

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2014

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

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>Combining Schedules</u>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	50	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	54	H-2
Private Purpose Trust Funds:		
Combining Statement of Net Position	57	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	58	H-4
<u>Required TEA Schedules</u>		
Schedule of Delinquent Taxes	60	J-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – Child Nutrition Program	62	J-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance –		
Budget and Actual – Debt Service Fund	63	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>	67	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control		
over Compliance Required by OMB Circular A-133	69	
Schedule of Findings and Questioned Costs	71	
Schedule of Status of Prior Findings	72	
Schedule of Expenditures of Federal Awards	73	K-1
Notes to Schedule of Expenditures of Federal Awards	74	

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, 2014, at a meeting of the Board of Trustees of such school district on the 15th day of December, 2014.



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, 2014, 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, 2014, 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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 2, 2014 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 2, 2014

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
(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, 2014. 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 of Little Elm Independent School District exceeded its assets and deferred outflows at the close of the most recent fiscal period by \$3,508,540 (net position). Of this amount, \$(6,572,046) (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 \$3,333,210.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$28,577,908. 48% of this total amount \$13,623,246 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 \$13,623,246 or 25.9% 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 and liabilities 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 and liabilities) 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 internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's print shop.

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 \$(7,187,594) to \$(3,508,540). 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 \$(6,572,046) at August 31, 2014. This increase in governmental net position was the result of the District's revenues exceeding expenses by \$3,337,605 and a prior period adjustment of \$341,449.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current and other assets	\$ 46,729,684	\$ 37,236,378	\$145,489	\$ 83,387	\$ 46,875,164	\$ 37,319,765
Capital assets	124,288,068	141,041,244	-	113,347	124,288,068	141,154,591
Total assets	171,017,752	178,277,622	145,489	196,734	171,163,232	178,474,356
Deferred outflows of resources	6,937,422	6,712,506	-	-	6,937,422	6,712,506
Total assets and deferred outflows of resources	177,955,174	184,990,128	145,489	196,734	178,100,654	185,186,862
Long-term liabilities	176,730,080	180,533,040	-	-	176,730,080	180,533,040
Other liabilities	8,412,688	7,965,628	6,802	62,442	8,419,481	8,028,070
Total liabilities	185,142,768	188,498,668	6,802	62,442	185,149,561	188,561,110
Net Position:						
Net investment in capital assets	(3,288,228)	(3,942,150)	-	113,347	(3,288,228)	(3,828,803)
Restricted	5,120,161	7,005,656	-	-	5,120,161	7,005,656
Unrestricted	(9,019,527)	(6,572,046)	138,687	20,945	(8,880,840)	(6,551,101)
Total net position	\$(7,187,594)	\$(3,508,540)	\$138,687	\$134,292	\$(7,048,907)	\$(3,374,248)

Table II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 1,382,702	\$ 1,405,193	\$617,874	\$582,235	\$ 2,000,576	\$ 1,987,428
Operating grants and contributions	7,749,349	7,566,092	-	-	7,749,349	7,566,092
General Revenues:						
Maintenance and operations taxes	19,353,829	21,877,593	-	-	19,353,829	21,877,593
Debt service taxes	9,284,676	10,515,600	-	-	9,284,676	10,515,600
State aid	19,982,476	22,622,080	-	-	19,982,476	22,622,080
Investment earnings	123,593	98,241	-	-	123,593	98,241
Miscellaneous	224,421	178,036	-	-	224,421	178,036
Other federal revenue	1,522,060	722,954	-	-	1,522,060	722,954
Insurance recovery	-	2,601,916	-	-	-	2,601,916
Total Revenue	59,623,106	67,587,705	617,874	582,235	60,240,980	68,169,940
Expenses:						
Instruction, curriculum and media services	31,221,623	34,141,072	-	-	31,221,623	34,141,072
Instructional and school leadership	3,943,370	4,069,430	-	-	3,943,370	4,069,430
Student support services	3,570,918	3,654,968	-	-	3,570,918	3,654,968
Child nutrition	2,985,073	3,084,262	-	-	2,985,073	3,084,262
Cocurricular activities	2,164,103	2,472,586	-	-	2,164,103	2,472,586
General administration	2,094,458	2,097,686	-	-	2,094,458	2,097,686
Plant maintenance, security & data processing	5,744,571	6,421,420	-	-	5,744,571	6,421,420
Community services	96,421	99,755	-	-	96,421	99,755
Childcare services	-	-	607,313	586,630	607,313	586,630
Debt services	8,315,035	7,960,833	-	-	8,315,035	7,960,833
Intergovernmental charges	242,915	248,088	-	-	242,915	248,088
Total Expenses	60,378,487	64,250,100	607,313	586,630	60,985,800	64,836,730
Increase (decrease) in net position	(755,381)	3,337,605	10,561	(4,395)	(744,820)	3,333,210
Net position at beginning of year	(6,432,213)	(7,187,594)	128,126	138,687	(6,304,087)	(7,048,907)
Prior period adjustment	-	341,449	-	-	-	341,449
Net position at end of year	<u>\$(7,187,594)</u>	<u>\$(3,508,540)</u>	<u>\$138,687</u>	<u>134,292</u>	<u>\$(7,048,907)</u>	<u>\$(3,374,248)</u>

The District notes the following highlights for the 2013-2014 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 \$225 per month.
- The District operated an Energy Education Plan and an Energy Manager in an effort to conserve energy and reduce energy costs.
- The District maintained its Child Care Program at three campus locations.
- The Board of Trustees approved a property tax rate of \$1.54/\$100 of value (1.04 for M&O and .50 for Debt Service).
- The District maintained an employee induction program for new teachers that provides training and staff development.
- The District increased the existing salary scale that reflected a beginning teacher salary starting at \$45,500 along with an increase to the midpoints of existing staff members of 2.5%.
- 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 \$64,250,100. 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 \$32,393,193 because some of the costs were paid by those who directly benefited from the programs (\$1,405,193) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,566,092) or by State equalization funding (\$22,622,080), or by other federal funding (\$722,954).

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 \$28,577,908, which is \$9,211,367 lower than last year's total of \$37,789,275. Included in this year's total change in fund balance is an increase of \$3,013,026 in the District's General Fund. The primary reason for the General Fund's increase was due to revenues exceeding expenditures.

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 2013). 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 \$21,653,740 reported on page 18 differs from the General Fund's budgetary fund balance of \$13,039,616 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, 2014, the District had \$141,041,244 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$16,753,176 or 13 percent, above last year.

