

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2013

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

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CERTIFICATE OF BOARD

Little Elm Independent School District
Name of School District

Denton
County

061-914
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2013, at a meeting of the Board of Trustees of such school district on the ____ day of December, 2013.

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, 2013, 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, 2013, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Positions*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 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, 2013 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, 2013

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
(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, 2013. 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 \$7,048,907 (net position). Of this amount, \$(8,880,840) (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 decreased by \$744,820.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$37,789,275. 27% of this total amount \$10,232,086 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 \$10,232,086 or 20.9% 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 decreased from \$(4,288,330) to \$(7,187,594). 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 \$(9,019,527) at August 31, 2013. This decrease in governmental net position was the result of the District's expenses exceeding revenues by \$755,381.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	\$ 48,571,856	\$ 46,729,684	\$137,372	\$145,489	\$ 48,709,228	\$ 46,875,164
Capital assets	121,909,979	124,288,068	-	-	121,909,979	124,288,068
Total assets	170,481,835	171,017,752	137,372	145,489	170,619,207	171,163,232
Deferred outflows of resources	7,232,855	6,937,422	-	-	7,232,855	6,937,422
Total assets and deferred outflows of resources	177,714,690	177,955,174	137,372	145,489	177,852,062	178,100,654
Long-term liabilities	175,946,815	176,730,080	-	-	175,946,815	176,730,080
Other liabilities	6,056,205	8,412,688	9,246	6,802	6,065,451	8,419,481
Total liabilities	182,003,020	185,142,768	9,246	6,802	182,012,266	185,149,561
Net Position:						
Net investment in capital assets	(3,466,671)	(3,288,228)	-	-	(3,466,671)	(3,288,228)
Restricted	4,629,558	5,120,161	-	-	4,629,558	5,120,161
Unrestricted	(5,451,217)	(9,019,527)	128,126	138,687	(5,323,091)	(8,880,840)
Total net position	\$(4,288,330)	\$(7,187,594)	\$128,126	\$138,687	\$(4,160,204)	\$(7,048,907)

Table II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 1,275,658	\$ 1,382,702	\$596,478	\$617,874	\$ 1,872,136	\$ 2,000,576
Operating grants and contributions	7,736,089	7,749,349	-	-	7,736,089	7,749,349
General Revenues:						
Maintenance and operations taxes	18,979,458	19,353,829	-	-	18,979,458	19,353,829
Debt service taxes	9,079,996	9,284,676	-	-	9,079,996	9,284,676
State aid	21,014,403	19,982,476	-	-	21,014,403	19,982,476
Investment earnings	112,244	123,593	-	-	112,244	123,593
Miscellaneous	140,398	224,421	-	-	140,398	224,421
Other federal revenue	919,145	1,522,060	-	-	919,145	1,522,060
Total Revenue	59,257,391	59,623,106	596,478	617,874	59,853,869	60,240,980
Expenses:						
Instruction, curriculum and media services	30,856,979	31,221,623	-	-	30,856,979	31,221,623
Instructional and school leadership	3,772,282	3,943,370	-	-	3,772,282	3,943,370
Student support services	3,484,665	3,570,918	-	-	3,484,665	3,570,918
Child nutrition	3,015,139	2,985,073	-	-	3,015,139	2,985,073
Cocurricular activities	2,190,930	2,164,103	-	-	2,190,930	2,164,103
General administration	1,654,972	2,094,458	-	-	1,654,972	2,094,458
Plant maintenance, security & data processing	5,647,681	5,744,571	-	-	5,647,681	5,744,571
Community services	94,926	96,421	-	-	94,926	96,421
Childcare services	-	-	591,064	607,313	591,064	607,313
Debt services	4,603,351	8,315,035	-	-	4,603,351	8,315,035
Facilities acquisition, construction	-	-	-	-	-	-
Intergovernmental charges	226,211	242,915	-	-	226,211	242,915
Total Expenses	55,547,136	60,378,487	591,064	607,313	56,138,200	60,985,800
Transfers In (Out)	968	-	-	-	968	-
Prior year tax refund	(523)	-	-	-	(523)	-
Loss on sale of assets	(74,155)	-	-	-	(74,155)	-
Increase (decrease) in net position	3,636,545	(755,381)	5,414	10,561	3,641,959	(744,820)
Net position at beginning of year (2013 as Restated)	(7,924,875)	(6,432,213)	122,712	128,126	(7,802,163)	(6,304,087)
Net position at end of year	\$(4,288,330)	\$(7,187,594)	\$128,126	\$138,687	\$(4,160,204)	\$(7,048,907)

The District notes the following highlights for the 2012-2013 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 maintained the existing salary scale that reflected a beginning teacher salary starting at \$44,800 along with an increase to the midpoints of existing staff members of 2%.
- 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 \$60,378,487. 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 \$28,638,505 because some of the costs were paid by those who directly benefited from the programs (\$1,382,702) or by other governments and organizations that subsidized certain programs with grants and contributions (\$7,749,349) or by State equalization funding (\$19,982,476), or by other federal funding (\$1,522,060).

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 \$37,789,275, which is \$1,964,905 lower than last year's total of \$39,754,180. Included in this year's total change in fund balance is a decrease of \$1,600,018 in the District's General Fund. The primary reasons for the General Fund's decrease was due to expenditures exceeding revenues.

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 2012). 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 \$18,299,265 reported on page 18 differs from the General Fund's budgetary fund balance of \$15,515,994 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, 2013, the District had \$124,288,068 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 \$2,378,089 or 2 percent, above last year.

This year's major additions were school buses, financed through a capital lease.

