

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2019**

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2019

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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, 2019, at a meeting of the Board of Trustees of such school district on the 16<sup>th</sup> day of December, 2019.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

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**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing 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, 2019, 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.

## 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 62 through 69 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 December 4, 2019 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

December 4, 2019

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2019  
(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, 2019. 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 assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,221,884 (*net position*). Of this amount, \$(27,141,232) represents negative unrestricted net position.
- The District's total net position increased by \$16,600,487 during the current fiscal year.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$171,354,641. 12.4% of this total amount, \$21,227,811, 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 \$21,227,811 or 30.1% 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 Assets and Liabilities 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 increased from (\$15,443,051) to \$1,144,665. 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 (\$27,161,108) at August 31, 2019.

**Table I**  
**NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$219,807,247	188,582,157	\$ 221	\$ 27,936	\$219,807,468	\$188,610,093
Capital assets	163,567,106	212,666,622	68,812	57,343	163,635,918	212,723,965
Total assets	383,374,353	401,248,779	69,033	85,279	383,443,386	401,334,058
Deferred outflows of resources	12,306,511	22,000,348	-	-	12,306,511	22,000,348
Total assets and deferred outflows of resources	395,680,864	423,249,127	69,033	85,279	395,749,897	423,334,406
Long-term liabilities	391,028,817	394,527,663	-	-	391,028,817	394,527,663
Other liabilities	7,348,305	17,066,202	4,585	8,060	7,352,890	17,074,262
Total liabilities	398,377,122	411,593,865	4,585	8,060	398,381,707	411,601,925
Deferred inflows of resources	12,746,793	10,510,597	-	-	12,746,793	10,510,597
Total liabilities and deferred inflows of resources	411,123,915	422,104,462	4,585	8,060	411,128,500	422,112,522
Net Position:						
Net investment in capital assets	11,303,327	21,232,245	68,812	57,343	11,372,139	21,289,588
Restricted	6,383,178	7,073,528	-	-	6,383,178	7,073,528
Unrestricted	(33,129,556)	(27,161,108)	(4,364)	19,876	(33,133,920)	(27,141,232)
Total Net Position	<u><u>\$ (15,443,051)</u></u>	<u><u>\$ 1,144,665</u></u>	<u><u>\$ 64,448</u></u>	<u><u>\$ 77,219</u></u>	<u><u>\$ (15,378,603)</u></u>	<u><u>\$ 1,221,884</u></u>

**Table II**  
**CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 4,265,640	\$ 4,597,285	\$ 612,781	\$ 618,742	\$ 4,878,421	\$ 5,216,027
Operating grants and contributions	(2,633,079)	8,187,863	-	-	(2,633,079)	8,187,863
General Revenues:						
Maintenance and operations taxes	44,763,914	52,818,460	-	-	44,763,914	52,818,460
Debt service taxes	14,204,126	21,192,178	-	-	14,204,126	21,192,178
State aid	19,642,174	16,011,582	-	-	19,642,174	16,011,582
Other grants and contributions	839,107	770,280	-	-	839,107	770,280
Investment earnings	1,511,156	4,970,698	-	-	1,511,156	4,970,698
Miscellaneous	712,945	1,526,836	-	-	712,945	1,526,836
Extraordinary item - resource	2,571,786	2,460,807	-	-	2,571,786	2,460,807
Total Revenue	<u>85,877,769</u>	<u>112,535,989</u>	<u>612,781</u>	<u>618,742</u>	<u>86,490,550</u>	<u>113,154,731</u>
Expenses:						
Instruction, curriculum and media services	31,472,583	47,292,318	-	-	31,472,583	47,292,318
Instructional and school leadership	3,687,057	5,910,884	-	-	3,687,057	5,910,884
Student support services	4,123,108	5,801,749	-	-	4,123,108	5,801,749
Child nutrition	3,497,664	4,576,841	-	-	3,497,664	4,576,841
Cocurricular activities	2,851,008	3,204,209	-	-	2,851,008	3,204,209
General administration	2,483,015	3,417,356	-	-	2,483,015	3,417,356
Plant maintenance, security and data processing	8,165,817	10,267,503	-	-	8,165,817	10,267,503
Community services	114,660	169,994	-	-	114,660	169,994
Childcare services	-	-	632,350	605,971	632,350	605,971
Debt services	10,119,523	13,724,729	-	-	10,119,523	13,724,729
Capital outlay	47,378	195,454	-	-	47,378	195,454
Intergovernmental charges	847,574	1,387,236	-	-	847,574	1,387,236
Total Expenses	<u>67,409,387</u>	<u>95,948,273</u>	<u>632,350</u>	<u>605,971</u>	<u>68,041,737</u>	<u>96,554,244</u>
Increase (Decrease) in Net Position	18,468,382	16,587,716	(19,569)	12,771	18,448,813	16,600,487
Net Position - beginning of year	3,221,747	(15,443,051)	84,017	64,448	3,305,764	(15,378,603)
Prior period adjustment	(37,133,180)	-	-	-	(37,133,180)	-
Net Position - end of year	<u>\$ (15,443,051)</u>	<u>\$ 1,144,665</u>	<u>\$ 64,448</u>	<u>\$ 77,219</u>	<u>\$ (15,378,603)</u>	<u>\$ 1,221,884</u>

The District notes the following highlights for the 2018-2019 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 \$367 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 \$1.64/\$100 of taxable value (\$1.17 for M&O and \$0.47 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 \$95,948,273. 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 \$74,010,638 because some of the costs were paid by those who directly benefited from the programs (\$4,597,285) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,187,863) or by State equalization funding (\$16,011,582), or by other grants and contributions (\$770,280).

## **THE DISTRICT'S FUNDS**

As the District completed the fiscal year, its governmental funds (as presented in the balance sheet on page 20) reported a combined fund balance of \$171,354,641, which is \$40,939,726 less than last year's total of \$212,294,367. Included in this year's total change in fund balance is an increase of \$351,829 in the District's General Fund and a decrease of \$41,964,675 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 2018). 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 \$29,282,332 reported on page 20 differs from the General Fund's budgetary fund balance of \$23,294,499 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, 2019, the District's governmental activities had \$212,666,622 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 \$49,099,516 or 30.0 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, 2019, the District had \$346,364,616 in bonds payable outstanding (including accreted interest on bonds) versus \$357,173,522 last year—a decrease of 3.03 percent. 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 2019-2020 to compensate for some increases in costs and continued increases in enrollment:

- The Board adopted a \$98.9 million appropriations budget including General Operating, Child Nutrition, and Debt Service.
- Certified Taxable Property Values increased \$515.8 million from \$4,710,400,731 to \$5,226,184,446 from 2018 to 2019.
- Student enrollment is estimated to increase 211 students from 7,817 to 8,028 students from the end of the 18-19 school year to the beginning of the 19-20 school year.

