

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2016

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TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD	2	
Independent Auditors' Report	3	
Management's Discussion and Analysis	5	
<u>Basic Financial Statements</u>		
Government Wide Statements:		
Statement of Net Position	15	A-1
Statement of Activities	16	B-1
Governmental Fund Financial Statements:		
Balance Sheet	18	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	22	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	24	C-4
Budgetary Comparison Schedule – General Fund	25	C-5
Proprietary Fund Financial Statements:		
Statement of Net Position	26	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position	27	D-2
Statement of Cash Flows	28	D-3
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	29	E-1
Statement of Changes in Fiduciary Fund Net Position	30	E-2
Notes to the Financial Statements	31	
<u>Required Supplementary Information</u>		
Schedule of the District's Proportionate Share of the Net Pension Liability – Teacher's Retirement System	56	G-1
Schedule of District Contributions – Teacher's Retirement System	57	G-2
Notes to Required Supplementary Information	58	
<u>Combining Schedules</u>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	60	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	64	H-2
Private Purpose Trust Funds:		
Combining Statement of Net Position	67	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	68	H-4
<u>Required TEA Schedules</u>		
Schedule of Delinquent Taxes	70	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program	72	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	73	J-3
<u>Federal Awards Section</u>		
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 <i>Government Auditing Standards</i>	77	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	79	
Schedule of Findings and Questioned Costs	81	
Schedule of Status of Prior Findings	82	
Schedule of Expenditures of Federal Awards	83	K-1
Notes to Schedule of Expenditures of Federal Awards	84	

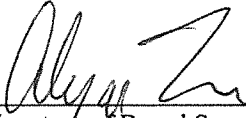
CERTIFICATE OF BOARD

Little Elm Independent School District
Name of School District

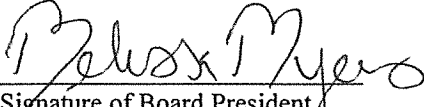
Denton
County

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, 2016, at a meeting of the Board of Trustees of such school district on the 12 day of December, 2016.



Signature of Board Secretary



Signature of Board President

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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, 2016, 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 5 through 11 and the Teacher Retirement System schedules on pages 56 and 57 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 1, 2016 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, PC
Denton, Texas

December 1, 2016

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2016
(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, 2016. Please read this narrative in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements that begin on page 15.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of Little Elm Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal period by \$1,658,083 (net position). Of this amount, \$(27,262,437) (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fiscal policies.
- The District's total net position increased by \$3,396,044 during the fiscal year from the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$54,727,186. 35% of this total amount \$18,946,037 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 \$18,946,037 or 30.2% 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 15 through 17). 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 18) 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 31) 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 15. 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 operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 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 under the No Child Left Behind Act 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. The District's fiduciary activity is reported in a separate Statement of Fiduciary Net Position on page 29. 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

In accordance with GASB Statement #34 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 \$(5,054,127) to \$(1,658,083). 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 \$(27,262,437) at August 31, 2016. This increase in governmental net position was the result of the District's revenues exceeding expenses by \$3,396,044.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 37,847,872	\$ 60,960,335	\$ 43,352	\$ (10,828)	\$ 37,891,224	\$ 60,949,507
Capital assets	139,295,590	138,161,785	103,218	91,750	139,398,808	138,253,535
Total assets	177,143,462	199,122,120	146,570	80,922	177,290,032	199,203,042
Deferred outflows of resources	8,778,914	12,823,230	-	-	8,778,914	12,823,230
Total assets and deferred outflows of resources	185,922,376	211,945,350	146,570	80,922	186,068,946	212,026,272
Long-term liabilities	183,430,837	206,927,505	-	-	183,430,837	206,927,505
Other liabilities	5,477,775	5,674,173	4,966	5,126	5,482,741	5,679,299
Total liabilities	188,908,612	212,601,678	4,966	5,126	188,913,578	212,606,804
Deferred inflows of resources	2,067,891	1,001,755	-	-	2,067,891	1,001,755
Total liabilities and deferred inflows of resources	190,976,503	213,603,433	4,966	5,126	190,981,469	213,608,559
Net Position:						
Net investments in capital assets	(2,194,615)	(2,069,461)	103,218	91,750	(2,091,397)	(1,977,711)
Restricted	8,502,401	27,673,815	-	-	8,502,401	27,673,815
Unrestricted	(11,361,913)	(27,262,437)	38,386	(15,954)	(11,323,527)	(27,278,391)
Total Net Position	\$ (5,054,127)	\$ (1,658,083)	\$ 141,604	\$ 75,796	\$ (4,912,523)	\$ (1,582,287)

Table II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 1,619,736	\$ 1,790,986	\$ 599,323	\$ 578,123	\$ 2,219,059	\$ 2,369,109
Operating grants and contributions	8,325,892	9,428,469	-	-	8,325,892	9,428,469
General Revenues:						
Maintenance and operations taxes	25,054,044	31,654,164	-	-	25,054,044	31,654,164
Debt service taxes	12,019,598	10,035,719	-	-	12,019,598	10,035,719
State aid	24,444,501	25,262,226	-	-	24,444,501	25,262,226
Investment earnings	93,690	198,520	-	-	93,690	198,520
Miscellaneous	1,368,123	1,334,744	-	-	1,368,123	1,334,744
Other federal revenue	802,881	1,853,297	-	-	802,881	1,853,297
Insurance recovery	51,068	92,739	-	-	51,068	92,739
Sale of real and personal property	53,505	306,819	-	-	53,505	306,819
Total Revenue	<u>73,833,038</u>	<u>81,957,683</u>	<u>599,323</u>	<u>578,123</u>	<u>74,432,361</u>	<u>82,535,806</u>
Expenses:						
Instruction, curriculum and media services	36,497,342	44,022,535	-	-	36,497,342	44,022,535
Instructional and school leadership	4,406,882	5,660,806	-	-	4,406,882	5,660,806
Student support services	4,010,749	4,403,793	-	-	4,010,749	4,403,793
Child nutrition	3,342,361	4,002,992	-	-	3,342,361	4,002,992
Cocurricular activities	2,513,579	2,890,925	-	-	2,513,579	2,890,925
General administration	2,176,094	2,914,831	-	-	2,176,094	2,914,831
Plant maintenance, security and data processing	6,598,861	7,724,110	-	-	6,598,861	7,724,110
Community services	98,686	119,087	-	-	98,686	119,087
Childcare services	-	-	592,011	643,931	592,011	643,931
Debt services	7,812,344	6,532,577	-	-	7,812,344	6,532,577
Intergovernmental charges	262,668	289,983	-	-	262,668	289,983
Total Expenses	<u>67,719,566</u>	<u>78,561,639</u>	<u>592,011</u>	<u>643,931</u>	<u>68,311,577</u>	<u>79,205,570</u>
Increase (Decrease) in Net Position	6,113,472	3,396,044	7,312	(65,808)	6,120,784	3,330,236
Net Position - beginning of year	(3,508,540)	(5,054,127)	134,292	141,604	(3,374,248)	(4,912,523)
Prior period adjustment	(7,659,059)	-	-	-	(7,659,059)	-
Net Position - end of year	<u>\$ (5,054,127)</u>	<u>\$ (1,658,083)</u>	<u>\$ 141,604</u>	<u>\$ 75,796</u>	<u>\$ (4,912,523)</u>	<u>\$ (1,582,287)</u>

