (7,574)	\$ (75,548)	\$ -	\$ -	\$ 112,811	\$ -
8,615	22,579	7,574	75,548	-	-	-	350
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 7,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,811</u>	<u>\$ 350</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350
-	7,275	-	-	-	-	-	-
-	155	-	-	-	-	-	-
-	-	-	-	-	-	104,800	-
-	7,430	-	-	-	-	104,800	350
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,011	-
-	-	-	-	-	-	8,011	-
<u>\$ -</u>	<u>\$ 7,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,811</u>	<u>\$ 350</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes	461 Campus Activity Funds	491 Textbook Fund	499 Local Grants	Total Nonmajor Governmental Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 222,431	\$ 14,558	\$ 26,442	\$ 1,729,714
1240	Due from Other Governments	-	-	-	445,829
1290	Other Receivables	-	-	150	204
1410	Prepayments	250	-	-	250
1000	Total Assets	<u>\$ 222,681</u>	<u>\$ 14,558</u>	<u>\$ 26,592</u>	<u>\$ 2,175,997</u>
LIABILITIES					
2110	Accounts Payable	\$ 9,443	\$ -	\$ 820	\$ 212,815
2160	Accrued Wages Payable	-	-	-	162,647
2200	Accrued Expenditures	-	-	-	13,396
2300	Unearned Revenue	4,121	-	1,000	109,921
2000	Total Liabilities	<u>13,564</u>	<u>-</u>	<u>1,820</u>	<u>498,779</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	1,420,760
Committed Fund Balance:					
3544	Local Grants	-	-	24,772	24,772
3545	Campus Activities	209,117	-	-	209,117
3546	Textbooks	-	14,558	-	22,569
3000	Total Fund Balances	<u>209,117</u>	<u>14,558</u>	<u>24,772</u>	<u>1,677,218</u>
4000	Total Liabilities and Fund Balances	<u>\$ 222,681</u>	<u>\$ 14,558</u>	<u>\$ 26,592</u>	<u>\$ 2,175,997</u>

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,621,488
5800 State Program Revenues	-	-	-	20,182
5900 Federal Program Revenues	499,919	890,174	5,118	2,205,041
5020 Total Revenues	499,919	890,174	5,118	3,846,711
EXPENDITURES:				
Current:				
0011 Instruction	332,592	603,912	3,593	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	80,910	3,300	250	-
0021 Instructional Leadership	10,234	54,099	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	228,863	1,275	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	3,655,835
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	76,183	-	-	-
6030 Total Expenditures	499,919	890,174	5,118	3,655,835
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	190,876
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	1,076
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	1,076
1200 Net Change in Fund Balance	-	-	-	191,952
0100 Fund Balance - September 1 (Beginning)	-	-	-	1,228,808
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 1,420,760

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Programs	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Programs
\$ -	\$ -	\$ -	\$ -	\$ 4,683	\$ -	\$ -	\$ -
-	-	-	-	-	5,415	510,316	700
39,538	114,963	157,265	96,603	-	-	-	-
39,538	114,963	157,265	96,603	4,683	5,415	510,316	700
30,907	-	95,440	93,911	4,683	-	513,926	-
-	-	-	-	-	-	-	-
8,631	103,857	58,320	-	-	5,415	-	700
-	11,106	2,080	-	-	-	-	-
-	-	1,425	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	2,692	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
39,538	114,963	157,265	96,603	4,683	5,415	513,926	700
-	-	-	-	-	-	(3,610)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(3,610)	-
-	-	-	-	-	-	11,621	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,011	\$ -

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	461 Campus Activity Funds	491 Textbook Fund	499 Local Grants	Total Nonmajor Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 736,486	\$ 233	\$ 37,934	\$ 2,400,824
5800 State Program Revenues	-	-	-	536,613
5900 Federal Program Revenues	-	-	-	4,008,621
5020 Total Revenues	<u>736,486</u>	<u>233</u>	<u>37,934</u>	<u>6,946,058</u>
EXPENDITURES:				
Current:				
0011 Instruction	31,211	-	-	1,710,175
0012 Instructional Resources and Media Services	483	-	-	483
0013 Curriculum and Instructional Staff Development	46,103	-	3,500	310,986
0021 Instructional Leadership	-	-	-	77,519
0023 School Leadership	34,136	-	-	35,561
0031 Guidance, Counseling and Evaluation Services	-	-	-	230,138
0034 Student (Pupil) Transportation	-	-	-	2,692
0035 Food Services	-	-	-	3,655,835
0036 Extracurricular Activities	583,006	-	12,176	595,182
0041 General Administration	-	-	27,533	27,533
0052 Security and Monitoring Services	160	-	-	160
0061 Community Services	-	-	-	76,183
6030 Total Expenditures	<u>695,099</u>	<u>-</u>	<u>43,209</u>	<u>6,722,447</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>41,387</u>	<u>233</u>	<u>(5,275)</u>	<u>223,611</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	-	1,076
7915 Transfers In	3,000	-	-	3,000
7080 Total Other Financing Sources (Uses)	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>4,076</u>
1200 Net Change in Fund Balance	44,387	233	(5,275)	227,687
0100 Fund Balance - September 1 (Beginning)	<u>164,730</u>	<u>14,325</u>	<u>30,047</u>	<u>1,449,531</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 209,117</u>	<u>\$ 14,558</u>	<u>\$ 24,772</u>	<u>\$ 1,677,218</u>