The following shows the enrollment at the end of the last six school years:

2013-2014 – 6,638  
2014-2015 – 6,888  
2015-2016 – 7,172  
2016-2017 – 7,371  
2017-2018 – 7,564  
2018-2019 – 7,817

- The Board adopted a total tax rate of \$1.5383/\$100 of taxable property value (\$1.0683 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, 2019

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 185,657,408	\$ 27,936	\$ 185,685,344
1220	Property Taxes - Delinquent	760,500	-	760,500
1230	Allowance for Uncollectible Taxes	(49,432)	-	(49,432)
1240	Due from Other Governments	1,856,582	-	1,856,582
1290	Other Receivables, Net	302,578	-	302,578
1410	Prepayments	54,521	-	54,521
	Capital Assets:			
1510	Land	23,099,046	-	23,099,046
1520	Buildings, Net	131,250,913	57,343	131,308,256
1530	Furniture and Equipment, Net	5,774,132	-	5,774,132
1580	Construction in Progress	52,542,531	-	52,542,531
1000	Total Assets	401,248,779	85,279	401,334,058
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge on Bond Refundings	5,173,486	-	5,173,486
1705	Deferred Resource Outflows Related to TRS Pension	13,235,149	-	13,235,149
1706	Deferred Resource Outflows Related to TRS OPEB	3,591,713	-	3,591,713
1700	Total Deferred Outflows of Resources	22,000,348	-	22,000,348
LIABILITIES				
2110	Accounts Payable	11,959,941	6,183	11,966,124
2140	Accrued Interest Payable	549,754	-	549,754
2150	Payroll Deductions and Withholdings	425	-	425
2160	Accrued Wages Payable	3,502,594	1,852	3,504,446
2200	Accrued Expenses	250,601	25	250,626
2300	Unearned Revenue	802,887	-	802,887
	Noncurrent Liabilities:			
2501	Due Within One Year	8,100,216	-	8,100,216
2502	Due in More Than One Year	338,264,400	-	338,264,400
2540	Net Pension Liability (District's Share)	22,533,699	-	22,533,699
2545	Net OPEB Liability (District's Share)	25,629,348	-	25,629,348
2000	Total Liabilities	411,593,865	8,060	411,601,925
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Resource Inflows Related to TRS Pension	2,405,979	-	2,405,979
2606	Deferred Resource Inflows Related to TRS OPEB	8,104,618	-	8,104,618
2600	Total Deferred Inflows of Resources	10,510,597	-	10,510,597
NET POSITION				
3200	Net Investment in Capital Assets	21,232,245	57,343	21,289,588
	Restricted:			
3820	Restricted for Federal and State Programs	1,383,097	-	1,383,097
3850	Restricted for Debt Service	5,690,431	-	5,690,431
3900	Unrestricted	(27,161,108)	19,876	(27,141,232)
3000	Total Net Position	\$ 1,144,665	\$ 77,219	\$ 1,221,884

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, 2019

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 44,540,062	\$ 2,181,545	\$ 3,120,505
12 Instructional Resources and Media Services	888,922	6,264	35,916
13 Curriculum and Instructional Staff Development	1,863,334	10,210	320,634
21 Instructional Leadership	1,284,578	-	100,565
23 School Leadership	4,626,306	81,066	206,260
31 Guidance, Counseling and Evaluation Services	2,404,882	-	414,771
32 Social Work Services	32,170	-	-
33 Health Services	582,201	-	28,209
34 Student (Pupil) Transportation	2,782,496	-	569,906
35 Food Services	4,576,841	1,657,097	2,468,203
36 Extracurricular Activities	3,204,209	604,484	69,932
41 General Administration	3,417,356	-	211,406
51 Facilities Maintenance and Operations	7,672,354	42,100	175,112
52 Security and Monitoring Services	1,027,077	-	5,308
53 Data Processing Services	1,568,072	-	64,736
61 Community Services	169,994	-	123,508
72 Debt Service - Interest on Long-Term Debt	13,639,685	-	260,360
73 Debt Service - Bond Issuance Cost and Fees	85,044	-	-
81 Capital Outlay	195,454	14,519	12,532
91 Contracted Instructional Services Between Schools	969,555	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	5,963	-	-
99 Other Intergovernmental Charges	411,718	-	-
[TG] Total Governmental Activities:	95,948,273	4,597,285	8,187,863
BUSINESS-TYPE ACTIVITIES:			
01 Child Care Fund	605,971	618,742	-
[TB] Total Business-Type Activities:	605,971	618,742	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 96,554,244	\$ 5,216,027	\$ 8,187,863

Data	General Revenues:
Control	Taxes:
Codes	
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
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
Governmental		Primary Government		
Activities		Business Type		Total
		Activities		
\$	(39,238,012)	\$	-	\$ (39,238,012)
	(846,742)		-	(846,742)
	(1,532,490)		-	(1,532,490)
	(1,184,013)		-	(1,184,013)
	(4,338,980)		-	(4,338,980)
	(1,990,111)		-	(1,990,111)
	(32,170)		-	(32,170)
	(553,992)		-	(553,992)
	(2,212,590)		-	(2,212,590)
	(451,541)		-	(451,541)
	(2,529,793)		-	(2,529,793)
	(3,205,950)		-	(3,205,950)
	(7,455,142)		-	(7,455,142)
	(1,021,769)		-	(1,021,769)
	(1,503,336)		-	(1,503,336)
	(46,486)		-	(46,486)
	(13,379,325)		-	(13,379,325)
	(85,044)		-	(85,044)
	(168,403)		-	(168,403)
	(969,555)		-	(969,555)
	(5,963)		-	(5,963)
	(411,718)		-	(411,718)
	(83,163,125)		-	(83,163,125)
	-		12,771	12,771
	-		12,771	12,771
	(83,163,125)		12,771	(83,150,354)
	52,818,460		-	52,818,460
	21,192,178		-	21,192,178
	16,011,582		-	16,011,582
	770,280		-	770,280
	4,970,698		-	4,970,698
	1,526,836		-	1,526,836
	2,460,807		-	2,460,807
	99,750,841		-	99,750,841
	16,587,716		12,771	16,600,487
	(15,443,051)		64,448	(15,378,603)
\$	1,144,665	\$	77,219	\$ 1,221,884

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 33,128,784	\$ 6,042,983	\$ 144,814,288
1220 Property Taxes - Delinquent	549,589	210,911	-
1230 Allowance for Uncollectible Taxes	(35,723)	(13,709)	-
1240 Due from Other Governments	1,372,007	-	-
1290 Other Receivables	57,318	-	244,555
1410 Prepayments	54,521	-	-
1000 Total Assets	<u>\$ 35,126,496</u>	<u>\$ 6,240,185</u>	<u>\$ 145,058,843</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 999,520	\$ -	\$ 10,662,387
2150 Payroll Deductions and Withholdings Payable	425	-	-
2160 Accrued Wages Payable	3,314,916	-	1,116
2200 Accrued Expenditures	238,092	-	16
2300 Unearned Revenue	777,345	-	-
2000 Total Liabilities	<u>5,330,298</u>	<u>-</u>	<u>10,663,519</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	513,866	197,202	-
2600 Total Deferred Inflows of Resources	<u>513,866</u>	<u>197,202</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430 Prepaid Items	54,521	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	134,395,324
3480 Retirement of Long-Term Debt	-	6,042,983	-
Committed Fund Balance:			
3545 Local Grants	-	-	-
3545 Campus Activity	-	-	-
3545 Textbooks	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	8,000,000	-	-
3600 Unassigned Fund Balance	21,227,811	-	-
3000 Total Fund Balances	<u>29,282,332</u>	<u>6,042,983</u>	<u>134,395,324</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 35,126,496</u>	<u>\$ 6,240,185</u>	<u>\$ 145,058,843</u>