This year's major additions were the Prestwick STEM Academy and renovations at the middle school.

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Debt Administration

At year-end, the District had \$180,533,040 in bonds, leases and a maintenance tax note outstanding (including accreted interest on bonds) versus \$176,730,080 last year—an increase of 2.15 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 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District took actions for 2014-2015 to compensate for some increases in costs and continued increases in enrollment:

- The Board adopted a \$63.6 million dollar expenditure budget including General Operating, Child Nutrition and Debt Service.
- 2014 Certified Property Values increased from the 2013 values.
- The Board adopted a total tax rate of \$1.54/\$100 of value (1.04 for M&O and .50 for Debt Service).
- The District maintained the teacher hiring salary scale beginning at \$45,500 and increased existing staff salaries by 4.0% of their respective midpoints.
- The District anticipates continued increases in salaries, utilities, insurance, and transportation.

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, 1900 Walker Lane, Little Elm, Texas 75068, (972) 292-1847.

This page left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page left blank intentionally.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 35,474,953	\$ 82,528	\$ 35,557,481
1220	Property Taxes Receivable (Delinquent)	814,584	-	814,584
1230	Allowance for Uncollectible Taxes	(52,948)	-	(52,948)
1240	Due from Other Governments	867,548	-	867,548
1290	Other Receivables, net	101,747	859	102,606
1410	Prepayments	30,494	-	30,494
Capital Assets:				
1510	Land	10,740,498	-	10,740,498
1520	Buildings, Net	124,426,082	113,347	124,539,429
1530	Furniture and Equipment, Net	5,048,401	-	5,048,401
1580	Construction in Progress	826,263	-	826,263
1000	Total Assets	178,277,622	196,734	178,474,356
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	6,712,506	-	6,712,506
1700	Total Deferred Outflows of Resources	6,712,506	-	6,712,506
LIABILITIES				
2110	Accounts Payable	4,181,514	59,980	4,241,494
2140	Interest Payable	82,868	-	82,868
2160	Accrued Wages Payable	1,411,038	2,415	1,413,453
2200	Accrued Expenses	30,129	47	30,176
2300	Unearned Revenue	2,260,079	-	2,260,079
Noncurrent Liabilities				
2501	Due Within One Year	3,572,773	-	3,572,773
2502	Due in More Than One Year	176,960,267	-	176,960,267
2000	Total Liabilities	188,498,668	62,442	188,561,110
NET POSITION				
3200	Net Investment in Capital Assets	(3,942,150)	113,347	(3,828,803)
Restricted for:				
3820	Restricted for Federal and State Programs	1,153,161	-	1,153,161
3850	Restricted for Debt Service	3,792,192	-	3,792,192
3860	Restricted for Capital Projects	1,850,554	-	1,850,554
3870	Restricted for Campus Activities	170,992	-	170,992
3890	Restricted for Textbooks	38,757	-	38,757
3900	Unrestricted	(6,572,046)	20,945	(6,551,101)
3000	Total Net Position	\$ (3,508,540)	\$ 134,292	\$ (3,374,248)

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, 2014

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 32,714,817	\$ 7,819	\$ 2,907,604
12 Instructional Resources and Media Services	809,023	-	31,845
13 Curriculum and Staff Development	617,232	-	131,654
21 Instructional Leadership	674,621	-	113,849
23 School Leadership	3,394,809	-	188,461
31 Guidance, Counseling and Evaluation Services	1,690,045	-	253,695
32 Social Work Services	13,496	-	1,237
33 Health Services	452,943	-	22,365
34 Student (Pupil) Transportation	1,498,484	-	454,438
35 Food Services	3,084,262	1,180,859	2,046,831
36 Extracurricular Activities	2,472,586	99,689	373,888
41 General Administration	2,097,686	-	63,446
51 Facilities Maintenance and Operations	5,052,860	116,826	146,041
52 Security and Monitoring Services	283,778	-	3,858
53 Data Processing Services	1,084,782	-	36,678
61 Community Services	99,755	-	99,446
72 Debt Service - Interest on Long Term Debt	7,659,288	-	690,756
73 Debt Service - Bond Issuance Cost and Fees	301,545	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	17,444	-	-
99 Other Intergovernmental Charges	230,644	-	-
[TG] Total Governmental Activities:	64,250,100	1,405,193	7,566,092
BUSINESS-TYPE ACTIVITIES:			
01 Childcare	586,630	582,235	-
[TB] Total Business-Type Activities:	586,630	582,235	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 64,836,730	\$ 1,987,428	\$ 7,566,092

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
TR	Total General Revenues and Special Items
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
6	7 Primary Government	8
Governmental Activities	Business-type Activities	Total
\$ (29,799,394)	\$ -	\$ (29,799,394)
(777,178)	-	(777,178)
(485,578)	-	(485,578)
(560,772)	-	(560,772)
(3,206,348)	-	(3,206,348)
(1,436,350)	-	(1,436,350)
(12,259)	-	(12,259)
(430,578)	-	(430,578)
(1,044,046)	-	(1,044,046)
143,428	-	143,428
(1,999,009)	-	(1,999,009)
(2,034,240)	-	(2,034,240)
(4,789,993)	-	(4,789,993)
(279,920)	-	(279,920)
(1,048,104)	-	(1,048,104)
(309)	-	(309)
(6,968,532)	-	(6,968,532)
(301,545)	-	(301,545)
(17,444)	-	(17,444)
(230,644)	-	(230,644)
(55,278,815)	-	(55,278,815)
-	(4,395)	(4,395)
-	(4,395)	(4,395)
(55,278,815)	(4,395)	(55,283,210)
21,877,593	-	21,877,593
10,515,600	-	10,515,600
22,622,080	-	22,622,080
98,241	-	98,241
178,036	-	178,036
722,954	-	722,954
2,601,916	-	2,601,916
58,616,420	-	58,616,420
3,337,605	(4,395)	3,333,210
(7,187,594)	138,687	(7,048,907)
341,449	-	341,449
\$ (3,508,540)	\$ 134,292	\$ (3,374,248)