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 \$176,730,080 in bonds and leases outstanding (including accreted interest on bonds) versus \$175,946,815 last year—an increase of .45 percent. The District's general obligation bond rating is AAA (as a result of guarantees of the Texas Permanent School Fund), according to national rating agencies.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District took actions for 2013-2014 to compensate for some increases in costs and continued increases in enrollment:

- The Board adopted a \$60.3 million dollar expenditure budget including General Operating, Child Nutrition and Debt Service.
- 2013 Certified Property Values increased from the 2012 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 increased the teacher hiring salary scale beginning at \$45,500 and increased existing staff salaries by 2.5% 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.

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BASIC FINANCIAL STATEMENTS

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 45,370,309	\$ 143,114	\$ 45,513,423
1220	Property Taxes Receivable (Delinquent)	564,407	-	564,407
1230	Allowance for Uncollectible Taxes	(36,686)	-	(36,686)
1240	Due from Other Governments	756,294	-	756,294
1290	Other Receivables, net	8,172	2,375	10,547
1410	Prepayments	67,179	-	67,179
Capital Assets:				
1510	Land	10,689,650	-	10,689,650
1520	Buildings, Net	107,887,178	-	107,887,178
1530	Furniture and Equipment, Net	5,030,294	-	5,030,294
1580	Construction in Progress	680,946	-	680,946
1000	Total Assets	171,017,743	145,489	171,163,232
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	6,937,422	-	6,937,422
1700	Total Deferred Outflows of Resources	6,937,422	-	6,937,422
LIABILITIES				
2110	Accounts Payable	2,247,742	2,231	2,249,973
2160	Accrued Wages Payable	1,347,123	4,492	1,351,615
2200	Accrued Expenses	28,567	79	28,646
2300	Unearned Revenue	4,789,247	-	4,789,247
Noncurrent Liabilities				
2501	Due Within One Year	3,197,366	-	3,197,366
2502	Due in More Than One Year	173,532,714	-	173,532,714
2000	Total Liabilities	185,142,759	6,802	185,149,561
NET POSITION				
3200	Net Investment in Capital Assets	(3,288,228)	-	(3,288,228)
Restricted for:				
3820	Restricted for Federal and State Programs	1,189,951	-	1,189,951
3850	Restricted for Debt Service	3,766,166	-	3,766,166
3860	Restricted for Capital Projects	140,615	-	140,615
3890	Restricted for Textbooks	23,429	-	23,429
3900	Unrestricted	(9,019,527)	138,687	(8,880,840)
3000	Total Net Position	\$ (7,187,594)	\$ 138,687	\$ (7,048,907)

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, 2013

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 29,748,392	\$ 13,068	\$ 2,555,631
12 Instructional Resources and Media Services	751,346	-	28,013
13 Curriculum and Staff Development	721,885	-	109,321
21 Instructional Leadership	744,833	-	137,985
23 School Leadership	3,198,537	-	165,342
31 Guidance, Counseling and Evaluation Services	1,638,156	-	412,588
32 Social Work Services	13,705	-	1,455
33 Health Services	419,092	-	20,170
34 Student (Pupil) Transportation	1,499,965	-	451,147
35 Food Services	2,985,073	1,169,695	1,669,142
36 Extracurricular Activities	2,164,103	109,961	324,616
41 General Administration	2,094,458	-	57,368
51 Facilities Maintenance and Operations	4,576,693	89,978	122,794
52 Security and Monitoring Services	345,225	-	2,762
53 Data Processing Services	822,653	-	30,304
61 Community Services	96,421	-	96,126
72 Debt Service - Interest on Long Term Debt	8,308,130	-	1,564,585
73 Debt Service - Bond Issuance Cost and Fees	6,905	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	17,889	-	-
99 Other Intergovernmental Charges	225,026	-	-
[TG] Total Governmental Activities:	60,378,487	1,382,702	7,749,349
BUSINESS-TYPE ACTIVITIES:			
01 Childcare	607,313	617,874	-
[TB] Total Business-Type Activities:	607,313	617,874	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 60,985,800	\$ 2,000,576	\$ 7,749,349
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		
TR	Total General Revenues and Special Items		
CN	Change in Net Position		
NB	Net Position - Beginning as Restated - See Note 2		
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
\$ (27,179,693)	\$ -	\$ (27,179,693)
(723,333)	-	(723,333)
(612,564)	-	(612,564)
(606,848)	-	(606,848)
(3,033,195)	-	(3,033,195)
(1,225,568)	-	(1,225,568)
(12,250)	-	(12,250)
(398,922)	-	(398,922)
(1,048,818)	-	(1,048,818)
(146,236)	-	(146,236)
(1,729,526)	-	(1,729,526)
(2,037,090)	-	(2,037,090)
(4,363,921)	-	(4,363,921)
(342,463)	-	(342,463)
(792,349)	-	(792,349)
(295)	-	(295)
(6,743,545)	-	(6,743,545)
(6,905)	-	(6,905)
(17,889)	-	(17,889)
(225,026)	-	(225,026)
(51,246,436)	-	(51,246,436)
-	10,561	10,561
-	10,561	10,561
(51,246,436)	10,561	(51,235,875)
19,353,829	-	19,353,829
9,284,676	-	9,284,676
19,982,476	-	19,982,476
123,593	-	123,593
224,421	-	224,421
1,522,060	-	1,522,060
50,491,055	-	50,491,055
(755,381)	10,561	(744,820)
(6,432,213)	128,126	(6,304,087)
\$ (7,187,594)	\$ 138,687	\$ (7,048,907)