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

		Total Governmental Funds	
Other Funds			
\$	1,671,353	\$	185,657,408
	-		760,500
	-		(49,432)
	484,575		1,856,582
	705		302,578
	-		54,521
<u>\$</u>	<u>2,156,633</u>	<u>\$</u>	<u>188,582,157</u>
\$	298,034	\$	11,959,941
	-		425
	186,562		3,502,594
	12,493		250,601
	25,542		802,887
	<u>522,631</u>		<u>16,516,448</u>
	-		711,068
	-		711,068
	-		54,521
	1,383,097		1,383,097
	-		134,395,324
	-		6,042,983
	24,135		24,135
	211,032		211,032
	15,738		15,738
	-		8,000,000
	-		21,227,811
	<u>1,634,002</u>		<u>171,354,641</u>
<u>\$</u>	<u>2,156,633</u>	<u>\$</u>	<u>188,582,157</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, 2019

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 171,354,641</b>
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	282,588,395
2 Accumulated depreciation has not been included in the fund financial statements.	(69,921,773)
3 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$22,533,699, a Deferred Inflow of Resources related to TRS in the amount of \$2,405,979, and a Deferred Outflow of Resources related to TRS in the amount of \$13,235,149. This results in a decrease in Net Position in the amount of \$11,704,529.	(11,704,529)
4 Bonds payable are not included in the fund financial statements.	(298,534,213)
5 Accreted interest payable on capital appreciation bonds has not been included in the fund financial statements.	(22,361,429)
6 Deferred loss on bond refunding has not been included in the fund financial statements.	5,173,486
7 Bond discounts and premiums were not recognized in the fund financial statements.	(25,468,974)
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.	(549,754)
9 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	711,068
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 \$25,629,348, a Deferred Resource Inflow related to TRS OPEB in the amount of \$8,104,618, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$3,591,713. This results in a net decrease in Net Position in the amount of \$30,142,253.	(30,142,253)
<b>19 Net Position of Governmental Activities</b>	<b>\$ 1,144,665</b>

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, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 55,929,335	\$ 21,543,783	\$ 3,620,753
5800 State Program Revenues	19,440,187	260,360	-
5900 Federal Program Revenues	2,544,021	-	-
5020 Total Revenues	77,913,543	21,804,143	3,620,753
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	38,335,585	-	-
0012 Instructional Resources and Media Services	690,649	-	-
0013 Curriculum and Instructional Staff Development	1,515,605	-	-
0021 Instructional Leadership	1,176,309	-	-
0023 School Leadership	4,196,468	-	-
0031 Guidance, Counseling and Evaluation Services	1,981,873	-	-
0032 Social Work Services	32,170	-	-
0033 Health Services	538,720	-	-
0034 Student (Pupil) Transportation	2,364,485	-	1,323,446
0035 Food Services	159,727	-	-
0036 Extracurricular Activities	2,004,881	-	-
0041 General Administration	3,257,468	-	-
0051 Facilities Maintenance and Operations	6,783,680	-	22,490
0052 Security and Monitoring Services	1,004,882	-	-
0053 Data Processing Services	1,468,113	-	118,013
0061 Community Services	50,931	-	-
Debt Service:			
0071 Principal on Long-Term Debt	3,216,159	5,863,818	-
0072 Interest on Long-Term Debt	255,316	15,222,784	-
0073 Bond Issuance Cost and Fees	500	84,544	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	140,957	-	49,929,687
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	969,555	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	5,963	-	-
0099 Other Intergovernmental Charges	411,718	-	-
6030 Total Expenditures	70,561,714	21,171,146	51,393,636
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	7,351,829	632,997	(47,772,883)
<b>OTHER FINANCING SOURCES (USES):</b>			
7901 Refunding Bonds Issued	-	3,985,000	-
7915 Transfers In	-	-	7,000,000
8911 Transfers Out (Use)	(7,000,000)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(3,901,661)	-
7080 Total Other Financing Sources (Uses)	(7,000,000)	83,339	7,000,000
<b>EXTRAORDINARY ITEMS:</b>			
7919 Extraordinary Item - Resource	-	-	2,460,807
8913 Extraordinary Item - (Use)	-	-	(3,652,599)
1200 Net Change in Fund Balances	351,829	716,336	(41,964,675)
0100 Fund Balance - September 1 (Beginning)	28,930,503	5,326,647	176,359,999
3000 Fund Balance - August 31 (Ending)	\$ 29,282,332	\$ 6,042,983	\$ 134,395,324

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

		Total	
Other		Governmental	
Funds		Funds	
\$	2,364,056	\$	83,457,927
	390,317		20,090,864
	4,156,138		6,700,159
	6,910,511		110,248,950
	1,520,131		39,855,716
	11,170		701,819
	275,475		1,791,080
	54,490		1,230,799
	81,066		4,277,534
	322,248		2,304,121
	-		32,170
	-		538,720
	-		3,687,931
	4,070,013		4,229,740
	490,346		2,495,227
	25,145		3,282,613
	-		6,806,170
	-		1,004,882
	-		1,586,126
	89,124		140,055
	-		9,079,977
	-		15,478,100
	-		85,044
	14,519		50,085,163
	-		969,555
	-		5,963
	-		411,718
	6,953,727		150,080,223
	(43,216)		(39,831,273)
	-		3,985,000
	-		7,000,000
	-		(7,000,000)
	-		(3,901,661)
	-		83,339
	-		2,460,807
	-		(3,652,599)
	(43,216)		(40,939,726)
	1,677,218		212,294,367
\$	1,634,002	\$	171,354,641

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, 2019

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (40,939,726)</b>
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.	55,295,794
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.	(6,196,278)
Current year long-term debt principal payments on bonds payable, notes payable, capital leases payable, and payment of accreted interest on capital appreciation bonds are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	11,566,159
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.	(1,449,098)
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 8/31/2018 caused the ending net position to decrease in the amount of \$10,666. These contributions were replaced with the District's additional GASB 68 pension expense for the year of \$1,928,273, which caused a net decrease in the change in net position. The impact of these is to decrease the change in net position by \$1,938,939.	(1,938,939)
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.	(7,153)
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.	1,056,845
Current year issuances of refunding 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.	(3,985,000)
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.	3,892
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 8/31/2018 but during the current fiscal year caused the ending net position to increase in the amount of \$6,879. These contributions were replaced with the District's OPEB expense for the year of \$467,914, which caused a decrease in the change in net position. The net effect of these is to increase the change in net position by \$461,035.	(461,035)
The current year payment to the escrow agent for refunding debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government-wide financial statements. The payment of \$3,901,661 includes the payment to refund maintenance tax notes of \$3,620,000 and a deferred loss on bond refundings of \$281,661.	3,901,661
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 16,587,716</b>