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 26,960,830	\$ 3,710,704	\$ 3,181,967
1220 Property Taxes - Delinquent	564,288	250,296	-
1230 Allowance for Uncollectible Taxes (Credit)	(36,679)	(16,269)	-
1240 Receivables from Other Governments	671,834	-	-
1290 Other Receivables	101,658	-	-
1410 Prepayments	30,494	-	-
1000 Total Assets	<u>\$ 28,292,425</u>	<u>\$ 3,944,731</u>	<u>\$ 3,181,967</u>
LIABILITIES			
2110 Accounts Payable	\$ 2,581,997	\$ -	\$ 1,331,413
2140 Interest Payable - Current	14,074	-	-
2160 Accrued Wages Payable	1,332,610	-	-
2200 Accrued Expenditures	25,249	-	-
2300 Unearned Revenues	2,157,146	-	-
2000 Total Liabilities	<u>6,111,076</u>	<u>-</u>	<u>1,331,413</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	527,609	234,027	-
2600 Total Deferred Inflows of Resources	<u>527,609</u>	<u>234,027</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	30,494	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	3,710,704	-
Committed Fund Balance:			
3545 Campus Activities	-	-	-
3545 Textbooks	-	-	-
Assigned Fund Balance:			
3550 Construction	-	-	1,850,554
3590 Other Assigned Fund Balance	8,000,000	-	-
3600 Unassigned Fund Balance	13,623,246	-	-
3000 Total Fund Balances	<u>21,653,740</u>	<u>3,710,704</u>	<u>1,850,554</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 28,292,425</u>	<u>\$ 3,944,731</u>	<u>\$ 3,181,967</u>

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

Other Funds	Total Governmental Funds
\$ 1,619,762	\$ 35,473,263
-	814,584
-	(52,948)
195,714	867,548
89	101,747
-	30,494
<u>\$ 1,815,565</u>	<u>\$ 37,234,688</u>
\$ 266,414	\$ 4,179,824
-	14,074
78,428	1,411,038
4,880	30,129
102,933	2,260,079
<u>452,655</u>	<u>7,895,144</u>
-	761,636
<u>-</u>	<u>761,636</u>
-	30,494
1,153,161	1,153,161
-	3,710,704
170,992	170,992
38,757	38,757
-	1,850,554
-	8,000,000
-	13,623,246
<u>1,362,910</u>	<u>28,577,908</u>
<u>\$ 1,815,565</u>	<u>\$ 37,234,688</u>

This page left blank intentionally.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$ 28,577,908
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	185,656,307
2 Accumulated depreciation has not been included in the fund financial statements..	(44,615,063)
3 Bonds payable, leases payable and the maintenance tax note have not been included in the fund financial statements.	(146,710,330)
4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(26,986,586)
5 Deferred loss on bond refunding has not been included in the fund financial statements.	6,712,506
6 Bond discounts and premiums were not recognized in the fund financial statements.	(6,836,124)
7 Interest is accrued on outstanding debt in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due.	(68,794)
8 Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	761,636
19 Net Position of Governmental Activities	<u><u>\$ (3,508,540)</u></u>

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 24,788,377	\$ 10,445,787	\$ 11,853
5800	State Program Revenues	25,237,111	690,756	-
5900	Federal Program Revenues	722,954	-	-
5020	Total Revenues	50,748,442	11,136,543	11,853
EXPENDITURES:				
Current:				
0011	Instruction	28,717,044	-	-
0012	Instructional Resources and Media Services	669,960	-	-
0013	Curriculum and Instructional Staff Development	487,932	-	-
0021	Instructional Leadership	590,422	-	-
0023	School Leadership	3,287,775	-	-
0031	Guidance, Counseling and Evaluation Services	1,489,359	-	-
0032	Social Work Services	12,259	-	-
0033	Health Services	436,357	-	-
0034	Student (Pupil) Transportation	1,151,773	-	-
0035	Food Services	64,201	-	-
0036	Extracurricular Activities	1,615,344	-	-
0041	General Administration	2,074,761	-	-
0051	Facilities Maintenance and Operations	4,866,073	-	-
0052	Security and Monitoring Services	253,531	-	-
0053	Data Processing Services	1,144,447	-	-
0061	Community Services	37,515	-	-
Debt Service:				
0071	Principal on Long Term Debt	484,665	2,792,702	-
0072	Interest on Long Term Debt	19,438	8,255,732	-
0073	Bond Issuance Cost and Fees	84,090	217,455	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	4,786,867	-	15,660,698
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	17,444	-	-
0099	Other Intergovernmental Charges	230,644	-	-
6030	Total Expenditures	52,521,901	11,265,889	15,660,698
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,773,459)	(129,346)	(15,648,845)
OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	7,935,000	2,985,000
7914	Non-Current Loans	4,515,000	-	-
7916	Premium or Discount on Issuance of Bonds	271,485	495,622	-
8949	Other (Uses)	-	(8,212,188)	-
7080	Total Other Financing Sources (Uses)	4,786,485	218,434	2,985,000
1200	Net Change in Fund Balances	3,013,026	89,088	(12,663,845)
0100	Fund Balance - September 1 (Beginning)	18,299,265	3,621,616	14,514,399
1300	Prior Period Adjustment	341,449	-	-
3000	Fund Balance - August 31 (Ending)	\$ 21,653,740	\$ 3,710,704	\$ 1,850,554

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

	Other Funds	Total Governmental Funds
\$	1,692,828	\$ 36,938,845
	524,112	26,451,979
	3,240,012	3,962,966
	5,456,952	67,353,790
	1,497,951	30,214,995
	-	669,960
	112,466	600,398
	84,199	674,621
	12,260	3,300,035
	178,865	1,668,224
	1,237	13,496
	-	436,357
	7,791	1,159,564
	3,163,489	3,227,690
	326,400	1,941,744
	1,397	2,076,158
	-	4,866,073
	-	253,531
	-	1,144,447
	61,982	99,497
	-	3,277,367
	-	8,275,170
	-	301,545
	-	20,447,565
	-	17,444
	-	230,644
	5,448,037	84,896,525
	8,915	(17,542,735)
	-	10,920,000
	-	4,515,000
	-	767,107
	-	(8,212,188)
	-	7,989,919
	8,915	(9,552,816)
	1,353,995	37,789,275
	-	341,449
\$	1,362,910	\$ 28,577,908

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, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ (9,552,816)
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.	21,126,059
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.	(4,372,883)
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.	3,277,367
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.	715,377
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(68,794)
Revenues from property taxes are deferred 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.	233,915
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.	267,158
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.	(767,107)
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.	8,212,188
Current year issuances of bonds and a maintenance tax note 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.	(15,435,000)
Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(297,859)
Change in Net Position of Governmental Activities	\$ 3,337,605