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 25,564,469	\$ 3,621,616	\$ 14,695,001
1220 Property Taxes - Delinquent	401,264	163,143	-
1230 Allowance for Uncollectible Taxes (Credit)	(26,082)	(10,604)	-
1240 Receivables from Other Governments	643,057	-	-
1290 Other Receivables	7,577	-	-
1410 Prepayments	67,179	-	-
1000 Total Assets	<u>\$ 26,657,464</u>	<u>\$ 3,774,155</u>	<u>\$ 14,695,001</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,947,356	\$ -	\$ 180,602
2160 Accrued Wages Payable	1,273,977	-	-
2200 Accrued Expenditures	24,152	-	-
2300 Unearned Revenues	4,737,532	-	-
2000 Total Liabilities	<u>7,983,017</u>	<u>-</u>	<u>180,602</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	375,182	152,539	-
2600 Total Deferred Inflows of Resources	<u>375,182</u>	<u>152,539</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3430 Prepaid Items	67,179	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	3,621,616	-
Committed Fund Balance:			
3545 Campus Activities	-	-	-
3545 Textbooks	-	-	-
Assigned Fund Balance:			
3550 Construction	-	-	14,514,399
3590 Capital Projects, Payroll & General Expenses	8,000,000	-	-
3600 Unassigned Fund Balance	10,232,086	-	-
3000 Total Fund Balances	<u>18,299,265</u>	<u>3,621,616</u>	<u>14,514,399</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 26,657,464</u>	<u>\$ 3,774,155</u>	<u>\$ 14,695,001</u>

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

Other Funds	Total Governmental Funds
\$ 1,489,223	\$ 45,370,309
-	564,407
-	(36,686)
113,237	756,294
595	8,172
-	67,179
<u>\$ 1,603,055</u>	<u>\$ 46,729,675</u>
\$ 119,784	\$ 2,247,742
73,146	1,347,123
4,415	28,567
51,715	4,789,247
<u>249,060</u>	<u>8,412,679</u>
-	527,721
<u>-</u>	<u>527,721</u>
-	67,179
1,189,951	1,189,951
-	3,621,616
140,615	140,615
23,429	23,429
-	14,514,399
-	8,000,000
-	10,232,086
<u>1,353,995</u>	<u>37,789,275</u>
<u>\$ 1,603,055</u>	<u>\$ 46,729,675</u>

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$ 37,789,275
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	164,530,248
2 Accumulated depreciation has not been included in the fund financial statements..	(40,242,180)
3 Bonds payable and leases payable have not been included in the fund financial statements.	(142,691,942)
4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(27,701,963)
5 Deferred loss on bond refunding has not been included in the fund financial statements.	6,937,422
6 Bond discounts and premiums were not recognized in the fund financial statements.	(6,336,175)
7 Property tax revenue reported as deferred revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	527,721
19 Net Position of Governmental Activities	\$ (7,187,594)

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, 2013

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 19,924,083	\$ 9,334,383	\$ 26,186
5800	State Program Revenues	22,283,269	1,564,585	-
5900	Federal Program Revenues	1,522,060	-	-
5020	Total Revenues	43,729,412	10,898,968	26,186
EXPENDITURES:				
Current:				
0011	Instruction	26,335,541	-	-
0012	Instructional Resources and Media Services	612,283	-	-
0013	Curriculum and Instructional Staff Development	619,367	-	-
0021	Instructional Leadership	632,996	-	-
0023	School Leadership	3,089,655	-	-
0031	Guidance, Counseling and Evaluation Services	1,259,543	-	-
0032	Social Work Services	12,250	-	-
0033	Health Services	402,506	-	-
0034	Student (Pupil) Transportation	5,187,706	-	-
0035	Food Services	57,021	-	-
0036	Extracurricular Activities	1,340,432	-	-
0041	General Administration	2,103,007	-	-
0051	Facilities Maintenance and Operations	4,354,757	-	-
0052	Security and Monitoring Services	629,560	-	-
0053	Data Processing Services	817,434	-	-
0061	Community Services	35,887	-	-
Debt Service:				
0071	Principal on Long Term Debt	78,429	2,161,689	-
0072	Interest on Long Term Debt	30,278	8,691,320	-
0073	Bond Issuance Cost and Fees	-	6,905	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	1,210,147	-	680,946
Intergovernmental:				
0095	Payments to Juvenile Justice Alternative Ed. Prg.	17,889	-	-
0099	Other Intergovernmental Charges	225,026	-	-
6030	Total Expenditures	49,051,714	10,859,914	680,946
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,322,302)	39,054	(654,760)
OTHER FINANCING SOURCES (USES):				
7913	Capital Leases	3,732,284	-	-
7915	Transfers In	-	-	-
8911	Transfers Out (Use)	(10,000)	-	-
7080	Total Other Financing Sources (Uses)	3,722,284	-	-
1200	Net Change in Fund Balances	(1,600,018)	39,054	(654,760)
0100	Fund Balance - September 1 (Beginning)	19,899,283	3,582,562	15,169,159
3000	Fund Balance - August 31 (Ending)	\$ 18,299,265	\$ 3,621,616	\$ 14,514,399

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

	Other Funds	Total Governmental Funds
\$	1,568,297	\$ 30,852,949
	429,255	24,277,109
	3,060,855	4,582,915
	5,058,407	59,712,973
	1,123,227	27,458,768
	-	612,283
	84,852	704,219
	111,837	744,833
	14,108	3,103,763
	356,792	1,616,335
	1,455	13,705
	-	402,506
	-	5,187,706
	2,781,816	2,838,837
	282,798	1,623,230
	427	2,103,434
	-	4,354,757
	-	629,560
	-	817,434
	60,276	96,163
	-	2,240,118
	-	8,721,598
	-	6,905
	-	1,891,093
	-	17,889
	-	225,026
	4,817,588	65,410,162
	240,819	(5,697,189)
	-	3,732,284
	10,000	10,000
	-	(10,000)
	10,000	3,732,284
	250,819	(1,964,905)
	1,103,176	39,754,180
\$	1,353,995	\$ 37,789,275