The District notes the following highlights for the 2015-2016 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 maintained the employer's health insurance contribution of \$325 per month.
- The District operated an Energy Education Plan and an Energy Manager in an effort to conserve energy and reduce energy costs.
- The Board of Trustees approved a property tax rate of \$1.54/\$100 of value (1.17 for M&O and .37 for Debt Service).
- The District maintained an employee induction program for new teachers that provides training and staff development.
- The District maintained its agreement with nearby Denton ISD, allowing high school students to take vocational classes in Denton, and its partnership with North Central Texas College, providing credit and non-credit opportunities for high school students and community residents at our High School location.
- 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 \$78,561,639. However, as shown in the Statement of Activities on pages 16 and 17, the amount that our taxpayers ultimately financed for these activities through District taxes was \$41,689,883 because some of the costs were paid by those who directly benefited from the programs (\$1,790,986) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9,428,469) or by State equalization funding (\$25,262,226), or by other federal funding (\$1,853,297).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$54,727,186, which is \$22,907,795 higher than last year's total of \$31,819,371. Included in this year's total change in fund balance is an increase of \$3,796,314 in the District's General Fund. The primary reason for the General Fund's increase was due to sales of real and personal property and capital leases.

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 2015). 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 \$27,043,674 reported on page 18 differs from the General Fund's budgetary fund balance of \$22,277,089 reported in the budgetary comparison schedule on page 25. This is principally due to revenues being more than amounts budgeted, and cost savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2016, the District had \$138,161,785 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$1,133,805 or .81 percent, below last year.

This year's major additions were building renovations and furniture and equipment purchases.

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

Debt Administration

At year-end, the District had \$193,466,590 in bonds, leases and a maintenance tax note outstanding (including accreted interest on bonds) versus \$176,670,880 last year—an increase of 9.51 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 2016-2017 to compensate for some increases in costs and continued increases in enrollment:

- The Board adopted a \$77.2 million appropriations budget including General Operating, Child Nutrition, and Debt Service.
- 2016 Certified Taxable Property Values increased \$453.5 million from \$2,365,894,654 to \$2,819,398,964 from 2015 to 2016.
- Student enrollment increased 234 students from 7,175 to 7,509 students beginning of the school year 2015 to the beginning of the 2016 school year.
- The Board adopted a total tax rate of \$1.54/\$100 of taxable property value (\$1.17 for M&O and \$.37 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, 2016

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 58,463,808	\$ (11,138)	\$ 58,452,670
1220	Property Taxes Receivable (Delinquent)	597,835	-	597,835
1230	Allowance for Uncollectible Taxes	(38,859)	-	(38,859)
1240	Due from Other Governments	1,792,228	-	1,792,228
1290	Other Receivables, net	45,687	310	45,997
1410	Prepayments	99,636	-	99,636
	Capital Assets:			
1510	Land	10,742,680	-	10,742,680
1520	Buildings, Net	118,875,224	91,750	118,966,974
1530	Furniture and Equipment, Net	5,226,545	-	5,226,545
1580	Construction in Progress	3,317,336	-	3,317,336
1000	Total Assets	199,122,120	80,922	199,203,042
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	6,435,802	-	6,435,802
1705	Deferred Outflow Related to TRS	6,387,428	-	6,387,428
1700	Total Deferred Outflows of Resources	12,823,230	-	12,823,230
LIABILITIES				
2110	Accounts Payable	2,582,334	3,985	2,586,319
2130	Short Term Capital Leases Payable	297,025	-	297,025
2140	Interest Payable	2,975	-	2,975
2150	Payroll Deductions & Withholdings	1	-	1
2160	Accrued Wages Payable	2,635,292	1,119	2,636,411
2200	Accrued Expenses	55,472	22	55,494
2300	Unearned Revenue	101,074	-	101,074
	Noncurrent Liabilities			
2501	Due Within One Year	5,043,769	-	5,043,769
2502	Due in More Than One Year	188,422,821	-	188,422,821
2540	Net Pension Liability (District's Share)	13,460,915	-	13,460,915
2000	Total Liabilities	212,601,678	5,126	212,606,804
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS	1,001,755	-	1,001,755
2600	Total Deferred Inflows of Resources	1,001,755	-	1,001,755
NET POSITION				
3200	Net Investment in Capital Assets	(2,069,461)	91,750	(1,977,711)
	Restricted:			
3820	Restricted for Federal and State Programs	1,229,332	-	1,229,332
3850	Restricted for Debt Service	4,320,687	-	4,320,687
3860	Restricted for Capital Projects	21,645,601	-	21,645,601
3870	Restricted for Campus Activities	212,995	-	212,995
3880	Restricted for Textbooks	255,318	-	255,318
3890	Restricted for Local Grants	9,882	-	9,882
3900	Unrestricted	(27,262,437)	(15,954)	(27,278,391)
3000	Total Net Position	\$ (1,658,083)	\$ 75,796	\$ (1,582,287)

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, 2016

		Program Revenues	
Data	1	3	4
Control		Charges for	Operating
Codes	Expenses	Services	Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 42,098,591	\$ 142,830	\$ 4,337,547
12 Instructional Resources and Media Services	927,619	-	40,231
13 Curriculum and Staff Development	996,325	-	197,758
21 Instructional Leadership	1,340,998	-	186,298
23 School Leadership	4,319,808	-	295,863
31 Guidance, Counseling and Evaluation Services	1,900,469	-	316,873
32 Social Work Services	21,440	-	1,215
33 Health Services	551,486	-	36,966
34 Student (Pupil) Transportation	1,930,398	-	530,072
35 Food Services	4,002,992	1,467,534	2,278,980
36 Extracurricular Activities	2,890,925	127,883	531,169
41 General Administration	2,914,831	-	170,244
51 Facilities Maintenance and Operations	6,152,406	52,739	205,933
52 Security and Monitoring Services	466,857	-	3,182
53 Data Processing Services	1,104,847	-	60,819
61 Community Services	119,087	-	114,405
72 Debt Service - Interest on Long Term Debt	6,133,575	-	120,914
73 Debt Service - Bond Issuance Cost and Fees	399,002	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	27,768	-	-
99 Other Intergovernmental Charges	262,215	-	-
[TG] Total Governmental Activities:	78,561,639	1,790,986	9,428,469
BUSINESS-TYPE ACTIVITIES:			
01 Childcare	643,931	578,123	-
[TB] Total Business-Type Activities:	643,931	578,123	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 79,205,570	\$ 2,369,109	\$ 9,428,469