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, 2014

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	\$ 21,334,601	\$ 21,483,364	\$ 24,788,377	\$ 3,305,013
5800	State Program Revenues	24,910,827	24,910,827	25,237,111	326,284
5900	Federal Program Revenues	275,000	275,000	722,954	447,954
5020	Total Revenues	46,520,428	46,669,191	50,748,442	4,079,251
EXPENDITURES:					
Current:					
0011	Instruction	27,802,779	29,473,589	28,717,044	756,545
0012	Instructional Resources and Media Services	631,170	711,123	669,960	41,163
0013	Curriculum and Instructional Staff Development	441,989	526,423	487,932	38,491
0021	Instructional Leadership	590,316	624,106	590,422	33,684
0023	School Leadership	3,260,619	3,391,561	3,287,775	103,786
0031	Guidance, Counseling and Evaluation Services	1,527,575	1,531,346	1,489,359	41,987
0032	Social Work Services	13,000	18,000	12,259	5,741
0033	Health Services	432,741	455,740	436,357	19,383
0034	Student (Pupil) Transportation	1,563,050	1,448,243	1,151,773	296,470
0035	Food Services	69,985	79,985	64,201	15,784
0036	Extracurricular Activities	1,401,605	1,789,900	1,615,344	174,556
0041	General Administration	1,919,995	2,202,979	2,074,761	128,218
0051	Facilities Maintenance and Operations	4,865,804	5,179,648	4,866,073	313,575
0052	Security and Monitoring Services	443,614	400,925	253,531	147,394
0053	Data Processing Services	733,281	1,180,750	1,144,447	36,303
0061	Community Services	39,355	49,355	37,515	11,840
Debt Service:					
0071	Principal on Long Term Debt	484,685	484,685	484,665	20
0072	Interest on Long Term Debt	21,865	21,865	19,438	2,427
0073	Bond Issuance Cost and Fees	-	86,485	84,090	2,395
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	6,781,617	4,786,867	1,994,750
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	32,000	32,000	17,444	14,556
0099	Other Intergovernmental Charges	245,000	245,000	230,644	14,356
6030	Total Expenditures	46,520,428	56,715,325	52,521,901	4,193,424
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(10,046,134)	(1,773,459)	8,272,675
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	4,515,000	4,515,000	-
7916	Premium or Discount on Issuance of Bonds	-	271,485	271,485	-
7080	Total Other Financing Sources (Uses)	-	4,786,485	4,786,485	-
1200	Net Change in Fund Balances	-	(5,259,649)	3,013,026	8,272,675
0100	Fund Balance - September 1 (Beginning)	18,299,265	18,299,265	18,299,265	-
1300	Prior Period Adjustment	-	-	341,449	341,449
3000	Fund Balance - August 31 (Ending)	\$ 18,299,265	\$ 13,039,616	\$ 21,653,740	\$ 8,614,124

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, 2014

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 82,528	\$ 1,690
Other Receivables	859	-
Total Current Assets	<u>83,387</u>	<u>1,690</u>
Noncurrent Assets:		
Capital Assets:		
Buildings and Improvements	113,347	-
Total Noncurrent Assets	<u>113,347</u>	<u>-</u>
Total Assets	<u>196,734</u>	<u>1,690</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	59,980	1,690
Accrued Wages Payable	2,415	-
Accrued Expenses	47	-
Total Liabilities	<u>62,442</u>	<u>1,690</u>
NET POSITION		
Net Investment in Capital Assets	113,347	-
Unrestricted Net Position	20,945	-
Total Net Position	<u>\$ 134,292</u>	<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, 2014

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 582,235	\$ 30,351
Total Operating Revenues	<u>582,235</u>	<u>30,351</u>
OPERATING EXPENSES:		
Payroll Costs	553,923	-
Professional and Contracted Services	1,625	28,866
Supplies and Materials	25,707	1,485
Other Operating Costs	5,375	-
Total Operating Expenses	<u>586,630</u>	<u>30,351</u>
Operating Income (Loss)	(4,395)	-
Total Net Position - September 1 (Beginning)	<u>138,687</u>	<u>-</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 134,292</u></u>	<u><u>\$ -</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, 2014

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>		
Cash Received from User Charges	\$ 583,751	\$ -
Cash Received from District	-	30,351
Cash Payments for Payroll Costs	(556,032)	-
Cash Payments for Professional Services	(1,625)	(27,176)
Cash Payments for Supplies and Materials	(25,866)	(1,485)
Cash Payments for Other Costs	(5,375)	-
Net Cash Provided by (Used for) Operating Activities	(5,147)	1,690
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	(55,439)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(60,586)	1,690
Cash and Cash Equivalents at Beginning of Year	143,114	-
Cash and Cash Equivalents at End of Year	\$ 82,528	\$ 1,690
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (4,395)	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Other Receivables	1,516	-
Increase (decrease) in Accounts Payable	(159)	1,690
Increase (decrease) in Accrued Wages Payable	(2,077)	-
Increase (decrease) in Accrued Expenses	(32)	-
Net Cash Provided by (Used for) Operating Activities	\$ (5,147)	\$ 1,690

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, 2014

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 162,192	\$ 96,009
Other Receivables	-	373
Total Assets	<u>162,192</u>	<u>\$ 96,382</u>
LIABILITIES		
Due to Student Groups	-	\$ 96,382
Total Liabilities	<u>-</u>	<u>\$ 96,382</u>
NET POSITION		
Unrestricted Net Position	<u>162,192</u>	
Total Net Position	<u>\$ 162,192</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, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 30,605
Total Additions	<u>30,605</u>
DEDUCTIONS:	
Other Operating Costs	<u>4,500</u>
Total Deductions	<u>4,500</u>
Change in Net Position	26,105
Total Net Position - September 1 (Beginning)	<u>136,087</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 162,192</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, 2014

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, 2014

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. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its print shop.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

5. **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.

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 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.

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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014 that were subsequently provided for in the 2014-15 budget.

F. PREPAID ITEMS

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

G. CAPITAL ASSETS

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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 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.

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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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 2014, 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, 2014, 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, 2014.

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, 2013, the fund carries a discounted reserve of \$57,050,754 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2014, 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, 2014

Auto, Liability and Property Programs

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

Auto Liability
Auto Physical Damage
General Liability
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, 2014, 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, 2013, 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, 2014

- 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, 2014 for campus activities and textbooks.
- 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 \$13,623,246 at August 31, 2014. Deferred expenditures (prepaid items) of \$30,494 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 \$3,710,704 at August 31, 2014 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

The Capital Projects Fund has restricted funds of \$1,850,554 at August 31, 2014 consisting primarily of unspent bond funds.