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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ (1,964,905)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2013 capital outlays is to increase net position in the government-wide financial statements.	6,277,270
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.	(3,899,181)
Current year long-term debt principal payments on capital leases, bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	2,240,118
Current year accretion on capital appreciation bonds is not reflected in the fund financial statements, but is shown as an increase in long-term liabilities in the government-wide financial statements.	466,188
Revenues from property taxes are shown as unavailable 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.	(89,867)
Bond premiums are income when incurred in the fund financial statements, but are capitalized net of amortization in the government-wide financial statements.	242,713
Current year amortization of the deferred loss on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(295,433)
Current year issuances of capital leases are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(3,732,284)
Change in Net Position of Governmental Activities	\$ (755,381)

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 19,830,468	\$ 19,909,793	\$ 19,924,083	\$ 14,290
5800 State Program Revenues	22,659,654	22,659,654	22,283,269	(376,385)
5900 Federal Program Revenues	495,000	495,000	1,522,060	1,027,060
5020 Total Revenues	42,985,122	43,064,447	43,729,412	664,965
EXPENDITURES:				
Current:				
0011 Instruction	26,250,993	26,884,135	26,335,541	548,594
0012 Instructional Resources and Media Services	624,590	638,438	612,283	26,155
0013 Curriculum and Instructional Staff Development	673,654	734,290	619,367	114,923
0021 Instructional Leadership	593,864	707,764	632,996	74,768
0023 School Leadership	3,092,504	3,203,995	3,089,655	114,340
0031 Guidance, Counseling and Evaluation Services	1,316,640	1,283,277	1,259,543	23,734
0032 Social Work Services	13,000	14,770	12,250	2,520
0033 Health Services	406,259	431,009	402,506	28,503
0034 Student (Pupil) Transportation	1,565,725	1,550,878	5,187,706	(3,636,828)
0035 Food Services	57,027	67,027	57,021	10,006
0036 Extracurricular Activities	1,254,650	1,489,676	1,340,432	149,244
0041 General Administration	1,841,210	2,215,217	2,103,007	112,210
0051 Facilities Maintenance and Operations	4,476,856	4,881,647	4,354,757	526,890
0052 Security and Monitoring Services	343,633	683,253	629,560	53,693
0053 Data Processing Services	686,269	871,269	817,434	53,835
0061 Community Services	34,048	43,948	35,887	8,061
Debt Service:				
0071 Principal on Long Term Debt	78,429	78,429	78,429	-
0072 Interest on Long Term Debt	23,771	51,771	30,278	21,493
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,339,943	1,210,147	129,796
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed.	32,000	32,000	17,889	14,111
0099 Other Intergovernmental Charges	245,000	245,000	225,026	19,974
6030 Total Expenditures	43,610,122	47,447,736	49,051,714	(1,603,978)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(625,000)	(4,383,289)	(5,322,302)	(939,013)
OTHER FINANCING SOURCES (USES):				
7913 Capital Leases	-	-	3,732,284	3,732,284
8911 Transfers Out (Use)	-	-	(10,000)	(10,000)
7080 Total Other Financing Sources (Uses)	-	-	3,722,284	3,722,284
1200 Net Change in Fund Balances	(625,000)	(4,383,289)	(1,600,018)	2,783,271
0100 Fund Balance - September 1 (Beginning)	19,899,283	19,899,283	19,899,283	-
3000 Fund Balance - August 31 (Ending)	\$ 19,274,283	\$ 15,515,994	\$ 18,299,265	\$ 2,783,271

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, 2013

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 143,114	\$ -
Other Receivables	2,375	-
Total Assets	145,489	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,231	-
Accrued Wages Payable	4,492	-
Accrued Expenses	79	-
Total Liabilities	6,802	-
NET POSITION		
Unrestricted Net Position	138,687	-
Total Net Position	\$ 138,687	\$ -

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, 2013

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 617,874	\$ 43,752
Total Operating Revenues	617,874	43,752
OPERATING EXPENSES:		
Payroll Costs	553,814	11,188
Professional and Contracted Services	11,008	29,646
Supplies and Materials	31,538	2,918
Other Operating Costs	10,953	-
Total Operating Expenses	607,313	43,752
Operating Income	10,561	-
Total Net Position - September 1 (Beginning)	128,126	-
Total Net Position - August 31 (Ending)	\$ 138,687	\$ -

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, 2013

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	\$ 615,499	\$ -
Cash Received from District	-	43,752
Cash Payments for Payroll Costs	(554,767)	(11,188)
Cash Payments for Professional Services	(11,008)	(29,646)
Cash Payments for Supplies and Materials	(33,029)	(3,067)
Cash Payments for Other Costs	(10,953)	-
Net Cash Provided by (Used for) Operating Activities	5,742	(149)
Net Increase (Decrease) in Cash and Cash Equivalents	5,742	(149)
Cash and Cash Equivalents at Beginning of Year	137,372	149
Cash and Cash Equivalents at End of Year	<u>\$ 143,114</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ 10,561	\$ -
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Other Receivables	(2,375)	-
Increase (decrease) in Accounts Payable	(1,491)	(149)
Increase (decrease) in Accrued Wages Payable	(919)	-
Increase (decrease) in Accrued Expenses	(34)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 5,742</u>	<u>\$ (149)</u>

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 136,087	\$ 63,456
Other Receivables	-	160
Total Assets	<u>136,087</u>	<u>\$ 63,616</u>
LIABILITIES		
Due to Student Groups	-	\$ 63,616
Total Liabilities	<u>-</u>	<u>\$ 63,616</u>
NET POSITION		
Unrestricted Net Position	<u>136,087</u>	
Total Net Position	<u>\$ 136,087</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, 2013

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 34,279
Total Additions	<u>34,279</u>
DEDUCTIONS:	
Other Operating Costs	<u>15,725</u>
Total Deductions	<u>15,725</u>
Change in Net Position	18,554
 Total Net Position - September 1 (Beginning)	 <u>117,533</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 136,087</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, 2013

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, 2013

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.