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, 2019

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	\$ 51,464,245	\$ 55,534,692	\$ 55,929,335	\$ 394,643
5800 State Program Revenues	18,319,434	19,983,033	19,440,187	(542,846)
5900 Federal Program Revenues	1,250,000	2,472,955	2,544,021	71,066
5020 Total Revenues	71,033,679	77,990,680	77,913,543	(77,137)
EXPENDITURES:				
Current:				
0011 Instruction	39,021,456	40,548,862	38,335,585	2,213,277
0012 Instructional Resources and Media Services	731,379	741,979	690,649	51,330
0013 Curriculum and Instructional Staff Development	1,852,210	1,719,526	1,515,605	203,921
0021 Instructional Leadership	1,086,508	1,310,384	1,176,309	134,075
0023 School Leadership	4,367,766	4,553,044	4,196,468	356,576
0031 Guidance, Counseling and Evaluation Services	2,150,614	2,203,039	1,981,873	221,166
0032 Social Work Services	31,300	33,300	32,170	1,130
0033 Health Services	578,378	603,506	538,720	64,786
0034 Student (Pupil) Transportation	2,372,370	2,537,370	2,364,485	172,885
0035 Food Services	175,525	189,632	159,727	29,905
0036 Extracurricular Activities	1,992,989	2,132,971	2,004,881	128,090
0041 General Administration	3,136,703	3,460,378	3,257,468	202,910
0051 Facilities Maintenance and Operations	7,583,917	7,872,019	6,783,680	1,088,339
0052 Security and Monitoring Services	1,215,934	1,303,022	1,004,882	298,140
0053 Data Processing Services	1,560,918	1,579,270	1,468,113	111,157
0061 Community Services	53,598	58,471	50,931	7,540
Debt Service:				
0071 Principal on Long-Term Debt	1,193,334	3,216,161	3,216,159	2
0072 Interest on Long-Term Debt	208,808	314,713	255,316	59,397
0073 Bond Issuance Cost and Fees	500	500	500	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	194,472	185,537	140,957	44,580
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	1,100,000	1,100,000	969,555	130,445
0095 Payments to Juvenile Justice Alternative Ed. Prg.	40,000	40,000	5,963	34,037
0099 Other Intergovernmental Charges	385,000	418,000	411,718	6,282
6030 Total Expenditures	71,033,679	76,121,684	70,561,714	5,559,970
1100 Excess of Revenues Over Expenditures	-	1,868,996	7,351,829	5,482,833
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	(7,500,000)	(7,000,000)	500,000
OTHER FINANCING SOURCES (USES):				
8913 Extraordinary Item - (Use)	-	(5,000)	-	5,000
1200 Net Change in Fund Balances	-	(5,636,004)	351,829	5,987,833
0100 Fund Balance - September 1 (Beginning)	28,930,503	28,930,503	28,930,503	-
3000 Fund Balance - August 31 (Ending)	\$ 28,930,503	\$ 23,294,499	\$ 29,282,332	\$ 5,987,833

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, 2019

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 27,936
Total Current Assets	<u>27,936</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	114,687
Depreciation on Buildings	<u>(57,344)</u>
Total Noncurrent Assets	<u>57,343</u>
Total Assets	<u>85,279</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	6,183
Accrued Wages Payable	1,852
Accrued Expenses	<u>25</u>
Total Liabilities	<u>8,060</u>
NET POSITION	
Unrestricted Net Position	<u>77,219</u>
Total Net Position	<u><u>\$ 77,219</u></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, 2019

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 618,742
Total Operating Revenues	<u>618,742</u>
OPERATING EXPENSES:	
Payroll Costs	545,559
Professional and Contracted Services	7,397
Supplies and Materials	33,192
Other Operating Costs	8,354
Depreciation Expense	<u>11,469</u>
Total Operating Expenses	<u>605,971</u>
Operating Income	12,771
Total Net Position - September 1 (Beginning)	<u>64,448</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 77,219</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, 2019

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 618,742
Cash Payments for Payroll Costs	(544,306)
Cash Payments for Professional Services	(7,397)
Cash Payments for Supplies and Materials	(30,982)
Cash Payments for Other Costs	(8,342)
Net Cash Provided by Operating Activities	<u>27,715</u>
Net Increase in Cash and Cash Equivalents	27,715
Cash and Cash Equivalents at Beginning of Year	<u>221</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 27,936</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 12,771
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	11,469
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	2,210
Increase (decrease) in Accrued Wages Payable	1,253
Increase (decrease) in Accrued Expenses	12
Net Cash Provided by Operating Activities	<u><u>\$ 27,715</u></u>

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
AUGUST 31, 2019

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 133,127
Total Assets	<u>\$ 133,127</u>
LIABILITIES	
Accounts Payable	\$ 134
Due to Student Groups	132,993
Total Liabilities	<u>\$ 133,127</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, 2019

**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, 2019

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. **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, 2019

**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, 2019

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, 2019	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$1,383,097
Nonappropriated Budget Funds	<u>250,905</u>
All Special Revenue Funds	<u>\$1,634,002</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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, 2019 that were subsequently provided for in the 2019-20 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, 2019 was \$5,173,486.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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, 2019 was \$13,235,149.

**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, 2019 was \$3,591,713.

*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, 2019 was \$711,068.

**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 2019, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$2,405,979.

**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 2018 measurement year). In fiscal year 2019, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$8,104,618.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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 2019, 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, 2019, 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, 2019.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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' 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 2019 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, 2018, the fund carries a discounted reserve of \$48,977,531 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2019, 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, 2018, 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 2019 and 2018 is presented below:

Fiscal Year	September 1 Claims Liability	Claims and Changes in Estimates	Claims Payments	August 31 Claims Liability
2019	\$160,920	\$ 98,761	\$89,926	\$169,755
2018	150,337	104,473	93,890	160,920

**Unemployment Compensation Pool**

During the year ended August 31, 2019, 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, 2019, 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, 2019

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, 2018, 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, 2019, 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, 2019, 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, 2018, 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.

**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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

- 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, 2019 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, 2019, 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:

### **General Fund**

The General Fund has unassigned fund balance of \$21,227,811 at August 31, 2019. Prepayments of \$54,521 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 \$6,042,983 at August 31, 2019 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

The Capital Projects Fund has restricted funds of \$134,395,324 at August 31, 2019 consisting primarily of unspent bond funds for future construction and other approved projects.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Other Funds**

The fund balance of \$211,032 of the Campus Activity Fund and \$15,738 of Textbook Funds and \$24,135 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 \$1,383,097 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, 2019, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$13,976,550, which includes \$8,398 cash on hand. The combined bank balance was \$15,355,138. The District's cash deposits at August 31, 2019 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.

**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, 2019, the District's cash balances in the bank totaled \$15,355,138. 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, 2019.

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- 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, 2019, the District held investments in four public funds investment pools (TexPool, TexSTAR, Lone Star 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 all investment pools is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2019, 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.