Other Funds

The fund balance of \$170,992 of the Campus Activity Fund and \$38,757 Textbook Funds (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and textbooks. The fund balance of \$1,153,161 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, 2014

NOTE 3. PRIOR PERIOD ADJUSTMENT

A prior period adjustment increasing the General Fund balance and net position by \$341,449 has been recorded to correct accounts payable as of August 31, 2013. The correction was the result of a settlement with Durham Transportation Company over fuel charges in prior years.

NOTE 4. 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, 2014, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$16,590,143, which includes \$9,533 cash on hand. The combined bank balance was \$17,773,508. The District's cash deposits at August 31, 2014 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, 2014, the District's cash balances in the bank totaled \$16,580,610. 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, 2014.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

- 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, 2014, the District held investments in four public funds investment pools (TexPool, TexSTAR, Lonestar and Texas Class). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the four investment pools range from AAA (Standard & Poor's) to AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for both TexPool and TexStar is less than 60 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2014, 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, 2014, are shown below:

Name	Carrying Amount	Market Value
TexPool	\$ 1,240,988	\$ 1,240,988
TexSTAR	1,378,762	1,378,762
Lonestar	12,161,190	12,161,190
Texas Class	<u>4,444,599</u>	<u>4,444,599</u>
Total	<u>\$19,225,539</u>	<u>\$19,225,539</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2014, 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	\$ 10,689,650	\$ 50,848	\$ -	\$ 10,740,498
Construction in Progress	<u>680,946</u>	<u>145,317</u>	<u>-</u>	<u>826,263</u>
Total capital assets, not being depreciated	<u>11,370,596</u>	<u>196,165</u>	<u>-</u>	<u>11,566,761</u>
Capital assets, being depreciated:				
Buildings	146,754,646	20,307,900	-	167,062,546
Furniture and Equipment	<u>6,405,006</u>	<u>621,994</u>	<u>-</u>	<u>7,027,000</u>
Total capital assets, being depreciated	<u>153,159,652</u>	<u>20,929,894</u>	<u>-</u>	<u>174,089,546</u>
Less accumulated depreciation for:				
Buildings	(38,867,468)	(3,768,996)	-	(42,636,464)
Furniture and Equipment	<u>(1,374,712)</u>	<u>(603,887)</u>	<u>-</u>	<u>(1,978,599)</u>
Total accumulated depreciation	<u>(40,242,180)</u>	<u>(4,372,883)</u>	<u>-</u>	<u>(44,615,063)</u>
Total capital assets being depreciated, net	<u>112,917,472</u>	<u>16,557,011</u>	<u>-</u>	<u>129,474,483</u>
Governmental activities capital assets, net	<u>\$124,288,068</u>	<u>\$16,753,176</u>	<u>\$ -</u>	<u>\$141,041,244</u>
Business-type activities:				
Buildings and Improvements	\$ -	\$ 113,347	\$ -	\$ 113,347
Totals at historic cost	<u>-</u>	<u>113,347</u>	<u>-</u>	<u>113,347</u>
Less accumulated depreciation for:				
Buildings and Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets net	<u>\$ -</u>	<u>\$ 113,347</u>	<u>\$ -</u>	<u>\$ 113,347</u>

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

Governmental activities:	
Instruction	\$2,535,267
Instructional Resources & Media Services	139,063
Curriculum & Instructional Staff Development	16,834
School Leadership	94,774
Guidance, Counseling & Evaluation Services	21,821
Health Services	16,586
Student (Pupil) Transportation	338,920
Food Services	297,654
Cocurricular/Extracurricular Activities	603,755
General Administration	21,528
Plant Maintenance and Operations	247,354
Security and Monitoring Services	30,247
Data Processing Services	8,822
Community Services	<u>258</u>
Total depreciation expense-Governmental activities	<u>\$4,372,883</u>
Business-type activities:	
Child Care	\$ -
Total depreciation expense Business-type activities	<u>\$ -</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 6. 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, 2014 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-13</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-14</u>	<u>Due Within One Year</u>
Maintenance Tax Note	4.25%	<u>\$ -</u>	<u>\$4,515,000</u>	<u>\$ -</u>	<u>\$4,515,000</u>	<u>\$110,000</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>
2015	\$ 110,000	\$ 230,306	\$ 340,306
2016	190,000	151,338	341,338
2017	195,000	147,538	342,538
2018	200,000	143,638	343,638
2019	200,000	139,638	339,638
2020-2024	1,090,000	613,840	1,703,840
2025-2029	1,295,000	417,235	1,712,235
2030-2033	<u>1,235,000</u>	<u>134,086</u>	<u>1,369,086</u>
	<u>\$4,515,000</u>	<u>\$1,977,619</u>	<u>\$6,492,619</u>

NOTE 7. CAPITAL LEASES

The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$4,766,589 at August 31, 2014.

A summary of changes in capital leases payable for the year ended August 31, 2014 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-13</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-14</u>	<u>Due Within One Year</u>
Equipment	5.36%	\$ 358,596	\$ -	\$ 82,681	\$ 275,915	\$ 87,162
Buses	1.99%	<u>3,732,284</u>	<u>-</u>	<u>401,984</u>	<u>3,330,300</u>	<u>341,293</u>
		<u>\$4,090,880</u>	<u>\$ -</u>	<u>\$484,665</u>	<u>\$3,606,215</u>	<u>\$428,455</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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

Year Ended <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 428,455	\$ 81,837	\$ 510,292
2016	440,034	70,258	510,292
2017	452,006	58,286	510,292
2018	362,271	45,903	408,174
2019	369,546	38,628	408,174
2020	376,967	31,207	408,174
2021	384,538	23,636	408,174
2022	392,260	15,914	408,174
2023	<u>400,138</u>	<u>8,036</u>	<u>408,174</u>
	<u>\$3,606,215</u>	<u>\$373,705</u>	<u>\$3,979,920</u>

NOTE 8. 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.