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. **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.
3. **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.
4. **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.
5. **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, 2013

6. **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 deferred 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.

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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 and the Debt Service 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, 2013 that were subsequently provided for in the 2013-14 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 activities columns in the government-wide financial statements. 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.

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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
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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 2013, 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, 2013, 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, 2013.

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.

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, 2012, the fund carries a discounted reserve of \$68,883,628 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2013, 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.

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Property Program

The District participated in the TASB Risk Management Fund's Property Program with coverage in

Auto Physical Damage
Crime
Equipment Breakdown
Property

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Program. 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, 2013, the Fund anticipates Little Elm ISD has no additional liability beyond the contractual obligations for payment of contributions.

Liability Program

The District participated in the TASB Risk Management Fund's (the Fund's) Liability Program with coverage in

Auto Liability
General Liability
School Professional Legal Liability
Sexual Misconduct Endorsement

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, 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, 2012, 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. ADOPTION OF NEW ACCOUNTING STANDARDS

Beginning in 2013, the District implemented GASB Statement Numbers 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*. These two statements:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as "deferred outflows of resources."
- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as "deferred inflows of resources."

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- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as “net position.”
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of these two changes in accounting principle on the District’s 2013 financial statements were

- Governmental fund financial statements
 - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
 - Reclassify bond issuance costs previously reported as assets to expenses of the period in which they were incurred, resulting in an adjustment to beginning net position.

Beginning Net Position (previously reported as Net Assets)	\$(4,288,330)
Reclassification of bond issuance costs	<u>(2,143,883)</u>
Beginning Net Position As Restated	<u><u>\$(6,432,213)</u></u>

NOTE 3. 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.
- 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, 2013 for campus activities and textbooks.

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- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of 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.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications. 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 \$10,232,086 at August 31, 2013. Deferred expenditures (prepaid items) of \$67,179 are considered nonspendable fund balance. \$8,000,000 has been assigned for future capital projects, payroll and general operating expenses.

Other Major Funds

The Debt Service Fund has restricted funds of \$3,621,616 at August 31, 2013 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

The Capital Projects Fund has assigned funds of \$14,514,399 at August 31, 2013 consisting primarily of unspent bond funds.

Other Funds

The fund balance of \$140,615 of the Campus Activity Fund and \$23,429 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 \$1,189,951 in the Food Service Fund is shown as restricted for food service operations. The fund balance in the State Textbook Fund is shown as committed for textbooks.

NOTE 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.

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1. Cash Deposits:

At August 31, 2013, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$17,406,037, which includes \$9,915 cash on hand. The combined bank balance was \$18,333,814. The District's cash deposits at August 31, 2013 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, 2013, the District's cash balances in the bank totaled \$17,396,122. 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, 2013, however, there were three days during the year that deposits exceeded pledged securities so the District was exposed to custodial credit risk at those times.
- 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, 2013, the District held investments in four public funds investment pools (TexPool, TexSTAR, Lonestar and MBIA). 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).

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- 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, 2013, 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, 2013, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	\$ 87,347	\$ 87,347
TexSTAR	1,378,273	1,378,273
Lonestar	12,146,308	12,146,308
MBIA	<u>14,695,001</u>	<u>14,695,001</u>
Total	<u>\$28,306,929</u>	<u>\$28,306,929</u>

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NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2013, was as follows:

	Balance <u>September 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Balance <u>August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,687,116	\$ 2,534	\$ -	\$ 10,689,650
Construction in Progress	<u>96,477</u>	<u>680,946</u>	<u>96,477</u>	<u>680,946</u>
Total capital assets, not being depreciated	<u>10,783,593</u>	<u>683,480</u>	<u>96,477</u>	<u>11,370,596</u>
Capital assets, being depreciated:				
Buildings	145,415,336	1,339,310	-	146,754,646
Furniture and Equipment	<u>2,054,049</u>	<u>4,350,957</u>	-	<u>6,405,006</u>
Total capital assets, being depreciated	<u>147,469,385</u>	<u>5,690,267</u>	-	<u>153,159,652</u>
Less accumulated depreciation for:				
Buildings	(35,165,593)	(3,701,875)	-	(38,867,468)
Furniture and Equipment	<u>(1,177,406)</u>	<u>(197,306)</u>	-	<u>(1,374,712)</u>
Total accumulated depreciation	<u>(36,342,999)</u>	<u>(3,899,181)</u>	-	<u>(40,242,180)</u>
Total capital assets being depreciated, net	<u>111,126,386</u>	<u>1,791,086</u>	-	<u>112,917,472</u>
Governmental activities capital assets, net	<u>\$121,909,979</u>	<u>\$ 2,474,566</u>	<u>\$ 96,477</u>	<u>\$124,288,068</u>

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

Governmental activities:	
Instruction	\$2,494,898
Instructional Resources & Media Services	139,063
Curriculum & Instructional Staff Development	17,666
School Leadership	94,774
Guidance, Counseling & Evaluation Services	21,821
Health Services	16,586
Student (Pupil) Transportation	44,543
Food Services	246,736
Cocurricular/Extracurricular Activities	576,093
General Administration	17,939
Plant Maintenance and Operations	221,936
Security and Monitoring Services	1,649
Data Processing Services	5,219
Community Services	<u>258</u>
Total depreciation expense-Governmental activities	<u>\$3,899,181</u>

NOTE 6. 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, 2013.