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Special Item - Other Federal Revenues
S2	Special Item - Insurance Recovery
E1	Special Item - Sale of Real and Personal Property
TR	Total General Revenues and Special 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
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (37,618,214)	\$ -	\$ (37,618,214)
(887,388)	-	(887,388)
(798,567)	-	(798,567)
(1,154,700)	-	(1,154,700)
(4,023,945)	-	(4,023,945)
(1,583,596)	-	(1,583,596)
(20,225)	-	(20,225)
(514,520)	-	(514,520)
(1,400,326)	-	(1,400,326)
(256,478)	-	(256,478)
(2,231,873)	-	(2,231,873)
(2,744,587)	-	(2,744,587)
(5,893,734)	-	(5,893,734)
(463,675)	-	(463,675)
(1,044,028)	-	(1,044,028)
(4,682)	-	(4,682)
(6,012,661)	-	(6,012,661)
(399,002)	-	(399,002)
(27,768)	-	(27,768)
(262,215)	-	(262,215)
(67,342,184)	-	(67,342,184)
-	(65,808)	(65,808)
-	(65,808)	(65,808)
(67,342,184)	(65,808)	(67,407,992)
31,654,164	-	31,654,164
10,035,719	-	10,035,719
25,262,226	-	25,262,226
198,520	-	198,520
1,334,744	-	1,334,744
1,853,297	-	1,853,297
92,739	-	92,739
306,819	-	306,819
70,738,228	-	70,738,228
3,396,044	(65,808)	3,330,236
(5,054,127)	141,604	(4,912,523)
\$ (1,658,083)	\$ 75,796	\$ (1,582,287)

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 29,724,594	\$ 4,330,384	\$ 22,639,306
1220 Property Taxes - Delinquent	432,381	165,454	-
1230 Allowance for Uncollectible Taxes (Credit)	(28,105)	(10,754)	-
1240 Receivables from Other Governments	1,525,957	-	-
1290 Other Receivables	36,019	-	-
1410 Prepayments	97,637	-	-
1000 Total Assets	<u>\$ 31,788,483</u>	<u>\$ 4,485,084</u>	<u>\$ 22,639,306</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,374,995	\$ -	\$ 993,705
2130 Capital Leases Payable - Current	297,025	-	-
2140 Interest Payable - Current	2,975	-	-
2150 Payroll Deductions and Withholdings Payable	1	-	-
2160 Accrued Wages Payable	2,516,206	-	-
2200 Accrued Expenditures	48,257	-	-
2300 Unearned Revenues	101,074	-	-
2000 Total Liabilities	<u>4,340,533</u>	<u>-</u>	<u>993,705</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	404,276	154,700	-
2600 Total Deferred Inflows of Resources	<u>404,276</u>	<u>154,700</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			-
3430 Prepaid Items	97,637	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	4,330,384	-
Committed Fund Balance:			
3545 Local Grants	-	-	-
3545 Campus Activities	-	-	-
3545 Textbooks	-	-	-
Assigned Fund Balance:			
3550 Construction	-	-	21,645,601
3590 Other Assigned Fund Balance	8,000,000	-	-
3600 Unassigned Fund Balance	18,946,037	-	-
3000 Total Fund Balances	<u>27,043,674</u>	<u>4,330,384</u>	<u>21,645,601</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 31,788,483</u>	<u>\$ 4,485,084</u>	<u>\$ 22,639,306</u>

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

Other Funds	Total Governmental Funds
\$ 1,769,524	\$ 58,463,808
-	597,835
-	(38,859)
266,271	1,792,228
9,668	45,687
1,999	99,636
<u>\$ 2,047,462</u>	<u>\$ 60,960,335</u>
\$ 213,634	\$ 2,582,334
-	297,025
-	2,975
-	1
119,086	2,635,292
7,215	55,472
-	101,074
<u>339,935</u>	<u>5,674,173</u>
-	558,976
-	558,976
-	97,637
1,229,332	1,229,332
-	4,330,384
9,882	9,882
212,995	212,995
255,318	255,318
-	21,645,601
-	8,000,000
-	18,946,037
<u>1,707,527</u>	<u>54,727,186</u>
<u>\$ 2,047,462</u>	<u>\$ 60,960,335</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, 2016

Total Fund Balances - Governmental Funds	\$ 54,727,186
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	190,490,896
2 Accumulated depreciation has not been included in the fund financial statements..	(52,329,111)
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$13,460,915, a Deferred Resource Inflow related to TRS in the amount of \$1,001,755, and a Deferred Resource Outflow related to TRS in the amount of \$6,387,428. This amounted to a decrease in Net Position in the amount of \$8,075,242.	(8,075,242)
4 Bonds payable, leases payable and the maintenance tax note have not been included in the fund financial statements.	(159,009,187)
5 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(25,153,941)
6 Deferred loss on bond refunding has not been included in the fund financial statements.	6,435,802
7 Bond discounts and premiums were not recognized in the fund financial statements.	(9,303,462)
8 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	558,976
19 Net Position of Governmental Activities	\$ (1,658,083)

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 BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 33,496,381	\$ 10,077,580	\$ 46,091
5800	State Program Revenues	28,285,998	120,914	-
5900	Federal Program Revenues	1,853,299	-	-
5020	Total Revenues	63,635,678	10,198,494	46,091
EXPENDITURES:				
Current:				
0011	Instruction	36,420,955	-	-
0012	Instructional Resources and Media Services	745,102	-	-
0013	Curriculum and Instructional Staff Development	798,162	-	-
0021	Instructional Leadership	1,165,730	-	-
0023	School Leadership	4,049,390	-	-
0031	Guidance, Counseling and Evaluation Services	1,596,227	-	-
0032	Social Work Services	20,165	-	-
0033	Health Services	514,233	-	-
0034	Student (Pupil) Transportation	1,521,523	-	-
0035	Food Services	113,933	-	-
0036	Extracurricular Activities	1,858,501	-	-
0041	General Administration	2,759,905	-	-
0051	Facilities Maintenance and Operations	5,941,068	-	-
0052	Security and Monitoring Services	430,315	-	-
0053	Data Processing Services	1,063,434	-	-
0061	Community Services	38,856	-	-
Debt Service:				
0071	Principal on Long Term Debt	1,098,611	3,267,048	-
0072	Interest on Long Term Debt	224,570	7,994,940	-
0073	Bond Issuance Cost and Fees	1,000	398,002	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	2,004,209	-	2,189,143
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	27,768	-	-
0099	Other Intergovernmental Charges	262,215	-	-
6030	Total Expenditures	62,655,872	11,659,990	2,189,143
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	979,806	(1,461,496)	(2,143,052)
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	17,595,000	21,000,000
7912	Sale of Real and Personal Property	1,298,842	-	-
7913	Capital Leases	2,517,288	-	-
7915	Transfers In	-	-	999,622
7916	Premium or Discount on Issuance of Bonds	-	3,525,720	-
8911	Transfers Out (Use)	(999,622)	-	-
8949	Other (Uses)	-	(20,719,157)	-
7080	Total Other Financing Sources (Uses)	2,816,508	401,563	21,999,622
1200	Net Change in Fund Balances	3,796,314	(1,059,933)	19,856,570
0100	Fund Balance - September 1 (Beginning)	23,247,360	5,390,317	1,789,031
3000	Fund Balance - August 31 (Ending)	\$ 27,043,674	\$ 4,330,384	\$ 21,645,601

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

	Other Funds	Total Governmental Funds
\$	2,239,216	\$ 45,859,268
	709,895	29,116,807
	3,764,472	5,617,771
	6,713,583	80,593,846
	1,711,128	38,132,083
	-	745,102
	159,449	957,611
	115,257	1,280,987
	6,809	4,056,199
	197,323	1,793,550
	1,147	21,312
	-	514,233
	43,676	1,565,199
	3,605,500	3,719,433
	462,654	2,321,155
	24,381	2,784,286
	-	5,941,068
	-	430,315
	-	1,063,434
	71,415	110,271
	-	4,365,659
	-	8,219,510
	-	399,002
	-	4,193,352
	-	27,768
	-	262,215
	6,398,739	82,903,744
	314,844	(2,309,898)
	-	38,595,000
	-	1,298,842
	-	2,517,288
	-	999,622
	-	3,525,720
	-	(999,622)
	-	(20,719,157)
	-	25,217,693
	314,844	22,907,795
	1,392,683	31,819,391
\$	1,707,527	\$ 54,727,186