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, 2019, are shown below:

Name	Carrying Amount	Market Value
TexPool	\$ 5,912,385	\$ 5,912,385
TexSTAR	48,163,177	48,163,177
Lone Star	55,329,049	55,329,049
Texas Class	<u>62,437,309</u>	<u>62,437,309</u>
Total	<u>\$171,841,920</u>	<u>\$171,841,920</u>

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**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.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2019, was as follows:

	<u>Balance September 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 18,123,258	\$ 4,975,788	\$ -	\$ 23,099,046
Construction in Progress	<u>5,430,201</u>	<u>47,370,720</u>	<u>(258,390)</u>	<u>52,542,531</u>
Total capital assets, not being depreciated	<u>23,553,459</u>	<u>52,346,508</u>	<u>(258,390)</u>	<u>75,641,577</u>
Capital assets, being depreciated:				
Buildings	194,056,432	1,464,587	-	195,521,019
Furniture and Equipment	<u>9,682,710</u>	<u>1,743,089</u>	<u>-</u>	<u>11,425,799</u>
Total capital assets, being depreciated	<u>203,739,142</u>	<u>3,207,676</u>	<u>-</u>	<u>206,946,818</u>
Less accumulated depreciation for:				
Buildings	(58,898,244)	(5,371,862)	-	(64,270,106)
Furniture and Equipment	<u>(4,827,251)</u>	<u>(824,416)</u>	<u>-</u>	<u>(5,651,667)</u>
Total accumulated depreciation	<u>(63,725,495)</u>	<u>(6,196,278)</u>	<u>-</u>	<u>(69,921,773)</u>
Total capital assets being depreciated, net	<u>140,013,647</u>	<u>(2,988,602)</u>	<u>-</u>	<u>137,025,045</u>
Governmental activities capital assets, net	<u>\$163,567,106</u>	<u>\$49,357,906</u>	<u>\$ (258,390)</u>	<u>\$212,666,622</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>(45,875)</u>	<u>(11,469)</u>	<u>-</u>	<u>(57,344)</u>
Total accumulated depreciation	<u>(45,875)</u>	<u>(11,469)</u>	<u>-</u>	<u>(57,344)</u>
Business-type activities capital assets net	<u>\$ 68,812</u>	<u>\$ (11,469)</u>	<u>\$ -</u>	<u>\$ 57,343</u>

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

Governmental activities:	
Instruction	\$3,353,158
Instructional Resources & Media Services	161,377
Curriculum & Instructional Staff Development	26,320
Instructional Leadership	15,554
School Leadership	177,657
Guidance, Counseling & Evaluation Services	24,004
Health Services	20,079
Student (Pupil) Transportation	418,011
Food Services	425,508
Cocurricular/Extracurricular Activities	683,116
General Administration	39,072
Plant Maintenance and Operations	755,705
Security and Monitoring Services	49,051
Data Processing Services	46,253
Community Services	<u>1,413</u>
Total depreciation expense-Governmental activities	<u>\$6,196,278</u>
Business-type activities:	
Child Care	<u>\$ 11,469</u>
Total depreciation expense-Business-type activities	<u>\$ 11,469</u>

**NOTE 5. MAINTENANCE TAX NOTE**

The District was obligated under a maintenance tax note, which was an obligation of the General Fund. The maintenance tax note was repaid early in August 2019.

A summary of changes in the maintenance tax note for the year ended August 31, 2019 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-18</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-19</u>	<u>Due Within One Year</u>
Maintenance Tax Note	4.25%	<u>\$3,820,000</u>	<u>\$ -</u>	<u>\$3,820,000</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 6. CAPITAL LEASES**

The District was 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 capital leases were fully repaid during the fiscal year ended August 31, 2019 from the General Fund.

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**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, 2019:

Description	Interest Rate Payable	Amounts Outstanding 9/1/18	Additions	Refunded/ Retired	Amounts Outstanding 8/31/19	Due Within One Year
Bonded Indebtedness:						
1995A School Bldg.	5.90%	\$ 90,000	\$ -	\$ -	\$ 90,000	\$ -
1999 School Bldg. & Ref.	6.22%	1,229,601	-	135,428	1,094,173	125,176
2002 School Bldg. & Ref.	6.29%	1,393,430	-	718,390	675,040	675,040
2008A School Building	4.00%	1,245,000	-	250,000	995,000	260,000
2008B Refunding	4.00%	585,000	-	130,000	455,000	125,000
2010 Refunding	4.25%	18,920,000	-	440,000	18,480,000	390,000
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%	10,120,000	-	505,000	9,615,000	510,000
2015B Refunding	4.00%	8,350,000	-	30,000	8,320,000	185,000
2016 School Bldg. & Ref.	5.00%	35,115,000	-	1,790,000	33,325,000	1,730,000
2017 School Refunding	4.00%	8,780,000	-	-	8,780,000	-
2018 School Building	3.0-5.0%	135,160,000	-	425,000	134,735,000	1,695,000
2018A School Building	4.0-5.0%	23,885,000	-	1,440,000	22,445,000	780,000
2019 Refunding	2.13-2.17%	-	3,985,000	-	3,985,000	1,625,000
Total Bonded Indebtedness		<u>300,413,031</u>	<u>3,985,000</u>	<u>5,863,818</u>	<u>298,534,213</u>	<u>8,100,216</u>
Maintenance Tax Notes	4.25%	3,820,000	-	3,820,000	-	-
Capital Leases Payable	1.99%-5.36%	3,016,159	-	3,016,159	-	-
Accreted Interest Payable		23,398,513	1,449,098	2,486,182	22,361,429	-
Discount/Premium on Issuance of Debt		<u>26,525,819</u>	<u>-</u>	<u>1,056,845</u>	<u>25,468,974</u>	<u>-</u>
Total Other Obligations		<u>56,760,491</u>	<u>1,449,098</u>	<u>10,379,186</u>	<u>47,830,403</u>	<u>-</u>
Total Obligations of District		<u>\$357,173,522</u>	<u>\$ 5,434,098</u>	<u>\$16,243,004</u>	<u>\$346,364,616</u>	<u>\$8,100,216</u>

The 1995A, 1999, 2002, 2008B, 2010, 2012 and 2013 bond series include outstanding capital appreciation bonds in the principal amount of \$7,159,213. The bonds mature variously beginning in 2020 through 2042. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity. The accreted interest of \$22,361,429 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, 2019.

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

Year Ended			Total
August 31,	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2020	\$ 8,100,216	\$ 15,242,814	\$ 23,343,030
2021	6,592,589	15,125,639	21,718,228
2022	4,191,267	15,111,039	19,302,306
2023	3,339,267	15,963,539	19,302,806
2024	4,108,138	15,536,494	19,644,632
2025-2029	26,332,572	71,901,884	98,234,456
2030-2034	45,860,164	52,372,648	98,232,812
2035-2039	57,495,000	40,731,063	98,226,063
2040-2044	71,655,000	26,574,350	98,229,350
2045-2048	<u>70,860,000</u>	<u>7,723,450</u>	<u>78,583,450</u>
	<u>\$298,534,213</u>	<u>\$276,282,920</u>	<u>\$574,817,133</u>

**NOTE 8. DEBT ISSUANCES AND DEFEASED BONDS OUTSTANDING**

In August 2019 the District issued \$3,985,000 (par value) in unlimited tax refunding bonds (current interest bonds) to advance refund \$3,620,000 of maintenance tax notes. The net proceeds of \$3,901,661 (\$3,985,000 par amount of the bonds less \$83,339 of underwriting fees and other issuance costs) were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded notes until the notes mature. The advanced refunding met the requirements of an in-substance debt defeasance and the maintenance tax notes were removed from the District's General Long-Term Debt. The advance refunding resulted in a present value economic gain (difference between present value of debt service payments on the old and new debt) of \$116,640.