A summary of changes in capital leases payable for the year ended August 31, 2013 is as follows:

Description	Interest <u>Rate</u>	Amount Outstanding <u>9-1-12</u>	Issued Current <u>Year</u>	Retired Current <u>Year</u>	Amount Outstanding <u>8-31-13</u>	Due Within One <u>Year</u>
Equipment	5.36%	\$437,025	\$ -	\$78,429	\$ 358,596	\$ 82,680
Buses	1.99%	-	<u>3,732,284</u>	-	<u>3,732,284</u>	<u>401,985</u>
		<u>\$437,025</u>	<u>\$3,732,284</u>	<u>\$78,429</u>	<u>\$4,090,880</u>	<u>\$484,665</u>

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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>
2014	\$ 484,665	\$ 19,438	\$ 504,103
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	400,138	8,036	408,174
	<u>\$4,090,880</u>	<u>\$393,143</u>	<u>\$4,484,023</u>

NOTE 7. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds 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, 2013:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 9/1/12</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 8/31/13</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1995 Refunding	7.00%	\$ 62,910	\$ -	\$ 26,481	\$ 36,429	\$ 36,429
1995A School Bldg.	5.90%	90,000	-	-	90,000	-
1999 School Bldg. & Ref.	6.22%	2,181,764	-	190,838	1,990,926	174,565
2001 School Bldg. & Ref.	5.625%	580,784	-	205,888	374,896	193,462
2002 School Bldg. & Ref.	6.29%	5,863,126	-	810,013	5,053,113	731,811
2002A School Bldg. & Ref.	5.98%	952,840	-	186,209	766,631	203,268
2003 School Bldg. & Ref.	5.93%	9,218,994	-	67,260	9,151,734	63,167
2004 School Bldg. & Ref.	4.00%	11,760,000	-	355,000	11,405,000	365,000
2006 School Bldg. & Ref.	5.00%	33,260,000	-	320,000	32,940,000	945,000
2008A School Building	4.00%	7,500,000	-	-	7,500,000	-
2008B Refunding	4.00%	1,067,333	-	-	1,067,333	-
2010 Refunding	4.25%	19,960,000	-	-	19,960,000	-
2012 Refunding	5.00%	48,265,000	-	-	48,265,000	-
Total Bonded Indebtedness		<u>140,762,751</u>	<u>-</u>	<u>2,161,689</u>	<u>138,601,062</u>	<u>2,712,702</u>
Capital Leases	5.36%	437,025	3,732,284	78,429	4,090,880	484,664
Accreted Interest	5.17%	28,168,151	2,367,123	2,833,311	27,701,963	-
Discount/Premium on Issuance of Debt		<u>6,578,888</u>	<u>-</u>	<u>242,713</u>	<u>6,336,175</u>	<u>-</u>
Total Other Obligations		<u>35,184,064</u>	<u>6,099,407</u>	<u>3,154,453</u>	<u>38,129,018</u>	<u>484,664</u>
Total Obligations of District		<u>\$175,946,815</u>	<u>\$ 6,099,407</u>	<u>\$ 5,316,142</u>	<u>\$176,730,080</u>	<u>\$3,197,366</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

The 1995, 1999, 2001, 2002, 2002A, 2003, 2004, 2006, 2008A, 2008B, 2010 and 2012 bond series include outstanding capital appreciation bonds in the principal amount of \$16,086,739. The bonds mature variously beginning in 2014 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 \$27,701,963 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, 2013.

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

Year Ended August 31,	Principal	Interest	Total Requirements
2014	\$ 2,712,702	\$ 8,213,648	\$ 10,926,350
2015	3,034,318	8,206,655	11,240,973
2016	3,222,048	8,330,002	11,552,050
2017	3,858,560	7,785,876	11,644,436
2018	3,746,158	7,794,137	11,540,295
2019-2023	18,022,285	39,239,982	57,262,267
2024-2028	16,763,809	37,801,437	54,565,246
2029-2033	34,886,182	19,684,362	54,570,544
2034-2038	39,210,000	8,560,813	47,770,813
2039-2042	<u>13,145,000</u>	<u>1,653,975</u>	<u>14,798,975</u>
	<u>\$138,601,062</u>	<u>\$147,270,887</u>	<u>\$285,871,949</u>

NOTE 8. DEFEASED BONDS OUTSTANDING

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

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2013, \$9,104,053 of bonds outstanding are considered defeased.

NOTE 9. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2012-13 fiscal year was based was \$1,803,880,502. 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

The tax rates assessed for the year ended August 31, 2013, 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, 2013 were 99.39% 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, 2013, property taxes receivable, net of estimated uncollectible taxes, totaled \$375,182 and \$152,539 for the General and Debt Service Funds, respectively.

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

NOTE 10. 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.

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 6.4% of the District's covered payroll (6.0% in fiscal year 2012 and 6.644% in fiscal year 2011). In certain instances the District is required to make all or a portion of the state's 6.4% 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, 2011, 2012, and 2013 were \$2,150,838, \$1,978,497 and \$2,076,283, 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, 2011, 2012, and 2013 were \$438,270, \$371,786 and \$430,822, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2011, 2012, and 2013 were \$2,012,961, \$1,722,977 and \$1,724,667, 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 11. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 0.5% (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% for fiscal years 2013, 2012 and 2011. 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, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$162,215, \$309,141, and \$336,069, respectively, the active member contributions were \$210,880, \$200,946, and \$218,451, respectively, and the school district's contribution were \$178,432, \$170,028, and \$184,838, 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, 2013, the contribution made on behalf of the District was \$124,979.