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 22,907,795
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.	5,094,706
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.	(5,236,488)
Current year long-term debt principal payments on contractual obligations are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	4,365,658
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.	1,130,354
In the statement of activities, the gain on the asset disposal is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by the cost of assets disposed.	(992,023)
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 8/31/2015 caused the ending net position to increase in the amount of \$1,250,351. Contributions made before the measurement but during the 2016 FY were also de-expended and recorded as a reduction in the net pension liability for the District. These contributions were replaced with the District's pension expense for the year of \$2,169,310, which caused a net decrease in the change in net position. The impact of all of these is to decrease net position by \$918,959.	(918,959)
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.	8,270
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.	2,091,286
The premium on the current year issuance of bonds is recorded as other resources in the fund financial statements, but is capitalized in the government-wide financial statements.	(3,525,720)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as reduction in long-term debt in the government-wide financial statements.	20,719,157
Current year issuances of bonds are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(38,595,000)
Current year issuances of leases are shown as other resources in the fund financial statements, but are shown as increase in long-term debt in the government-wide financial statements.	(2,517,288)
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.	(1,135,704)
Change in Net Position of Governmental Activities	\$ 3,396,044

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 BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT C-5

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	\$ 28,540,532	\$ 33,292,923	\$ 33,496,381	\$ 203,458
5800	State Program Revenues	25,129,508	27,583,080	28,285,998	702,918
5900	Federal Program Revenues	325,000	1,542,165	1,853,299	311,134
5020	Total Revenues	53,995,040	62,418,168	63,635,678	1,217,510
	EXPENDITURES:				
	Current:				
0011	Instruction	31,793,937	37,589,627	36,420,955	1,168,672
0012	Instructional Resources and Media Services	610,391	823,194	745,102	78,092
0013	Curriculum and Instructional Staff Development	596,541	827,423	798,162	29,261
0021	Instructional Leadership	1,049,409	1,277,150	1,165,730	111,420
0023	School Leadership	3,633,792	4,148,048	4,049,390	98,658
0031	Guidance, Counseling and Evaluation Services	1,636,392	1,763,366	1,596,227	167,139
0032	Social Work Services	20,350	21,350	20,165	1,185
0033	Health Services	473,205	544,565	514,233	30,332
0034	Student (Pupil) Transportation	1,622,150	1,643,650	1,521,523	122,127
0035	Food Services	82,545	123,204	113,933	9,271
0036	Extracurricular Activities	1,405,723	1,991,217	1,858,501	132,716
0041	General Administration	2,428,498	2,805,350	2,759,905	45,445
0051	Facilities Maintenance and Operations	5,717,538	6,797,933	5,941,068	856,865
0052	Security and Monitoring Services	360,026	534,319	430,315	104,004
0053	Data Processing Services	884,964	1,134,784	1,063,434	71,350
0061	Community Services	37,949	43,512	38,856	4,656
	Debt Service:				
0071	Principal on Long Term Debt	630,034	1,098,611	1,098,611	-
0072	Interest on Long Term Debt	221,596	224,571	224,570	1
0073	Bond Issuance Cost and Fees	-	1,000	1,000	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	500,000	2,577,947	2,004,209	573,738
	Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	32,000	32,000	27,768	4,232
0099	Other Intergovernmental Charges	258,000	262,215	262,215	-
6030	Total Expenditures	53,995,040	66,265,036	62,655,872	3,609,164
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,846,868)	979,806	4,826,674
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	1,295,780	1,298,842	3,062
7913	Capital Leases	-	2,580,439	2,517,288	(63,151)
8911	Transfers Out (Use)	-	(999,622)	(999,622)	-
7080	Total Other Financing Sources (Uses)	-	2,876,597	2,816,508	(60,089)
1200	Net Change in Fund Balances	-	(970,271)	3,796,314	4,766,585
0100	Fund Balance - September 1 (Beginning)	23,247,360	23,247,360	23,247,360	-
3000	Fund Balance - August 31 (Ending)	\$ 23,247,360	\$ 22,277,089	\$ 27,043,674	\$ 4,766,585

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, 2016

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ (11,138)
Other Receivables	310
Total Current Assets	<u>(10,828)</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	114,687
Depreciation on Buildings	(22,937)
Total Noncurrent Assets	<u>91,750</u>
Total Assets	<u>80,922</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,985
Accrued Wages Payable	1,119
Accrued Expenses	22
Total Liabilities	<u>5,126</u>
NET POSITION	
Net Investment in Capital Assets	91,750
Unrestricted Net Position	(15,954)
Total Net Position	<u><u>\$ 75,796</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, 2016

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 578,123
Total Operating Revenues	<u>578,123</u>
OPERATING EXPENSES:	
Payroll Costs	585,227
Professional and Contracted Services	5,311
Supplies and Materials	31,195
Other Operating Costs	10,730
Depreciation Expense	<u>11,468</u>
Total Operating Expenses	<u>643,931</u>
Operating Income (Loss)	(65,808)
Total Net Position - September 1 (Beginning)	<u>141,604</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 75,796</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, 2016

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 580,415
Cash Payments for Payroll Costs	(586,201)
Cash Payments for Professional Services	(5,311)
Cash Payments for Supplies and Materials	(30,083)
Cash Payments for Other Costs	(10,708)
Net Cash Used for Operating Activities	(51,888)
Net Decrease in Cash and Cash Equivalents	(51,888)
Cash and Cash Equivalents at Beginning of Year	40,750
Cash and Cash Equivalents at End of Year	\$ (11,138)
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (65,808)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	11,468
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Other Receivables	2,292
Increase (decrease) in Accounts Payable	1,112
Increase (decrease) in Accrued Wages Payable	(974)
Increase (decrease) in Accrued Expenses	22
Net Cash Used for Operating Activities	\$ (51,888)

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 220,804	\$ 83,998
Total Assets	<u>220,804</u>	<u>\$ 83,998</u>
LIABILITIES		
Due to Student Groups	-	\$ 83,998
Total Liabilities	<u>-</u>	<u>\$ 83,998</u>
NET POSITION		
Unrestricted Net Position	<u>220,804</u>	
Total Net Position	<u>\$ 220,804</u>	

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 37,618
Total Additions	<u>37,618</u>
DEDUCTIONS:	
Other Operating Costs	<u>8,339</u>
Total Deductions	<u>8,339</u>
Change in Net Position	29,279
 Total Net Position - September 1 (Beginning)	 <u>191,525</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 220,804</u></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, 2016

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, 2016

Fund Financial Statements:

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

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

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

Additionally, the District reports the following fund types:

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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 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.

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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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.

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, 2016 that were subsequently provided for in the 2016-17 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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. 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.

I. 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.

J. 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.

K. 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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.

L. 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 2016, 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, 2016, 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, 2016.