In the current and 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 and notes 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, 2019, \$13,460,000 of bonds and notes outstanding are considered defeased.

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

Balance – August 31, 2018	\$5,151,231
Current year loss on notes refunding	281,661
Current year amortization	<u>(259,406)</u>
Balance – August 31, 2019	<u>\$5,173,486</u>



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**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 2018-19 fiscal year was based was \$4,710,400,731. 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, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.47 per \$100 valuation, respectively, for a total of \$1.64 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2019 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, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$513,866 and \$197,202 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.

**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.texas.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.

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**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 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Little Elm ISD FY2019 Employer Contributions	\$ 1,368,512	
Little Elm ISD FY2019 Member Contributions	\$ 3,398,894	
Little Elm ISD 2019 NECE On-Behalf Contributions	\$ 2,719,994	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.

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- 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% 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, 2017 and adopted in July, 2018.

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

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Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	-
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.7%	-
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
<b>Risk Parity</b>			
Risk Parity	5%	3.7%	0.2%
Inflation Expectation			2.3%
Volatility Drag	0%		-0.8%
<b>Total</b>	<b>100%</b>		<b>7.2%</b>

\* 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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Little Elm ISD's proportionate share of the net pension liability:	\$34,008,759	\$22,533,699	\$13,243,961

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2019, Little Elm Independent School District reported a liability of \$22,533,699 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	\$22,533,699
State's proportionate share that is associated with the District	<u>33,210,755</u>
<b>Total</b>	<b><u>\$55,744,454</u></b>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.0409388%, an increase of 3.2% from its proportionate share of 0.0396664% at August 31, 2017.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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, 2019, Little Elm Independent School District recognized pension expense of \$2,031,324 and revenue of \$2,031,324 for support provided by the State.

At August 31, 2019, 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	\$ 140,457	\$ 552,888
Changes in actuarial assumptions	8,124,484	253,890
Difference between projected and actual investment earnings	1,171,060	1,598,621
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,430,636	580
Contributions paid to TRS subsequent to the measurement date	1,368,512	-
Total	\$13,235,149	\$2,405,979

\$1,368,512 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
2020	\$ 2,520,370
2021	1,620,597
2022	1,374,184
2023	1,586,504
2024	1,424,735
Thereafter	934,268

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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.

**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 a retiree with and without Medicare coverage.

<b>TRS-Care Monthly for Retirees</b>		
	<u><b>Medicare</b></u>	<u><b>Non-Medicare</b></u>
January 1, 2018 thru December 31, 2018		
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* 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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
 Little Elm ISD FY19 Employer Contributions		\$350,816
Little Elm ISD FY19 Member Contributions		\$286,919
Little Elm ISD 2019 NECE On-behalf Contributions		\$540,340

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 \$182.6 million in fiscal year 2018. The 85<sup>th</sup> Texas Legislative House Bill 30 provided an additional \$212 million one-time, supplemental funding for the FY 2018-19 biennium to continue to support the program. This was also received in FY 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The 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 was rolled forward to August 31, 2018:

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

***Additional Actuarial Methods and Assumptions:***

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%
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	3.05% to 9.50%, including inflation
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 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.

**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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s proportionate share of the Net OPEB Liability:	\$30,509,960	\$25,629,348	\$21,770,230

**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:

	1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
District’s proportionate share of the Net OPEB Liability:	\$21,285,591	\$25,629,348	\$31,350,170

**OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2019, the District reported a liability of \$25,629,348 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	\$25,629,348
State’s proportionate share that is associated with the District	<u>37,839,539</u>
Total	<u>\$63,468,887</u>

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



LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was 0.051330%, an increase of 5.4% compared to the August 31, 2017 proportionate share of 0.048687%.

**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:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85<sup>th</sup> Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and proves a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, the District recognized OPEB expense of \$522,055 and revenue of \$522,055 for support provided by the State.

At August 31, 2019, 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	\$1,360,054	\$ 404,469
Changes in actuarial assumptions	427,684	7,700,149
Difference between projected and actual investment earnings	4,482	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,448,677	-
Contributions paid to TRS subsequent to the measurement date	350,816	-
Total	\$3,591,713	\$8,104,618

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019**

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

Year ended August 31:	OPEB Expense Amount
2020	\$ (828,495)
2021	(828,495)
2022	(828,495)
2023	(829,343)
2024	(829,829)
Thereafter	(719,064)

**NOTE 12. MEDICARE PART D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$167,573, \$129,618 and \$124,678, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

**NOTE 13. HEALTH CARE**

During the year ended August 31, 2019, employees of Little Elm Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed \$367 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, 2019, 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.

Fund	State Grant	Federal Grants	Total
General Fund	\$1,372,007	\$ -	\$1,372,007
Special Revenue	-	484,575	484,575
Total	<u>\$1,372,007</u>	<u>\$484,575</u>	<u>\$1,856,582</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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, 2019 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	\$52,538,461	\$ -	\$21,085,350	\$ -	\$73,623,811
Food Sales	-	1,647,305	-	-	1,647,305
Investment Income	985,045	5,510	359,389	3,620,753	4,970,697
Penalties, interest and other tax related income	294,937	-	99,044	-	393,981
Co-curricular student activities	115,466	653,329	-	-	768,795
Other	<u>1,995,426</u>	<u>57,912</u>	<u>-</u>	<u>-</u>	<u>2,053,338</u>
Total	<u>\$55,929,335</u>	<u>\$2,364,056</u>	<u>\$21,543,783</u>	<u>\$3,620,753</u>	<u>\$83,457,927</u>

**NOTE 17. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Funds	Total
Tuition and Fees	\$ 17,525	\$24,542	\$ 42,067
Devise Protection Plan	147,450	-	147,450
Grant Funds	-	1,000	1,000
State Revenue	555,135	-	555,135
Special Education Funding	<u>57,235</u>	<u>-</u>	<u>57,235</u>
	<u>\$777,345</u>	<u>\$25,542</u>	<u>\$802,887</u>

**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	\$ 723,130	\$ 723,130
SHARS		1,749,954	1,749,954
Indirect Costs		<u>70,937</u>	<u>70,937</u>
Total for General Fund		<u>\$2,544,021</u>	<u>\$2,544,021</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2019

**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.

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
TRS On-Behalf	\$ 2,858,699	\$ -	\$ -	\$ -	\$ 2,858,699
Other payroll costs	48,741,384	2,846,516	-	171,748	51,759,648
6100 Total payroll costs	51,600,083	2,846,516	-	171,748	54,618,347
Chapter 41 payments	969,555	-	-	-	969,555
Other professional and contracted services	8,630,948	388,827	-	22,490	9,042,265
6200 Total professional and contracted services	9,600,503	388,827	-	22,490	10,011,820
6300 Supplies and materials	3,956,584	3,100,100	-	-	7,056,684
6400 Other operating costs	1,663,381	443,675	-	-	2,107,056
6500 Debt service expenditures	3,471,975	-	21,171,146	-	24,643,121
6600 Capital outlay	269,188	174,609	-	51,199,398	51,643,195
Total governmental expenditures	<u>\$ 70,561,714</u>	<u>\$ 6,953,727</u>	<u>\$ 21,171,146</u>	<u>\$ 51,393,636</u>	<u>\$150,080,223</u>

**NOTE 20. INTERFUND TRANSFERS**

During the year ended August 31, 2019, the District transferred \$7,000,000 from the District's General Fund to the District's Capital Projects Fund as a fund balance transfer to cover construction and renovation projects.