NOTE 12. HEALTH CARE

During the year ended August 31, 2013, 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 13. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

Fund	State Grant	Federal Grants	Total
General Fund	\$643,057	\$ -	\$643,057
Special Revenue	-	113,237	113,237
Total	<u>\$643,057</u>	<u>\$113,237</u>	<u>\$756,294</u>

NOTE 14. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$19,242,175	\$ -	\$9,249,116	\$ -	\$28,491,291
Food Sales	-	1,169,695	-	-	1,169,695
Investment Income	74,024	4,741	18,642	26,186	123,593
Penalties, interest and other tax related income	170,456	-	66,625	-	237,081
Co-curricular student activities	109,961	392,680	-	-	502,641
Other	<u>327,467</u>	<u>1,181</u>	<u>-</u>	<u>-</u>	<u>328,648</u>
Total	<u>\$19,924,083</u>	<u>\$1,568,297</u>	<u>\$9,334,383</u>	<u>\$ 26,186</u>	<u>\$30,852,949</u>

NOTE 16. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Total
State Funding	\$4,733,982	\$ -	\$4,733,982
Athletic Receipts	3,550	-	3,550
Laptop Usage Fees	-	51,715	51,715
	<u>\$4,737,532</u>	<u>\$51,715</u>	<u>\$4,789,247</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2013

NOTE 17. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Impact Aid	84.041	\$1,202,685	\$1,202,685
Watershed Protection & Flood Control	10.904	151,455	151,455
SHARS		<u>167,920</u>	<u>167,920</u>
Total for General Fund		<u>\$1,522,060</u>	<u>\$1,522,060</u>

NOTE 18. SUBSEQUENT EVENTS

In September 2013, the District issued \$5,920,000 in new bonds to provide \$2,985,000 for construction projects and advance refund \$3,084,244 of existing bonds.

COMBINING SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013

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	\$ (7,832)	\$ (10,770)	\$ -
1240	Receivables from Other Governments	13,510	47,981	-
1290	Other Receivables	-	-	-
1000	Total Assets	<u>\$ 5,678</u>	<u>\$ 37,211</u>	<u>\$ -</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	5,176	33,922	-
2200	Accrued Expenditures	502	3,289	-
2300	Unearned Revenues	-	-	-
2000	Total Liabilities	<u>5,678</u>	<u>37,211</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>\$ 5,678</u>	<u>\$ 37,211</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	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds
\$ 1,293,677	\$ -	\$ (2,547)	\$ (5,715)	\$ -	\$ -	\$ 10,358	\$ 198,981
43,584	-	2,447	5,715	-	-	-	-
234	-	100	-	-	-	-	261
<u>\$ 1,337,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,358</u>	<u>\$ 199,242</u>
\$ 112,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,912
34,048	-	-	-	-	-	-	-
624	-	-	-	-	-	-	-
-	-	-	-	-	-	-	51,715
<u>147,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,627</u>
1,189,951	-	-	-	-	-	-	-
-	-	-	-	-	-	-	140,615
-	-	-	-	-	-	10,358	-
<u>1,189,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,358</u>	<u>140,615</u>
<u>\$ 1,337,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,358</u>	<u>\$ 199,242</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes		491 Textbook Fund	Total Nonmajor Governmental Funds
	ASSETS		
1110	Cash and Cash Equivalents	\$ 13,071	\$ 1,489,223
1240	Receivables from Other Governments	-	113,237
1290	Other Receivables	-	595
1000	Total Assets	<u>\$ 13,071</u>	<u>\$ 1,603,055</u>
	LIABILITIES		
2110	Accounts Payable	\$ -	\$ 119,784
2160	Accrued Wages Payable	-	73,146
2200	Accrued Expenditures	-	4,415
2300	Unearned Revenues	-	51,715
2000	Total Liabilities	<u>-</u>	<u>249,060</u>
	FUND BALANCES		
	Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	-	1,189,951
	Committed Fund Balance:		
3545	Campus Activities	-	140,615
3546	Textbooks	13,071	23,429
3000	Total Fund Balances	<u>13,071</u>	<u>1,353,995</u>
4000	Total Liabilities and Fund Balances	<u>\$ 13,071</u>	<u>\$ 1,603,055</u>

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		211	224	225
		ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
	REVENUES:			
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	291,740	704,830	3,083
5020	Total Revenues	291,740	704,830	3,083
	EXPENDITURES:			
	Current:			
0011	Instruction	184,841	341,484	2,595
0013	Curriculum and Instructional Staff Development	6,709	6,748	60
0021	Instructional Leadership	38,627	-	-
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	356,364	428
0032	Social Work Services	1,455	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	66	-
0041	General Administration	-	-	-
0061	Community Services	60,108	168	-
6030	Total Expenditures	291,740	704,830	3,083
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-
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	404 Student Success Initiative	410 State Textbook Fund	461 Campus Activity Funds
\$ 1,174,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 392,680
16,903	-	-	-	-	14,300	398,052	-
1,839,129	35,194	53,070	126,002	7,807	-	-	-
3,030,468	35,194	53,070	126,002	7,807	14,300	398,052	392,680
-	30,178	-	63,258	7,807	14,300	414,218	64,454
-	5,016	35,385	3,675	-	-	-	27,259
-	-	14,141	59,069	-	-	-	-
-	-	3,544	-	-	-	-	10,564
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,781,816	-	-	-	-	-	-	-
-	-	-	-	-	-	-	282,732
-	-	-	-	-	-	-	427
-	-	-	-	-	-	-	-
2,781,816	35,194	53,070	126,002	7,807	14,300	414,218	385,436
248,652	-	-	-	-	-	(16,166)	7,244
-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	-	10,000
248,652	-	-	-	-	-	(16,166)	17,244
941,299	-	-	-	-	-	26,524	123,371
\$ 1,189,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,358	\$ 140,615