Workers' Compensation Aggregate Deductible

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

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

The 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 \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2016, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

Unemployment Compensation Pool

The District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund. 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Auto, Liability and Property Programs

The District participated in the following TASB Risk Management Fund programs:

Auto Liability
Auto Physical Damage
Legal Liability
Property

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 coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves. For the year ended August 31, 2016, the Fund anticipates Little Elm ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Texas Association of School Boards Risk Management Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2015, are available at the TASB offices and have been filed with Texas Department of Insurance in Austin.

M. 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.
- 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. Federal and State grant resources are being restricted because their use is restricted pursuant to the mandates of the Federal or State grants.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

- 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, 2016 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.
- 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 (page 18) and are described below:

General Fund

The General Fund has unassigned fund balance of \$18,946,037 at August 31, 2016. Deferred expenditures (prepaid items) of \$97,637 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 \$4,330,384 at August 31, 2016 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

The Capital Projects Fund has restricted funds of \$21,645,601 at August 31, 2016 consisting primarily of unspent bond funds.

Other Funds

The fund balance of \$212,995 of the Campus Activity Fund and \$255,318 Textbook Funds and \$9,882 local grants (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 \$1,229,332 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$20,627,588, which includes \$9,045 cash on hand. The combined bank balance was \$21,117,500. The District's cash deposits at August 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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, 2016, the District's cash balances in the bank totaled \$21,117,500. 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, 2016.
- 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, 2016, the District held investments in four public funds investment pools (TexPool, TexSTAR, Lonestar and Texas Class). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the four investment pools range from AAA (Standard & Poor's) to AAAm (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for both TexPool and TexStar is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2016, 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, 2016, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	\$ 2,700,992	\$ 2,700,992
TexSTAR	1,383,431	1,383,431
Lonestar	12,226,258	12,226,258
Texas Class	<u>21,819,203</u>	<u>21,819,203</u>
Total	<u>\$38,129,884</u>	<u>\$38,129,884</u>

Fair Value Measurements

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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, 2016, 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	\$ 10,742,680	\$ -	\$ -	\$ 10,742,680
Construction in Progress	<u>1,304,239</u>	<u>3,150,149</u>	<u>1,137,052</u>	<u>3,317,336</u>
Total capital assets, not being depreciated	<u>12,046,919</u>	<u>3,150,149</u>	<u>1,137,052</u>	<u>14,060,016</u>
Capital assets, being depreciated:				
Buildings	169,337,551	2,180,255	3,609,079	167,908,727
Furniture and Equipment	<u>7,620,799</u>	<u>901,354</u>	<u>-</u>	<u>8,522,153</u>
Total capital assets, being depreciated	<u>176,958,350</u>	<u>3,081,609</u>	<u>3,609,079</u>	<u>176,430,880</u>
Less accumulated depreciation for:				
Buildings	(47,099,356)	(4,551,203)	(2,617,056)	(49,033,503)
Furniture and Equipment	<u>(2,610,323)</u>	<u>(685,285)</u>	<u>-</u>	<u>(3,295,608)</u>
Total accumulated depreciation	<u>(49,709,679)</u>	<u>(5,236,488)</u>	<u>(2,617,056)</u>	<u>(52,329,111)</u>
Total capital assets being depreciated, net	<u>127,248,671</u>	<u>(2,154,879)</u>	<u>992,023</u>	<u>124,101,769</u>
Governmental activities capital assets, net	<u>\$139,295,590</u>	<u>\$ 995,270</u>	<u>\$ 2,129,075</u>	<u>\$138,161,785</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>(11,469)</u>	<u>(11,468)</u>	<u>-</u>	<u>(22,937)</u>
Total accumulated depreciation	<u>(11,469)</u>	<u>(11,468)</u>	<u>-</u>	<u>(22,937)</u>
Business-type activities capital assets net	<u>\$ 103,218</u>	<u>\$ (11,468)</u>	<u>\$ -</u>	<u>\$ 91,750</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

Governmental activities:	
Instruction	\$2,891,519
Instructional Resources & Media Services	161,377
Curriculum & Instructional Staff Development	16,350
Instructional Leadership	9,251
School Leadership	110,836
Guidance, Counseling & Evaluation Services	24,004
Health Services	20,079
Student (Pupil) Transportation	404,268
Food Services	373,771
Cocurricular/Extracurricular Activities	659,519
General Administration	42,233
Plant Maintenance and Operations	466,339
Security and Monitoring Services	35,652
Data Processing Services	20,231
Community Services	<u>1,059</u>
Total depreciation expense-Governmental activities	<u>\$5,236,488</u>
Business-type activities:	
Child Care	<u>\$ 11,468</u>
Total depreciation expense Business-type activities	<u>\$ 11,468</u>

NOTE 5. MAINTENANCE TAX NOTE

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

A summary of changes in the maintenance tax note for the year ended August 31, 2016 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-15</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-16</u>	<u>Due Within One Year</u>
Maintenance Tax Note	4.25%	<u>\$4,405,000</u>	<u>\$ -</u>	<u>\$190,000</u>	<u>\$4,215,000</u>	<u>\$195,000</u>

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

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 195,000	\$ 147,538	\$ 342,538
2018	200,000	143,638	343,638
2019	200,000	139,638	339,638
2020	205,000	134,638	339,638
2021	210,000	129,513	339,513
2022-2026	1,165,000	544,913	1,709,913
2027-2031	1,395,000	314,660	1,709,660
2032-2033	<u>645,000</u>	<u>41,437</u>	<u>686,437</u>
	<u>\$4,215,000</u>	<u>\$1,595,975</u>	<u>\$5,810,975</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 6. CAPITAL LEASES

The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$7,283,898 at August 31, 2016.

A summary of changes in capital leases payable for the year ended August 31, 2016 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-15</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-16</u>	<u>Due Within One Year</u>
Equipment	5.36%	\$ 188,753	\$ -	\$ 91,886	\$ 96,867	\$ 98,867
Buses	1.99%	2,989,007	-	348,147	2,640,860	355,139
Computers	2.10%	-	665,324	171,551	493,773	161,182
Computers	2.30%	-	<u>1,851,964</u>	<u>297,026</u>	<u>1,554,938</u>	<u>177,020</u>
		<u>\$3,177,760</u>	<u>\$2,517,288</u>	<u>\$908,610</u>	<u>\$4,786,438</u>	<u>\$790,208</u>

The following is a schedule of future minimum lease payments under capital leases:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 790,208	\$ 71,635	\$ 861,843
2018	975,740	84,580	1,060,320
2019	996,796	63,524	1,060,320
2020	846,757	42,011	888,768
2021	384,538	23,636	408,174
2022	392,261	15,913	408,174
2023	<u>400,138</u>	<u>8,036</u>	<u>408,174</u>
	<u>\$4,786,438</u>	<u>\$309,335</u>	<u>\$5,095,773</u>