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2014:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/13</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/14</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1995 Refunding	7.00%	\$ 36,429	\$ -	\$ 36,429	\$ -	\$ -
1995A School Bldg.	5.90%	90,000	-	-	90,000	-
1999 School Bldg. & Ref.	6.22%	1,990,926	-	174,565	1,816,361	139,148
2001 School Bldg. & Ref.	5.625%	374,896	-	193,462	181,434	181,434
2002 School Bldg. & Ref.	6.29%	5,053,113	-	731,811	4,321,302	674,926
2002A School Bldg. & Ref.	5.98%	766,631	-	427,590	339,041	187,697
2003 School Bldg. & Ref.	5.93%	9,151,734	-	7,978,090	1,173,644	58,780
2004 School Bldg. & Ref.	4.00%	11,405,000	-	365,000	11,040,000	380,000
2006 School Bldg. & Ref.	5.00%	32,940,000	-	945,000	31,995,000	1,305,000
2008A School Building	4.00%	7,500,000	-	-	7,500,000	55,000
2008B Refunding	4.00%	1,067,333	-	-	1,067,333	52,333
2010 Refunding	4.25%	19,960,000	-	-	19,960,000	-
2012 Refunding	5.00%	48,265,000	-	-	48,265,000	-
2013 School Bldg. & Ref.	5.00%	-	5,920,000	40,000	5,880,000	-
2014 Refunding	4.25%	-	5,000,000	40,000	4,960,000	-
Total Bonded Indebtedness		<u>138,601,062</u>	<u>10,920,000</u>	<u>10,931,947</u>	<u>138,589,115</u>	<u>3,034,318</u>
Maintenance Tax Note	4.25%	-	4,515,000	-	4,515,000	110,000
Capital Leases	5.36%	4,090,880	-	484,665	3,606,215	428,455
Accreted Interest	5.17%	27,701,963	1,951,123	2,666,500	26,986,586	-
Discount/Premium on Issuance of Debt		<u>6,336,175</u>	<u>767,107</u>	<u>267,158</u>	<u>6,836,124</u>	-
Total Other Obligations		<u>38,129,018</u>	<u>7,233,230</u>	<u>3,418,323</u>	<u>41,943,925</u>	<u>538,455</u>
Total Obligations of District		<u>\$176,730,080</u>	<u>\$18,153,230</u>	<u>\$14,350,270</u>	<u>\$180,533,040</u>	<u>\$3,572,773</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

The 1995A, 1999, 2001, 2002, 2002A, 2003, 2008A, 2008B, 2010, 2012 and 2013 bond series include outstanding capital appreciation bonds in the principal amount of \$14,679,114. The bonds mature variously beginning in 2015 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 \$26,986,586 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, 2014.

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

Year Ended August 31,	Principal	Interest	Total Requirements
2015	\$ 3,034,318	\$ 8,276,575	\$ 11,310,893
2016	3,222,048	8,399,922	11,621,970
2017	3,858,560	7,855,796	11,714,356
2018	3,746,158	7,864,057	11,610,215
2019	3,878,819	7,731,232	11,610,051
2020-2024	16,976,476	39,985,865	56,962,341
2025-2029	19,457,572	35,531,516	54,989,088
2030-2034	37,640,164	17,398,729	55,038,893
2035-2039	36,685,000	7,125,000	43,810,000
2040-2042	<u>10,090,000</u>	<u>1,007,800</u>	<u>11,097,800</u>
	<u>\$138,589,115</u>	<u>\$141,176,492</u>	<u>\$279,765,607</u>

NOTE 9. DEBT ISSUANCE AND DEFEASED BONDS OUTSTANDING

On August 29, 2013 the District issued \$5,910,000 (par value) in unlimited tax building and refunding bonds (current interest bonds) and \$10,000 in premium capital appreciation bonds to advance refund \$3,084,245 of unlimited tax school building and refunding bonds and provide \$2,985,000 for construction. The bonds were issued at a premium of \$316,662, and, after paying issuance costs of \$117,418 the net proceeds were \$6,119,244. \$3,129,104 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 \$313,751.

On February 19, 2014 the District issued \$5,000,000 (par value) in unlimited tax refunding bonds (current interest bonds) to advance refund \$5,055,000 of unlimited tax school building and refunding bonds. The bonds were issued at a premium of \$178,960, and, after paying issuance costs of \$93,283 the net proceeds were \$5,085,677. \$5,083,083 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 \$680,192.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

On February 19, 2014 the District issued \$4,515,000 (par value) in maintenance tax notes to provide funds for maintenance and renovations. The notes were issued at a premium of \$271,485, and, after paying issuance costs of \$84,090 the net proceeds were \$4,702,395.

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, 2014, \$8,723,073 of bonds outstanding are considered defeased.

NOTE 10. 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 2013-14 fiscal year was based was \$2,009,976,804. 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, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.50 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2014 were 99.14% 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, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$527,609 and \$234,027 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 11. PENSION PLAN OBLIGATIONS

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 233-8778.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.8% of the District's covered payroll for fiscal year 2014 (6.4% in fiscal year 2013 and 6.0% in fiscal year 2012). In certain instances the District is required to make all or a portion of the state's 6.8% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's 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. The District's employees' contributions to the System for the years ending August 31, 2012, 2013, and 2014 were \$1,978,497, \$2,076,283 and \$2,195,155, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2012, 2013, and 2014 were \$371,786, \$430,822 and \$512,117, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2012, 2013, and 2014 were \$1,722,977, \$1,724,667 and \$2,062,976, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% as of September 1, 2013 (0.5% from September 1, 2012 to August 31, 2013 and 1.0% prior to September 1, 2012) and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55%. 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, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$171,496, \$162,215, and \$309,141, respectively, the active member contributions were \$222,946, \$210,880, and \$200,946, respectively, and the school district's contribution were \$188,646, \$178,432, and \$170,028, 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, 2014, the contribution made on behalf of the District was \$94,384.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 13. HEALTH CARE

During the year ended August 31, 2014, employees of Little Elm Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

NOTE 14. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, 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	\$671,834	\$ -	\$671,834
Special Revenue	-	195,714	195,714
Total	<u>\$671,834</u>	<u>\$195,714</u>	<u>\$867,548</u>

NOTE 15. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 16. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$21,506,267	\$ -	\$10,335,451	\$ -	\$31,841,718
Food Sales	-	1,180,859	-	-	1,180,859
Investment Income	70,120	4,594	11,674	11,853	98,241
Penalties, interest and other tax related income	218,898	-	98,662	-	317,560
Co-curricular student activities	99,689	506,614	-	-	606,303
Other	<u>2,893,403</u>	<u>761</u>	<u>-</u>	<u>-</u>	<u>2,894,164</u>
Total	<u>\$24,788,377</u>	<u>\$1,692,828</u>	<u>\$10,445,787</u>	<u>\$ 11,853</u>	<u>\$36,938,845</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

NOTE 17. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Total
State Funding	\$2,145,803	\$ -	\$2,145,803
Athletic Receipts	1,280	-	1,280
Band Equipment Rental & Cleaning Fees	8,563	-	8,563
Tuition	1,500	-	1,500
Laptop Usage Fees	-	102,933	102,933
	<u>\$2,157,146</u>	<u>\$102,933</u>	<u>\$2,260,079</u>