**NOTE 21. CONSTRUCTION COMMITMENTS**

As of August 31, 2019, the District had entered into construction contracts for construction and renovation of several facilities totaling \$140.7 million. At August 31, 2019, there was \$95.8 million remaining costs under these contracts. These costs will be paid from the District's Capital Projects Fund.

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## 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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.0409388%	0.0396664%	0.0393544%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 22,533,699	\$ 12,683,167	\$ 14,871,455
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	33,210,755	19,618,342	23,843,301
Total	<u>\$ 55,744,454</u>	<u>\$ 32,301,509</u>	<u>\$ 38,714,756</u>
District's Covered Payroll	\$ 43,300,209	\$ 41,426,312	\$ 40,626,075
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	52.04%	30.62%	36.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 2018 for year 2019, 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 five 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."

FY 2016		FY 2015	
Plan Year 2015		Plan Year 2014	
	0.038084%		0.0253074%
\$	13,460,915	\$	6,759,957
	21,232,603		18,037,366
\$	34,693,518	\$	24,797,323
\$	36,340,923	\$	34,299,303
	37.04%		19.71%
	78.43%		83.25%



LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 1,368,512	\$ 1,379,178	\$ 1,309,535
Contribution in Relation to the Contractually Required Contribution	(1,368,512)	(1,379,178)	(1,309,535)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 44,166,020	\$ 43,300,209	\$ 41,426,312
Contributions as a Percentage of Covered Payroll	3.10%	3.19%	3.16%

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 years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

2016		2015	
\$	1,250,351	\$	1,127,615
	(1,250,351)		(1,127,615)
\$	-	\$	-
\$	40,626,075	\$	36,340,923
	3.07%		3.10%

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.05133%	0.048687%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 25,629,348	\$ 21,172,128
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	37,839,539	33,151,472
Total	<u>\$ 63,468,887</u>	<u>\$ 54,323,600</u>
District's Covered Payroll	\$ 43,300,209	\$ 41,426,312
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	59.19%	51.11%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	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 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years 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 2019

	2019	2018
Contractually Required Contribution	\$ 350,816	\$ 343,937
Contribution in Relation to the Contractually Required Contribution	(350,816)	(343,937)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 44,166,020	\$ 43,300,209
Contributions as a Percentage of Covered Payroll	0.79%	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  
FOR THE YEAR ENDED AUGUST 31, 2019

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:*

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

OPEB LIABILITY:

*Changes of benefit terms:*

The following are changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period. The 85<sup>th</sup> Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-CONTINUED  
FOR THE YEAR ENDED AUGUST 31, 2019

*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:

- The total OPEB liability as of August 31, 2018 was developed using the roll forward method of the August 31, 2017 valuation.
  - Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
  - The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
  - Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
  - The discount rate changed from 3.42 percent as of August 31, 2017 to 3.69 percent, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
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## COMBINING SCHEDULES



LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (86,467)	\$ (43,752)	\$ (7,096)	\$ -
1240	Due from Other Governments	99,098	132,403	8,388	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 12,631</u>	<u>\$ 88,651</u>	<u>\$ 1,292</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 313	\$ 3,549	\$ 1,292	\$ -
2160	Accrued Wages Payable	11,129	77,523	-	-
2200	Accrued Expenditures	1,189	7,579	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>12,631</u>	<u>88,651</u>	<u>1,292</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3544	Local Grants	-	-	-	-
3545	Campus Activity	-	-	-	-
3546	Textbooks	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 12,631</u>	<u>\$ 88,651</u>	<u>\$ 1,292</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	461 Campus Activity Funds
\$ 1,602,268	\$ (3,912)	\$ (37,208)	\$ (38,227)	\$ (2,943)	\$ -	\$ 536	\$ 247,205
158,886	3,912	40,718	38,227	2,943	-	-	-
-	-	-	-	-	-	-	705
<u>\$ 1,761,154</u>	<u>\$ -</u>	<u>\$ 3,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536</u>	<u>\$ 247,910</u>
\$ 276,422	\$ -	\$ 3,510	\$ -	\$ -	\$ -	\$ -	\$ 12,336
97,910	-	-	-	-	-	-	-
3,725	-	-	-	-	-	-	-
-	-	-	-	-	-	-	24,542
<u>378,057</u>	<u>-</u>	<u>3,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,878</u>
1,383,097	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	211,032
-	-	-	-	-	-	536	-
<u>1,383,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>536</u>	<u>211,032</u>
<u>\$ 1,761,154</u>	<u>\$ -</u>	<u>\$ 3,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 536</u>	<u>\$ 247,910</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2019

Data Control Codes		491 Textbook Fund	499 Local Grants	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 15,202	\$ 25,747	\$ 1,671,353
1240	Due from Other Governments	-	-	484,575
1290	Other Receivables	-	-	705
1000	Total Assets	<u>\$ 15,202</u>	<u>\$ 25,747</u>	<u>\$ 2,156,633</u>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ 612	\$ 298,034
2160	Accrued Wages Payable	-	-	186,562
2200	Accrued Expenditures	-	-	12,493
2300	Unearned Revenue	-	1,000	25,542
2000	Total Liabilities	<u>-</u>	<u>1,612</u>	<u>522,631</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	1,383,097
Committed Fund Balance:				
3544	Local Grants	-	24,135	24,135
3545	Campus Activity	-	-	211,032
3546	Textbooks	15,202	-	15,738
3000	Total Fund Balances	<u>15,202</u>	<u>24,135</u>	<u>1,634,002</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,202</u>	<u>\$ 25,747</u>	<u>\$ 2,156,633</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, 2019

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	515,803	927,014	18,627	11,948
5020 Total Revenues	515,803	927,014	18,627	11,948
EXPENDITURES:				
Current:				
0011 Instruction	347,167	559,470	14,007	7,273
0012 Instructional Resources and Media Services	4,906	-	-	-
0013 Curriculum and Instructional Staff Development	77,791	1,449	-	-
0021 Instructional Leadership	-	54,490	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	311,605	4,620	4,675
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0061 Community Services	85,939	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	515,803	927,014	18,627	11,948
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	461 Campus Activity Funds
\$ 1,662,607	\$ -	\$ -	\$ -	\$ -	\$ 3,590	\$ -	\$ 653,329
19,252	-	-	-	-	-	371,065	-
2,350,491	55,740	126,672	102,907	46,936	-	-	-
4,032,350	55,740	126,672	102,907	46,936	3,590	371,065	653,329
-	55,740	-	48,702	43,305	3,590	378,540	61,837
-	-	-	-	-	-	-	6,264
-	-	126,672	51,020	2,283	-	-	10,210
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	81,066
-	-	-	-	1,348	-	-	-
4,070,013	-	-	-	-	-	-	-
-	-	-	-	-	-	-	477,518
-	-	-	-	-	-	-	-
-	-	-	3,185	-	-	-	-
-	-	-	-	-	-	-	14,519
4,070,013	55,740	126,672	102,907	46,936	3,590	378,540	651,414
(37,663)	-	-	-	-	-	(7,475)	1,915
1,420,760	-	-	-	-	-	8,011	209,117
\$ 1,383,097	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 536	\$ 211,032