NOTE 7. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, a maintenance tax note and two 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2016:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/15</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/16</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1995A School Bldg.	5.90%	\$ 90,000	\$ -	\$ -	\$ 90,000	\$ -
1999 School Bldg. & Ref.	6.22%	1,677,213	-	152,135	1,525,078	150,817
2002 School Bldg. & Ref.	6.29%	3,646,376	-	670,634	2,975,742	815,815
2002A School Bldg. & Ref.	5.98%	151,344	-	151,344	-	-
2003 School Bldg. & Ref.	5.93%	109,864	-	57,935	51,929	51,929
2006 School Bldg. & Ref.	5.00%	21,790,000	-	21,790,000	-	-
2008A School Building	4.00%	7,445,000	-	110,000	7,335,000	105,000
2008B Refunding	4.00%	1,015,000	-	150,000	865,000	145,000
2010 Refunding	4.25%	19,960,000	-	-	19,960,000	550,000
2012 Refunding	5.00%	48,265,000	-	-	48,265,000	-
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%	11,505,000	-	410,000	11,095,000	480,000
2015B Refunding	4.00%	8,440,000	-	30,000	8,410,000	30,000
2016 School Bldg. & Ref.	5.00%	-	<u>38,595,000</u>	-	<u>38,595,000</u>	<u>1,730,000</u>
Total Bonded Indebtedness		<u>134,934,797</u>	<u>38,595,000</u>	<u>23,522,048</u>	<u>150,007,749</u>	<u>4,058,561</u>
Maintenance Tax Note	4.25%	4,405,000	-	190,000	4,215,000	195,000
Capital Leases	5.36%	3,177,760	2,517,288	908,610	4,786,438	790,208
Accreted Interest	5.17%	26,284,295	1,827,598	2,957,952	25,153,941	-
Discount/Premium on Issuance of Debt		<u>7,869,028</u>	<u>3,525,720</u>	<u>2,091,286</u>	<u>9,303,462</u>	-
Total Other Obligations		<u>41,736,083</u>	<u>7,870,606</u>	<u>5,957,848</u>	<u>43,458,841</u>	<u>985,208</u>
Total Obligations of District		<u>\$176,670,880</u>	<u>\$46,465,606</u>	<u>\$29,479,896</u>	<u>\$193,466,590</u>	<u>\$5,043,769</u>

The 1995A, 1999, 2002, 2003, 2008A, 2008B, 2010, 2012 and 2013 bond series include outstanding capital appreciation bonds in the principal amount of \$12,037,748. The bonds mature variously beginning in 2016 through 2042. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity. The accrued interest of \$25,153,941 is accounted for as Accrued 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, 2016.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 4,058,561	\$ 8,011,132	\$ 12,069,693
2018	3,911,158	8,056,604	11,967,762
2019	3,998,818	7,965,638	11,964,456
2020	4,000,215	7,967,734	11,967,949
2021	3,812,589	8,001,771	11,814,360
2022-2026	16,069,656	41,561,201	57,630,857
2027-2031	25,736,752	31,110,729	56,847,481
2032-2036	40,690,000	16,329,975	57,019,975
2037-2041	44,205,000	6,249,250	50,454,250
2042	<u>3,525,000</u>	<u>173,300</u>	<u>3,698,300</u>
	<u>\$150,007,749</u>	<u>\$135,427,334</u>	<u>\$285,435,083</u>

NOTE 8. DEBT ISSUANCE AND DEFEASED BONDS OUTSTANDING

On April 15, 2016 the District issued \$38,595,000 (par value) in unlimited school building and tax refunding bonds (current interest bonds) to advance refund \$20,255,000 of unlimited tax school building and refunding bonds and to provide \$21,000,000 for construction. The bonds were issued at a premium of \$3,525,720, and, after paying issuance costs of \$401,563 the net proceeds were \$41,719,157. \$20,719,157 of the net proceeds 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 bonds until the bonds mature. The advanced refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds 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 \$3,359,081.

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 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, 2016, \$7,495,000 of bonds outstanding are considered defeased.

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 2015-16 fiscal year was based was \$2,674,137,297. 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, 2016, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.37 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Current tax collections for the year ended August 31, 2016 were 99.55% 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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$404,276 and \$154,700 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.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Little Elm ISD FY2016 Employer Contributions	\$ 1,127,615	
Little Elm ISD FY2016 Member Contributions	\$ 2,437,862	
State of Texas 2015 NECE On-Behalf Contributions	\$ 1,779,114	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The single discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

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

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Discount Rate Sensitivity Analysis. The following schedule shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Little Elm ISD's proportionate share of the net pension liability:	\$21,090,714	\$13,460,915	\$7,105,763

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2016, Little Elm Independent School District reported a liability of \$13,460,915 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	\$13,460,915
State's proportionate share that is associated with the District	<u>21,232,603</u>
Total	<u>\$34,693,518</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0380804% an increase of 50.5% from its proportionate share of 0.0253074 % at August 31, 2014.

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2016, Little Elm Independent School District recognized pension expense of \$1,048,748 and revenue of \$1,048,748 for support provided by the State.

At August 31, 2016, 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	\$ 86,947	\$ 517,315
Changes in actuarial assumptions	365,239	480,226
Difference between projected and actual investment earnings	1,765,534	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,919,357	4,214
Contributions paid to TRS subsequent to the measurement date	1,250,351	-
Total	\$ 6,387,428	\$ 1,001,755

\$1,250,351 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

Year ended August 31:	Pension Expense Amount
2017	\$ 728,825
2018	728,825
2019	728,825
2020	1,245,353
2021	409,958
2022	293,536

NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% as of September 1, 2013 and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal year 2016, 2015, and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2016, 2015, and 2014, the State's contributions to TRS-Care were \$406,252, \$363,871, and \$342,994, respectively, the active member contributions were \$264,064, \$236,516, and \$222,946, respectively, and the school district's contribution were \$223,645, \$200,130, and \$188,646, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2016, the contribution made on behalf of the District was \$121,292.

NOTE 12. HEALTH CARE

During the year ended August 31, 2016, employees of Little Elm Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed \$325 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 13. 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, 2016, 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.

<u>Fund</u>	<u>State Grant</u>	<u>Federal Grants</u>	<u>Total</u>
General Fund	\$1,525,957	\$ -	\$1,525,957
Special Revenue	-	266,271	266,271
Total	<u>\$1,525,957</u>	<u>\$266,271</u>	<u>\$1,792,228</u>

NOTE 14. 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, 2016 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 15. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$31,402,254	\$ -	\$ 9,978,284	\$ -	\$41,380,538
Food Sales	-	1,467,534	-	-	1,467,534
Investment Income	115,368	4,898	32,163	46,091	198,520
Penalties, interest and other tax related income	233,942	-	67,133	-	301,075
Co-curricular student activities	127,883	558,535	-	-	686,418
Other	<u>1,616,934</u>	<u>208,249</u>	<u>-</u>	<u>-</u>	<u>1,825,183</u>
Total	<u>\$33,496,381</u>	<u>\$2,239,216</u>	<u>\$10,077,580</u>	<u>\$46,091</u>	<u>\$45,859,268</u>

NOTE 16. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	<u>General Fund</u>
Tuition	\$ 24,101
Devise Protection Plan	<u>76,973</u>
	<u>\$101,074</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2016

NOTE 17. 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	\$ 636,886	\$ 636,886
Watershed Protection & Flood Control	10.904	119,343	119,343
SHARS		1,057,118	1,057,118
Indirect Costs		<u>39,952</u>	<u>39,952</u>
Total for General Fund		<u>\$1,853,299</u>	<u>\$1,853,299</u>