REQUIRED T.E.A. SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.500000	1,644,677,210
2011	1.040000	0.500000	1,640,765,714
2012	1.040000	0.500000	1,790,876,497
2013	1.040000	0.500000	1,803,880,502
2014	1.040000	0.500000	2,009,976,804
2015	1.040000	0.500000	2,333,023,752
2016	1.170000	0.370000	2,674,137,297
2017	1.170000	0.370000	3,245,898,900
2018 (School year under audit)	1.170000	0.370000	3,904,942,803
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 112,764	\$ -	\$ 1,773	\$ 835	\$ (16,320)	\$ 93,836
19,490	-	(1,445)	(695)	(3,415)	18,215
22,605	-	(1,555)	(747)	(3,415)	21,492
67,012	-	28,807	13,850	(3,415)	20,940
125,136	-	101,997	49,037	54,255	28,357
132,309	-	128,022	61,549	116,936	59,674
139,257	-	124,897	60,047	109,049	63,362
171,554	-	159,600	50,472	111,659	73,141
363,516	-	237,059	74,967	69,566	121,056
-	57,783,729	43,940,714	13,895,781	320,844	268,078
<u>\$ 1,153,643</u>	<u>\$ 57,783,729</u>	<u>\$ 44,719,869</u>	<u>\$ 14,205,096</u>	<u>\$ 755,744</u>	<u>\$ 768,151</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,548,000	\$ 1,548,000	\$ 1,621,488	\$ 73,488
5800 State Program Revenues	19,000	19,000	20,182	1,182
5900 Federal Program Revenues	2,157,775	2,157,775	2,205,041	47,266
5020 Total Revenues	3,724,775	3,724,775	3,846,711	121,936
EXPENDITURES:				
0035 Food Services	3,724,775	3,896,861	3,655,835	241,026
6030 Total Expenditures	3,724,775	3,896,861	3,655,835	241,026
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(172,086)	190,876	362,962
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	1,076	1,076
1200 Net Change in Fund Balances	-	(172,086)	191,952	364,038
0100 Fund Balance - September 1 (Beginning)	1,228,808	1,228,808	1,228,808	-
3000 Fund Balance - August 31 (Ending)	\$ 1,228,808	\$ 1,056,722	\$ 1,420,760	\$ 364,038

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 13,740,450	\$ 14,470,160	\$ 14,494,690	\$ 24,530
5800	State Program Revenues	-	333,355	333,355	-
5020	Total Revenues	13,740,450	14,803,515	14,828,045	24,530
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	3,971,158	4,411,158	4,411,158	-
0072	Interest on Long-Term Debt	7,992,879	9,581,142	9,581,141	1
0073	Bond Issuance Cost and Fees	20,000	40,000	22,510	17,490
6030	Total Expenditures	11,984,037	14,032,300	14,014,809	17,491
1100	Excess of Revenues Over Expenditures	1,756,413	771,215	813,236	42,021
OTHER FINANCING SOURCES (USES):					
7916	Premium or Discount on Issuance of Bonds	-	40,659	40,659	-
1200	Net Change in Fund Balances	1,756,413	811,874	853,895	42,021
0100	Fund Balance - September 1 (Beginning)	4,472,752	4,472,752	4,472,752	-
3000	Fund Balance - August 31 (Ending)	\$ 6,229,165	\$ 5,284,626	\$ 5,326,647	\$ 42,021

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FEDERAL AWARDS SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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P.O. BOX 977
DENTON, TX 76202-0977
TEL. (940) 387-8563
FAX (940) 383-4746

INDEPENDENT AUDITORS' 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 Trustees
Little Elm Independent School District
Little Elm, Texas

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, the business-type activities, each major fund, and the aggregate remaining fund information of Little Elm Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Little Elm Independent School District's basic financial statements, and have issued our report dated November 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2018-001.

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the District's response and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 27, 2018

Members:
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE

To the Board of Trustees
Little Elm Independent School District
Little Elm, Texas

Report on Compliance for Each Major Federal Program

We have audited Little Elm Independent School District'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 Little Elm Independent School District's major federal programs for the year ended August 31, 2018. Little Elm Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding 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 Little Elm Independent School District'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs 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 Little Elm Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 Little Elm Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Little Elm Independent School District 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 August 31, 2018.