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	491 Textbook Fund	499 Local Grants	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 644	\$ 43,886	\$ 2,364,056
5800 State Program Revenues	-	-	390,317
5900 Federal Program Revenues	-	-	4,156,138
5020 Total Revenues	644	43,886	6,910,511
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	-	500	1,520,131
0012 Instructional Resources and Media Services	-	-	11,170
0013 Curriculum and Instructional Staff Development	-	6,050	275,475
0021 Instructional Leadership	-	-	54,490
0023 School Leadership	-	-	81,066
0031 Guidance, Counseling and Evaluation Services	-	-	322,248
0035 Food Services	-	-	4,070,013
0036 Extracurricular Activities	-	12,828	490,346
0041 General Administration	-	25,145	25,145
0061 Community Services	-	-	89,124
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	14,519
6030 Total Expenditures	-	44,523	6,953,727
1200 Net Change in Fund Balance	644	(637)	(43,216)
0100 Fund Balance - September 1 (Beginning)	14,558	24,772	1,677,218
3000 Fund Balance - August 31 (Ending)	\$ 15,202	\$ 24,135	\$ 1,634,002

## REQUIRED T.E.A. SCHEDULES



LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
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	1.170000	0.370000	3,904,942,803
2019 (School year under audit)	1.170000	0.470000	4,710,400,731
1000 TOTALS			

(10) Beginning Balance 9/1/2018		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2019	
\$	112,051	\$	-	\$	4,016	\$	1,394	\$	(4,137)	\$	102,504
	21,492		-		453		218		-		20,821
	20,940		-		386		186		-		20,368
	28,357		-		330		158		-		27,869
	59,674		-		66,998		32,211		70,964		31,429
	63,362		-		68,901		33,125		70,412		31,748
	73,141		-		103,491		32,728		100,921		37,843
	121,056		-		106,803		33,776		83,568		64,045
	268,078		-		146,093		46,200		9,478		85,263
	-		73,696,432		52,040,989		20,905,354		(411,479)		338,610
<u>\$</u>	<u>768,151</u>	<u>\$</u>	<u>73,696,432</u>	<u>\$</u>	<u>52,538,460</u>	<u>\$</u>	<u>21,085,350</u>	<u>\$</u>	<u>(80,273)</u>	<u>\$</u>	<u>760,500</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, 2019

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	\$ 1,644,050	\$ 1,644,050	\$ 1,662,607	\$ 18,557
5800 State Program Revenues	20,000	20,000	19,252	(748)
5900 Federal Program Revenues	2,186,778	2,186,778	2,350,491	163,713
5020 Total Revenues	3,850,828	3,850,828	4,032,350	181,522
EXPENDITURES:				
Current:				
0035 Food Services	3,850,828	4,274,828	4,070,013	204,815
6030 Total Expenditures	3,850,828	4,274,828	4,070,013	204,815
1200 Net Change in Fund Balances	-	(424,000)	(37,663)	386,337
0100 Fund Balance - September 1 (Beginning)	1,420,760	1,420,760	1,420,760	-
3000 Fund Balance - August 31 (Ending)	\$ 1,420,760	\$ 996,760	\$ 1,383,097	\$ 386,337

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, 2019

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	\$ 21,230,000	\$ 21,432,902	\$ 21,543,783	\$ 110,881
5800 State Program Revenues	-	260,360	260,360	-
5020 Total Revenues	21,230,000	21,693,262	21,804,143	110,881
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	5,580,000	5,863,819	5,863,818	1
0072 Interest on Long-Term Debt	15,500,000	15,222,784	15,222,784	-
0073 Bond Issuance Cost and Fees	20,000	160,077	84,544	75,533
6030 Total Expenditures	21,100,000	21,246,680	21,171,146	75,534
1100 Excess of Revenues Over Expenditures	130,000	446,582	632,997	186,415
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	3,985,000	3,985,000	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(3,900,891)	(3,901,661)	(770)
7080 Total Other Financing Sources (Uses)	-	84,109	83,339	(770)
1200 Net Change in Fund Balances	130,000	530,691	716,336	185,645
0100 Fund Balance - September 1 (Beginning)	5,326,647	5,326,647	5,326,647	-
3000 Fund Balance - August 31 (Ending)	\$ 5,456,647	\$ 5,857,338	\$ 6,042,983	\$ 185,645

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## FEDERAL AWARDS SECTION

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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, 2019, 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 December 4, 2019.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

December 4, 2019

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, 2019. 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, 2019.

## 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

December 4, 2019

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2019

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:

Special Education Cluster:

CFDA	84.027	IDEA-Part B, Formula
CFDA	84.027	IDEA-Part B, Discretionary
CFDA	84.173	IDEA-Part B, Preschool

CFDA 84.041 Impact Aid - P.L. 81.874

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 Related to Federal Awards

None

IV. Other Findings

None

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2019

**FINDING/NONCOMPLIANCE**

Finding 2018-001 -- Pledged collateral less than required amount

Status: The District completed its corrective action plan during the 2018-2019 fiscal year. District deposits at its depository bank were fully collateralized throughout the 2018-2019 fiscal year.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2019

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	S041A-2017-5019	\$ 66,097
Impact Aid - P.L. 81.874	84.041	S047A-2018-5019	228,434
Impact Aid - P.L. 81.874	84.041	S047A-2019-5019	428,599
Total CFDA Number 84.041			723,130
Total Direct Programs			723,130
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101061914	540,145
*IDEA - Part B, Formula	84.027	18660001061914	311,514
*IDEA - Part B, Formula	84.027	19660001061914	646,818
*IDEA - Part B, Discretionary	84.027	19660001061914	11,948
Total CFDA Number 84.027			970,280
*IDEA - Part B, Preschool	84.173	18661001061914	18,824
Total Special Education Cluster (IDEA)			989,104
Career and Technical - Basic Grant	84.048	19420006061914	58,121
Title III, Part A - English Language Acquisition	84.365A	19671001061914	107,906
ESEA, Title II, Part A, Teacher Principal Training	84.367A	19694501061914	132,777
Summer School LEP	84.369A	69551802	12,516
ESEA, Title IV, Part A - Student Support	84.424A	19680101061914	36,015
Total Passed Through State Department of Education			1,876,584
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			2,599,714
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401901	466,776
*National School Lunch Program - Cash Assistance	10.555	71301901	1,643,027
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301901	240,688
Total CFDA Number 10.555			1,883,715
Total Child Nutrition Cluster			2,350,491
Total Passed Through the State Department of Agriculture			2,350,491
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			2,350,491
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 4,950,205</b>

\*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2019

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, 2019, 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	\$4,950,205
Medicaid Reimbursement (SHARS)	<u>1,749,954</u>
Federal Revenues per Financial Statements	<u>\$6,700,159</u>