NOTE 18. GOVERNMENTAL FUNDS EXPENDITURES

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

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

		<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
6100	Payroll Costs	\$46,151,883	\$2,448,883	\$ -	\$ -	\$48,600,766
6200	Professional and contracted services	6,277,024	555,875	-	-	6,832,899
6300	Supplies and materials	5,122,192	2,978,744	-	-	8,100,936
6400	Other operating costs	1,099,880	190,386	-	-	1,290,266
6500	Debt service expenditures	1,324,181	-	11,659,990	-	12,984,171
6600	Capital outlay	<u>2,680,712</u>	<u>224,851</u>	<u>-</u>	<u>2,189,143</u>	<u>5,094,706</u>
	Total governmental expenditures	<u>\$62,655,872</u>	<u>\$6,398,739</u>	<u>\$11,659,990</u>	<u>\$2,189,143</u>	<u>\$82,903,744</u>

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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, 2016

EXHIBIT G-1

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.038084%	0.0253074%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 13,460,915	\$ 6,759,957
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	21,232,603	18,037,366
Total	<u>\$ 34,693,518</u>	<u>\$ 24,797,323</u>
District's Covered-Employee Payroll	\$ 36,340,923	\$ 34,299,303
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	37.04%	19.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 1,250,351	\$ 1,127,615
Contribution in Relation to the Contractually Required Contribution	(1,250,351)	(1,127,615)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 40,626,075	\$ 36,340,923
Contributions as a Percentage of Covered-Employee Payroll	3.07%	3.10%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2016

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 are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ (25,936)	\$ (35,544)	\$ (1,218)	\$ 1,331,322
1240	Receivables from Other Governments	39,435	99,071	1,872	80,021
1290	Other Receivables	-	-	-	1,593
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 13,499</u>	<u>\$ 63,527</u>	<u>\$ 654</u>	<u>\$ 1,412,936</u>
LIABILITIES					
2110	Accounts Payable	\$ 3,903	\$ 4,084	\$ 654	\$ 126,342
2160	Accrued Wages Payable	8,746	54,169	-	56,171
2200	Accrued Expenditures	850	5,274	-	1,091
2000	Total Liabilities	<u>13,499</u>	<u>63,527</u>	<u>654</u>	<u>183,604</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	1,229,332
Committed Fund Balance:					
3544	Local Grants	-	-	-	-
3545	Campus Activities	-	-	-	-
3546	Textbooks	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,229,332</u>
4000	Total Liabilities and Fund Balances	<u>\$ 13,499</u>	<u>\$ 63,527</u>	<u>\$ 654</u>	<u>\$ 1,412,936</u>

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund	429 Math & Liter. Achievement Academies	461 Campus Activity Funds
\$ (19,315)	\$ (13,052)	\$ (13,505)	\$ -	\$ -	\$ 256,341	\$ -	\$ 259,390
19,315	13,052	13,505	-	-	-	-	-
-	-	-	-	-	-	-	6,075
-	-	-	-	-	-	-	1,999
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,341</u>	<u>\$ -</u>	<u>\$ 267,464</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,348	\$ -	\$ 54,469
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	15,348	-	54,469
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	212,995
-	-	-	-	-	240,993	-	-
-	-	-	-	-	240,993	-	212,995
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,341</u>	<u>\$ -</u>	<u>\$ 267,464</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes		491 Textbook Fund	499 Local Grants	Total Nonmajor Governmental Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ 14,325	\$ 16,716	\$ 1,769,524
1240	Receivables from Other Governments	-	-	266,271
1290	Other Receivables	-	2,000	9,668
1410	Prepayments	-	-	1,999
1000	Total Assets	<u>\$ 14,325</u>	<u>\$ 18,716</u>	<u>\$ 2,047,462</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ 8,834	\$ 213,634
2160	Accrued Wages Payable	-	-	119,086
2200	Accrued Expenditures	-	-	7,215
2000	Total Liabilities	<u>-</u>	<u>8,834</u>	<u>339,935</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	1,229,332
Committed Fund Balance:				
3544	Local Grants	-	9,882	9,882
3545	Campus Activities	-	-	212,995
3546	Textbooks	14,325	-	255,318
3000	Total Fund Balances	<u>14,325</u>	<u>9,882</u>	<u>1,707,527</u>
4000	Total Liabilities and Fund Balances	<u>\$ 14,325</u>	<u>\$ 18,716</u>	<u>\$ 2,047,462</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, 2016

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 1,472,432
5800	State Program Revenues	-	-	-	18,404
5900	Federal Program Revenues	406,078	985,715	8,302	2,150,330
5020	Total Revenues	406,078	985,715	8,302	3,641,166
EXPENDITURES:					
Current:					
0011	Instruction	298,113	717,562	6,593	-
0013	Curriculum and Instructional Staff Development	3,036	33,870	-	-
0021	Instructional Leadership	31,487	-	-	-
0023	School Leadership	725	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	195,214	1,709	-
0032	Social Work Services	1,147	-	-	-
0034	Student (Pupil) Transportation	155	39,069	-	-
0035	Food Services	-	-	-	3,605,500
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0061	Community Services	71,415	-	-	-
6030	Total Expenditures	406,078	985,715	8,302	3,605,500
1200	Net Change in Fund Balance	-	-	-	35,666
0100	Fund Balance - September 1 (Beginning)	-	-	-	1,193,666
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 1,229,332

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund	429 Math & Liter. Achievement Academies	461 Campus Activity Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 743,359
-	-	-	-	3,965	682,976	4,550	-
46,922	47,948	114,725	4,452	-	-	-	-
46,922	47,948	114,725	4,452	3,965	682,976	4,550	743,359
40,422	-	15,303	-	-	467,684	-	165,451
4,972	33,598	31,080	-	3,965	-	4,550	44,378
728	14,350	68,342	-	-	350	-	-
400	-	-	-	-	-	-	5,684
400	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	4,452	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	462,654
-	-	-	-	-	-	-	10,838
-	-	-	-	-	-	-	-
46,922	47,948	114,725	4,452	3,965	468,034	4,550	689,005
-	-	-	-	-	214,942	-	54,354
-	-	-	-	-	26,051	-	158,641
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,993	\$ -	\$ 212,995

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes		491 Textbook Fund	499 Local Grants	Total Nonmajor Governmental Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ 23,425	\$ 2,239,216
5800	State Program Revenues	-	-	709,895
5900	Federal Program Revenues	-	-	3,764,472
5020	Total Revenues	-	23,425	6,713,583
EXPENDITURES:				
Current:				
0011	Instruction	-	-	1,711,128
0013	Curriculum and Instructional Staff Development	-	-	159,449
0021	Instructional Leadership	-	-	115,257
0023	School Leadership	-	-	6,809
0031	Guidance, Counseling and Evaluation Services	-	-	197,323
0032	Social Work Services	-	-	1,147
0034	Student (Pupil) Transportation	-	-	43,676
0035	Food Services	-	-	3,605,500
0036	Extracurricular Activities	-	-	462,654
0041	General Administration	-	13,543	24,381
0061	Community Services	-	-	71,415
6030	Total Expenditures	-	13,543	6,398,739
1200	Net Change in Fund Balance	-	9,882	314,844
0100	Fund Balance - September 1 (Beginning)	14,325	-	1,392,683
3000	Fund Balance - August 31 (Ending)	\$ 14,325	\$ 9,882	\$ 1,707,527