NOTE 18. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Impact Aid	84.041	\$428,599	\$428,599
Watershed Protection & Flood Control	10.904	87,214	87,214
SHARS		<u>207,141</u>	<u>207,141</u>
Total for General Fund		<u>\$722,954</u>	<u>\$722,954</u>

COMBINING SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes		211	224	225
		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
ASSETS				
1110	Cash and Cash Equivalents	\$ (37,127)	\$ (37,201)	\$ (3,131)
1240	Receivables from Other Governments	43,859	79,221	3,131
1290	Other Receivables	-	-	-
1000	Total Assets	<u>\$ 6,732</u>	<u>\$ 42,020</u>	<u>\$ -</u>
LIABILITIES				
2110	Accounts Payable	\$ 815	\$ 1,789	\$ -
2160	Accrued Wages Payable	5,393	36,693	-
2200	Accrued Expenditures	524	3,538	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>6,732</u>	<u>42,020</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
Committed Fund Balance:				
3545	Campus Activities	-	-	-
3546	Textbooks	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 6,732</u>	<u>\$ 42,020</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund	461 Campus Activity Funds
\$ 1,345,867	\$ -	\$ (9,046)	\$ (9,731)	\$ -	\$ -	\$ 73,841	\$ 282,458
48,828	-	9,046	11,629	-	-	-	-
40	-	-	-	-	-	-	49
<u>\$ 1,394,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,841</u>	<u>\$ 282,507</u>
\$ 204,414	\$ -	\$ -	\$ 1,898	\$ -	\$ -	\$ 48,916	\$ 8,582
36,342	-	-	-	-	-	-	-
818	-	-	-	-	-	-	-
-	-	-	-	-	-	-	102,933
<u>241,574</u>	<u>-</u>	<u>-</u>	<u>1,898</u>	<u>-</u>	<u>-</u>	<u>48,916</u>	<u>111,515</u>
1,153,161	-	-	-	-	-	-	-
-	-	-	-	-	-	-	170,992
-	-	-	-	-	-	24,925	-
<u>1,153,161</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,925</u>	<u>170,992</u>
<u>\$ 1,394,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,841</u>	<u>\$ 282,507</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes		491 Textbook Fund	Total Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ 13,832	\$ 1,619,762
1240	Receivables from Other Governments	-	195,714
1290	Other Receivables	-	89
1000	Total Assets	<u>\$ 13,832</u>	<u>\$ 1,815,565</u>
LIABILITIES			
2110	Accounts Payable	\$ -	\$ 266,414
2160	Accrued Wages Payable	-	78,428
2200	Accrued Expenditures	-	4,880
2300	Unearned Revenues	-	102,933
2000	Total Liabilities	<u>-</u>	<u>452,655</u>
FUND BALANCES			
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	1,153,161
Committed Fund Balance:			
3545	Campus Activities	-	170,992
3546	Textbooks	13,832	38,757
3000	Total Fund Balances	<u>13,832</u>	<u>1,362,910</u>
4000	Total Liabilities and Fund Balances	<u>\$ 13,832</u>	<u>\$ 1,815,565</u>

This page left blank intentionally.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		211	224	225
		ESEA I, A	IDEA - Part B	IDEA - Part B
		Improving	Formula	Preschool
		Basic Program		
	REVENUES:			
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	287,712	817,295	11,613
5020	Total Revenues	287,712	817,295	11,613
	EXPENDITURES:			
	Current:			
0011	Instruction	210,735	627,171	10,377
0013	Curriculum and Instructional Staff Development	-	12,138	250
0021	Instructional Leadership	13,758	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	177,879	986
0032	Social Work Services	1,237	-	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	107	-
0041	General Administration	-	-	-
0061	Community Services	61,982	-	-
6030	Total Expenditures	287,712	817,295	11,613
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Summer School LEP	397 Advanced Placement Incentives	410 State Textbook Fund	461 Campus Activity Funds
\$ 1,185,453	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 506,614
17,906	-	-	-	-	4,025	502,181	-
1,923,340	38,743	49,546	103,972	7,791	-	-	-
3,126,699	38,743	49,546	103,972	7,791	4,025	502,181	506,614
-	29,993	-	32,415	-	-	487,614	99,646
-	8,750	49,546	1,116	-	4,025	-	36,641
-	-	-	70,441	-	-	-	-
-	-	-	-	-	-	-	12,260
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	7,791	-	-	-
3,163,489	-	-	-	-	-	-	-
-	-	-	-	-	-	-	326,293
-	-	-	-	-	-	-	1,397
-	-	-	-	-	-	-	-
3,163,489	38,743	49,546	103,972	7,791	4,025	487,614	476,237
(36,790)	-	-	-	-	-	14,567	30,377
1,189,951	-	-	-	-	-	10,358	140,615
\$ 1,153,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,925	\$ 170,992

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		491 Textbook Fund	Total Nonmajor Governmental Funds
REVENUES:			
5700	Total Local and Intermediate Sources	\$ 761	\$ 1,692,828
5800	State Program Revenues	-	524,112
5900	Federal Program Revenues	-	3,240,012
5020	Total Revenues	<u>761</u>	<u>5,456,952</u>
EXPENDITURES:			
Current:			
0011	Instruction	-	1,497,951
0013	Curriculum and Instructional Staff Development	-	112,466
0021	Instructional Leadership	-	84,199
0023	School Leadership	-	12,260
0031	Guidance, Counseling and Evaluation Services	-	178,865
0032	Social Work Services	-	1,237
0034	Student (Pupil) Transportation	-	7,791
0035	Food Services	-	3,163,489
0036	Extracurricular Activities	-	326,400
0041	General Administration	-	1,397
0061	Community Services	-	61,982
6030	Total Expenditures	<u>-</u>	<u>5,448,037</u>
1200	Net Change in Fund Balance	761	8,915
0100	Fund Balance - September 1 (Beginning)	<u>13,071</u>	<u>1,353,995</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 13,832</u>	<u>\$ 1,362,910</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2014

	818 Grants & Scholarships	819 Co-Serv Scholarship	820 The Tribute	Total Private Purpose Trust Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,296	\$ 152,396	\$ 8,500	\$ 162,192
Total Assets	<u>1,296</u>	<u>152,396</u>	<u>8,500</u>	<u>162,192</u>
NET POSITION				
Unrestricted Net Position	<u>1,296</u>	<u>152,396</u>	<u>8,500</u>	<u>162,192</u>
Total Net Position	<u>\$ 1,296</u>	<u>\$ 152,396</u>	<u>\$ 8,500</u>	<u>\$ 162,192</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, 2014