Report on Internal Control Over Compliance

Management of Little Elm Independent School District 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 Little Elm Independent School District'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 the 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 Little Elm Independent School District'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.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 27, 2018

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: No
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:

Child Nutrition Cluster:

CFDA	10.553	School Breakfast Program
CFDA	10.555	National School Lunch Program

CFDA 84.010A ESEA, Title I, Part A - Improving Basic Programs
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements which are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*

None

III. Findings and Questioned Costs for Federal Awards

None

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2018

IV. Other Finding

Finding 2018-001 – Pledged collateral less than required amount

Criteria: The Texas Public Funds Investment Act (the Act) requires the District's depository bank to pledge securities or letters of credit to the District to fully secure any bank balances that exceed the FDIC deposit insurance coverage on District bank balances. When certain types of securities are pledged, the Act requires that the value of the pledged collateral must equal 110% of uninsured deposits.

Condition: During the year ended August 31, 2018, there was one day on which the amount of collateral pledged by the depository bank was less than the District's uninsured deposits.

Questioned Costs: None

Cause: The District monitors the level of deposits and pledged securities on a regular basis. Large deposits from large state revenue deposits and large payroll transfers caused the deposit balance to increase above normal levels. The District has also entered into a tri-party collateral agreement with its depository bank and its third-party collateral agent bank that requires the depository bank and third-party collateral agent bank to manage the depository bank collateral on a daily basis.

Effect: Pledged collateral was less than the amount required by the Act on one day during the fiscal year. The amount of deposits not fully collateralized was \$642,809 on that day.

Recommendation: The District has procedures in place to monitor balances and pledged collateral on a daily basis. The District needs to develop additional procedures so the bank increases pledged collateral when needed to cover large deposits.

V. Corrective Action Plan

Finding 2018-001 – Pledged collateral less than required amount

Responsible Party: Grant Anderson, Chief Financial Officer

Corrective Action – The District has consulted with its depository bank to establish new procedures to make sure bank balances are fully secured the same day deposits are made. These procedures include monitoring pledged collateral daily, the District anticipating large deposits and transfers in advance and the depository bank increasing the base amount of pledged collateral. The District is also changing its procedure for the deposit of property tax collections to have property tax collections deposited into a local government investment pool rather than to its depository bank. This will reduce the amount of large deposits that increase the need for additional collateral by its depository bank.

Expected Completion Date - December 2018

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

FINDING/NONCOMPLIANCE

Finding 2017-001 -- Allowable Costs and Costs Principles

The finding related to procedures for completion of required time and effort certifications.

Status: The District completed its corrective action plan during the 2017-2018 fiscal year. The plan included:

- Updating Federal Procedures Manual to include appropriate time and effort procedures.
- Provided training to federal grant managers and other employees on time and effort requirements and procedures.
- Implemented controls and procedures to monitor financial compliance over federal programs.

Audit procedures for the 2017-2018 fiscal year audit did not disclose any instances of noncompliance with federal time and effort documentation requirements.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	S041A-2016-5019	\$ 98,420
Impact Aid - P.L. 81.874	84.041	S041A-2018-5019	428,599
Total CFDA Number 84.041			527,019
Total Direct Programs			527,019
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101061914	521,223
*IDEA - Part B, Formula	84.027A	18660001061914	929,235
*IDEA - Part B, Preschool	84.173A	18661001061914	5,343
Total Special Education Cluster (IDEA)			934,578
Career and Technical - Basic Grant	84.048A	18420006061914	41,273
Title III, Part A - English Language Acquisition	84.365A	18671001061914	159,824
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501061914	117,283
Summer School LEP	84.369A	69551702	9,497
ESEA, Title IV, Part A - Student Support	84.424A	18680101061914	12,030
Hurricane Emergency Impact Aid Displaced Students	84.938C	S938C180013	75,312
Total Passed Through State Department of Education			1,871,020
TOTAL U.S. DEPARTMENT OF EDUCATION			2,398,039
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	405,896
*National School Lunch Program - Cash Assistance	10.555	71301801	1,547,727
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301801	251,418
Total CFDA Number 10.555			1,799,145
Total Child Nutrition Cluster			2,205,041
Watershed Protection & Flood Control	10.904	9K180811	261,036
Total Passed Through the State Department of Agriculture			2,466,077
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,466,077
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,864,116

*Clustered Programs

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2018

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current position.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2018, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The period of availability for federal grant funds for the purposes of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

Total Expenditures of Federal Awards	\$4,864,116
Medicaid Reimbursement (SHARS)	1,305,576
E-Rate Reimbursements	<u>260,949</u>
 Federal Revenues per Financial Statements	 <u>\$6,430,641</u>

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