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2016

	818 Grants & Scholarships	819 Co-Serv Scholarship	820 The Tribute	Total Private Purpose Trust Funds
<hr/>				
ASSETS				
Cash and Cash Equivalents	\$ 10,056	\$ 192,748	\$ 18,000	\$ 220,804
Total Assets	<u>10,056</u>	<u>192,748</u>	<u>18,000</u>	<u>220,804</u>
NET POSITION				
Unrestricted Net Position	<u>10,056</u>	<u>192,748</u>	<u>18,000</u>	<u>220,804</u>
Total Net Position	<u>\$ 10,056</u>	<u>\$ 192,748</u>	<u>\$ 18,000</u>	<u>\$ 220,804</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

	818 Grants & Scholarships	819 Co-Serv Scholarship	820 The Tribute	Total Private Purpose Trust Funds
ADDITIONS:				
Local and Intermediate Sources	\$ 6,904	\$ 20,714	\$ 10,000	\$ 37,618
Total Additions	<u>6,904</u>	<u>20,714</u>	<u>10,000</u>	<u>37,618</u>
DEDUCTIONS:				
Other Operating Costs	<u>2,339</u>	<u>1,000</u>	<u>5,000</u>	<u>8,339</u>
Total Deductions	<u>2,339</u>	<u>1,000</u>	<u>5,000</u>	<u>8,339</u>
Change in Net Position	4,565	19,714	5,000	29,279
Total Net Position - September 1 (Beginning)	<u>5,491</u>	<u>173,034</u>	<u>13,000</u>	<u>191,525</u>
Total Net Position - August 31 (Ending)	<u>\$ 10,056</u>	<u>\$ 192,748</u>	<u>\$ 18,000</u>	<u>\$ 220,804</u>

REQUIRED T.E.A. SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.030000	0.430000	1,438,423,004
2009	1.040000	0.490000	1,603,936,928
2010	1.040000	0.500000	1,644,677,210
2011	1.040000	0.500000	1,640,765,714
2012	1.040000	0.500000	1,790,876,497
2013	1.040000	0.500000	1,803,880,502
2014	1.040000	0.500000	2,009,976,804
2015	1.040000	0.500000	2,333,023,752
2016 (School year under audit)	1.170000	0.370000	2,674,137,297
1000 TOTALS			

(10) Beginning Balance 9/1/2015		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2016	
\$	114,920	\$	-	\$	2,219	\$	574	\$	(2,624)	\$	109,503
	17,777		-		525		219		(338)		16,695
	16,369		-		4,106		1,935		4,890		15,218
	34,195		-		12,073		5,804		4,931		21,249
	41,222		-		37,114		17,843		47,268		33,533
	42,931		-		42,087		20,234		57,205		37,815
	55,335		-		44,965		21,618		60,669		49,421
	74,400		-		47,421		22,798		54,898		59,079
	191,842		-		102,572		49,314		30,549		70,505
	-		41,181,714		31,109,172		9,837,945		(49,780)		184,817
<u>\$</u>	<u>588,991</u>	<u>\$</u>	<u>41,181,714</u>	<u>\$</u>	<u>31,402,254</u>	<u>\$</u>	<u>9,978,284</u>	<u>\$</u>	<u>207,668</u>	<u>\$</u>	<u>597,835</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, 2016

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	\$ 1,222,000	\$ 1,436,000	\$ 1,472,432	\$ 36,432
5800	State Program Revenues	17,000	17,000	18,404	1,404
5900	Federal Program Revenues	1,811,393	1,970,624	2,150,330	179,706
5020	Total Revenues	3,050,393	3,423,624	3,641,166	217,542
EXPENDITURES:					
0035	Food Services	3,050,393	3,653,624	3,605,500	48,124
6030	Total Expenditures	3,050,393	3,653,624	3,605,500	48,124
1200	Net Change in Fund Balances	-	(230,000)	35,666	265,666
0100	Fund Balance - September 1 (Beginning)	1,193,666	1,193,666	1,193,666	-
3000	Fund Balance - August 31 (Ending)	\$ 1,193,666	\$ 963,666	\$ 1,229,332	\$ 265,666

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, 2016

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 13,696,553	\$ 10,196,553	\$ 10,077,580	\$ (118,973)
5800	State Program Revenues	-	-	120,914	120,914
5020	Total Revenues	13,696,553	10,196,553	10,198,494	1,941
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,267,048	3,267,048	3,267,048	-
0072	Interest on Long Term Debt	8,126,603	8,126,603	7,994,940	131,663
0073	Bond Issuance Cost and Fees	20,000	403,642	398,002	5,640
6030	Total Expenditures	11,413,651	11,797,293	11,659,990	137,303
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,282,902	(1,600,740)	(1,461,496)	139,244
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	17,595,000	17,595,000	-
7916	Premium or Discount on Issuance of Bonds	-	3,525,720	3,525,720	-
8949	Other (Uses)	-	(20,719,157)	(20,719,157)	-
7080	Total Other Financing Sources (Uses)	-	401,563	401,563	-
1200	Net Change in Fund Balances	2,282,902	(1,199,177)	(1,059,933)	139,244
0100	Fund Balance - September 1 (Beginning)	5,390,317	5,390,317	5,390,317	-
3000	Fund Balance - August 31 (Ending)	\$ 7,673,219	\$ 4,191,140	\$ 4,330,384	\$ 139,244

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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, 2016, 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 1, 2016.

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, PC
Denton, Texas

December 1, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2016. 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, 2016.

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, PC
Denton, Texas

December 1, 2016

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2016

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: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program - Cash Assistance
CFDA 10.555 National School Lunch Program - Non-Cash Assistance
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

None

III. Other Findings and Findings and Questioned Costs Related to Federal Awards

None

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

FINDING/NONCOMPLIANCE

None

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 636,886
Total Direct Programs			\$ 636,886
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16-610101061914	\$ 414,301
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-610101061914	9,596
Total CFDA Number 84.010A			423,897
*IDEA - Part B, Formula	84.027	16-660001061914	943,643
*IDEA - Part B, Formula	84.027	17-660001061914	59,444
Total CFDA Number 84.027			1,003,087
*IDEA - Part B, Preschool	84.173	16-661001061914	8,666
Total Special Education Cluster (IDEA)			1,011,753
Career and Technical - Basic Grant	84.048	16-420006061914	46,922
Title III, Part A - English Language Acquisition	84.365A	16-671001061914	117,019
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16-694501061914	50,051
Summer School LEP	84.369A	69551502	4,452
Total Passed Through State Department of Education			\$ 1,654,094
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,290,980
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 393,347
*National School Lunch Program - Cash Assistance	10.555		1,526,359
*National School Lunch Prog. - Non-Cash Assistance	10.555		225,624
Total CFDA Number 10.555			1,751,983
Total Child Nutrition Cluster			2,145,330
NSLP Training Assistance Grant	10.560		5,000
Watershed Protection & Flood Control	10.904		119,343
Total Passed Through the State Department of Agriculture			\$ 2,269,673
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 2,269,673
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,560,653

*Clustered Programs

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

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, 2016, 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	\$4,560,653
Medicaid Reimbursement (SHARS)	<u>1,057,118</u>
Federal Revenues per Financial Statements	<u>\$5,617,771</u>