	818 Grants & Scholarships	819 Co-Serv Scholarship	820 The Tribute	Total Private Purpose Trust Funds
ADDITIONS:				
Local and Intermediate Sources	\$ 43	\$ 20,562	\$ 10,000	\$ 30,605
Total Additions	43	20,562	10,000	30,605
DEDUCTIONS:				
Other Operating Costs	-	-	4,500	4,500
Total Deductions	-	-	4,500	4,500
Change in Net Position	43	20,562	5,500	26,105
Total Net Position - September 1 (Beginning)	1,253	131,834	3,000	136,087
Total Net Position - August 31 (Ending)	\$ 1,296	\$ 152,396	\$ 8,500	\$ 162,192

REQUIRED T.E.A. SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.490000	0.350000	1,075,733,422
2007	1.361000	0.379000	1,271,013,054
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 (School year under audit)	1.040000	0.500000	2,009,976,804
1000 TOTALS			

(10) Beginning Balance 9/1/2013		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2014	
\$	80,391	\$	-	\$	2,755	\$	706	\$	(4,719)	\$	72,211
	32,547		-		5,309		1,247		(607)		25,384
	27,905		-		5,301		1,476		(536)		20,592
	26,995		-		5,140		2,146		(798)		18,911
	31,156		-		80,944		38,137		105,791		17,866
	48,063		-		113,742		54,683		208,259		87,897
	67,012		-		99,498		47,836		170,672		90,350
	77,066		-		98,547		47,379		165,352		96,492
	173,272		-		139,239		66,941		146,947		114,039
	-		30,953,643		20,955,792		10,074,900		347,891		270,842
<u>\$</u>	<u>564,407</u>	<u>\$</u>	<u>30,953,643</u>	<u>\$</u>	<u>21,506,267</u>	<u>\$</u>	<u>10,335,451</u>	<u>\$</u>	<u>1,138,252</u>	<u>\$</u>	<u>814,584</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, 2014

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	\$ 1,115,465	\$ 1,115,465	\$ 1,185,453	\$ 69,988
5800	State Program Revenues	17,000	17,000	17,906	906
5900	Federal Program Revenues	1,705,799	1,705,799	1,923,340	217,541
5020	Total Revenues	2,838,264	2,838,264	3,126,699	288,435
EXPENDITURES:					
0035	Food Services	2,838,264	3,471,764	3,163,489	308,275
6030	Total Expenditures	2,838,264	3,471,764	3,163,489	308,275
1200	Net Change in Fund Balances	-	(633,500)	(36,790)	596,710
0100	Fund Balance - September 1 (Beginning)	1,189,951	1,189,951	1,189,951	-
3000	Fund Balance - August 31 (Ending)	\$ 1,189,951	\$ 556,451	\$ 1,153,161	\$ 596,710

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, 2014

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	\$ 9,904,935	\$ 9,904,935	\$ 10,445,787	\$ 540,852
5800	State Program Revenues	1,041,415	1,041,415	690,756	(350,659)
5020	Total Revenues	10,946,350	10,946,350	11,136,543	190,193
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,712,702	2,792,702	2,792,702	-
0072	Interest on Long Term Debt	8,213,648	8,255,732	8,255,732	-
0073	Bond Issuance Cost and Fees	20,000	227,509	217,455	10,054
6030	Total Expenditures	10,946,350	11,275,943	11,265,889	10,054
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(329,593)	(129,346)	200,247
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	7,935,000	7,935,000	-
7916	Premium or Discount on Issuance of Bonds	-	495,622	495,622	-
8949	Other (Uses)	-	(8,212,188)	(8,212,188)	-
7080	Total Other Financing Sources (Uses)	-	218,434	218,434	-
1200	Net Change in Fund Balances	-	(111,159)	89,088	200,247
0100	Fund Balance - September 1 (Beginning)	3,621,616	3,621,616	3,621,616	-
3000	Fund Balance - August 31 (Ending)	\$ 3,621,616	\$ 3,510,457	\$ 3,710,704	\$ 200,247

This page left blank intentionally.

FEDERAL AWARDS SECTION

This page left blank intentionally.

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, 2014, 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 2, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

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

December 2, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

December 2, 2014

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies in internal control identified that are not considered to be material weakness(es)? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies in internal control identified that are not considered to be material weakness(es)? _____ Yes X None reported

An unmodified opinion was issued on compliance for major programs.

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) 2-7 of OMB Circular A-133? _____ Yes X

Identification of major programs:

<u>CFDA Number</u>	<u>Program</u>
84.010A	ESEA Title I, Part A – Improving Basic Programs
84.027	IDEA – Part B, Formula
84.173	IDEA – Part B, Preschool

- Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None

SECTION IV – OTHER FINDINGS

None

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

FINDING/NONCOMPLIANCE

Finding 2013-01 – Child Nutrition processing of student applications for free and reduced-price meals.

The District implemented additional training and supervision procedures for the personnel processing student applications.

Finding 2013-02 – Pledged collateral less than required amount.

The District monitored balances and pledged securities on a regular basis. The bank increased pledged securities at times during the year when deposits were large. Pledged securities exceeded cash balances at all times during the year ended August 31, 2014.

Finding 2103-3 – The District exceeded appropriations in one functional category in the General Fund.

The District reviewed expenditures and amended the budget as needed. There were no expenditure totals by function that exceeded the budget for the year ended August 31, 2014.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(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		\$ 428,599
Total Direct Programs			\$ 428,599
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14-610101061914	\$ 287,712
*IDEA - Part B, Formula	84.027	14-660001061914	817,295
*IDEA - Part B, Preschool	84.173	14-661001061914	11,613
Total Special Education Cluster (IDEA)			828,908
Career and Technical - Basic Grant	84.048	14-420006061914	38,743
Title III, Part A - English Language Acquisition	84.365A	14-671001061914	103,972
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14-694501061914	49,546
Summer School LEP	84.369A	69551302	7,791
Total Passed Through State Department of Education			\$ 1,316,672
TOTAL DEPARTMENT OF EDUCATION			\$ 1,745,271
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 378,628
*National School Lunch Program - Cash Assistance	10.555	71301401	1,370,551
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301401	174,161
Total CFDA Number 10.555			1,544,712
Total Child Nutrition Cluster			1,923,340
Watershed Protection & Flood Control	10.904		87,214
Total Passed Through the State Department of Agriculture			\$ 2,010,554
TOTAL DEPARTMENT OF AGRICULTURE			\$ 2,010,554
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,755,825

*Clustered Programs

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

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 assets.

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, 2014, 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.