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		491 Textbook Fund	Total Nonmajor Governmental Funds
	REVENUES:		
5700	Total Local and Intermediate Sources	\$ 1,181	\$ 1,568,297
5800	State Program Revenues	-	429,255
5900	Federal Program Revenues	-	3,060,855
5020	Total Revenues	1,181	5,058,407
	EXPENDITURES:		
	Current:		
0011	Instruction	92	1,123,227
0013	Curriculum and Instructional Staff Development	-	84,852
0021	Instructional Leadership	-	111,837
0023	School Leadership	-	14,108
0031	Guidance, Counseling and Evaluation Services	-	356,792
0032	Social Work Services	-	1,455
0035	Food Services	-	2,781,816
0036	Extracurricular Activities	-	282,798
0041	General Administration	-	427
0061	Community Services	-	60,276
6030	Total Expenditures	92	4,817,588
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,089	240,819
	OTHER FINANCING SOURCES (USES):		
7915	Transfers In	-	10,000
7080	Total Other Financing Sources (Uses)	-	10,000
1200	Net Change in Fund Balance	1,089	250,819
0100	Fund Balance - September 1 (Beginning)	11,982	1,103,176
3000	Fund Balance - August 31 (Ending)	\$ 13,071	\$ 1,353,995

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2013

	818 Grants & Scholarships	819 Co-Serv Scholarship	820 The Tribute	Total Private Purpose Trust Funds
ASSETS				
Cash and Cash Equivalents	\$ 1,253	\$ 131,834	\$ 3,000	\$ 136,087
Total Assets	<u>1,253</u>	<u>131,834</u>	<u>3,000</u>	<u>136,087</u>
NET POSITION				
Unrestricted Net Position	<u>1,253</u>	<u>131,834</u>	<u>3,000</u>	<u>136,087</u>
Total Net Position	<u>\$ 1,253</u>	<u>\$ 131,834</u>	<u>\$ 3,000</u>	<u>\$ 136,087</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, 2013

	818 Grants & Scholarships	819 Co-Serv Scholarship	820 The Tribute	Total Private Purpose Trust Funds
ADDITIONS:				
Local and Intermediate Sources	\$ 5,798	\$ 20,481	\$ 8,000	\$ 34,279
Total Additions	<u>5,798</u>	<u>20,481</u>	<u>8,000</u>	<u>34,279</u>
DEDUCTIONS:				
Other Operating Costs	<u>10,725</u>	<u>-</u>	<u>5,000</u>	<u>15,725</u>
Total Deductions	<u>10,725</u>	<u>-</u>	<u>5,000</u>	<u>15,725</u>
Change in Net Position	(4,927)	20,481	3,000	18,554
Total Net Position - September 1 (Beginning)	<u>6,180</u>	<u>111,353</u>	<u>-</u>	<u>117,533</u>
Total Net Position - August 31 (Ending)	<u>\$ 1,253</u>	<u>\$ 131,834</u>	<u>\$ 3,000</u>	<u>\$ 136,087</u>

REQUIRED T.E.A. SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.470000	0.350000	892,112,527
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 (School year under audit)	1.040000	0.500000	1,803,880,502
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 60,784	\$ -	\$ 844	\$ 251	\$ (1,942)	\$ 57,747
23,426	-	632	150	-	22,644
33,100	-	448	105	-	32,547
32,415	-	3,910	1,089	489	27,905
30,193	-	10,549	4,404	11,755	26,995
40,196	-	19,988	9,417	20,365	31,156
63,388	-	23,520	11,308	19,503	48,063
104,974	-	46,273	22,247	30,558	67,012
272,046	-	152,448	73,292	30,760	77,066
-	27,779,760	18,983,854	9,126,853	504,219	173,272
<u>\$ 660,522</u>	<u>\$ 27,779,760</u>	<u>\$ 19,242,466</u>	<u>\$ 9,249,116</u>	<u>\$ 615,707</u>	<u>\$ 564,407</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 321,109	\$ 962,972	\$ -	\$ -	1,284,081
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	98,813	-	-	-	98,813
6212	Audit Services	-	-	-	21,500	-	-	21,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	225,026	-	-	-	-	225,026
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	500	10,822	82	67,290	-	-	78,694
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	660	-	-	660
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	33,812	-	-	33,812
6290	Miscellaneous Contr.	800	-	-	89,819	-	-	90,619
6320	Textbooks and Reading	-	-	1,403	110	-	-	1,513
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	997	-	8,287	47,012	-	-	56,296
6410	Travel, Subsistence, Stipends	10,071	-	71,260	21,311	-	-	102,642
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	3,569	-	-	-	-	-	3,569
6490	Miscellaneous Operating	5,209	-	12,651	329,064	-	-	346,924
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	26,915	26,915
6000	TOTAL	\$ 21,146	\$ 235,848	\$ 513,605	\$ 1,573,550	\$ -	\$ 26,915	\$ 2,371,064

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 53,869,302

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 5,596,324
Total Debt & Lease(6500)	(11) 108,707
Plant Maintenance (Function 51, 6100-6400)	(12) 4,354,757
Food (Function 35, 6341 and 6499)	(13) 1,469,502
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	1,573,550

SubTotal: 13,102,841

Net Allowed Direct Cost \$ 40,766,461

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 146,754,646
Historical Cost of Building over 50 years old	(16) \$ -
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 6,405,006
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$42,604 in Function 53 expenditures are included in this report on administrative costs.

\$225,026 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

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, 2013

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	\$ 1,049,750	\$ 1,149,750	\$ 1,174,436	\$ 24,686
5800	State Program Revenues	17,000	17,000	16,903	(97)
5900	Federal Program Revenues	1,679,311	1,679,311	1,839,129	159,818
5020	Total Revenues	2,746,061	2,846,061	3,030,468	184,407
EXPENDITURES:					
0035	Food Services	2,746,061	2,971,061	2,781,816	189,245
6030	Total Expenditures	2,746,061	2,971,061	2,781,816	189,245
1200	Net Change in Fund Balances	-	(125,000)	248,652	373,652
0100	Fund Balance - September 1 (Beginning)	941,299	941,299	941,299	-
3000	Fund Balance - August 31 (Ending)	\$ 941,299	\$ 816,299	\$ 1,189,951	\$ 373,652

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, 2013

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	\$ 9,334,217	\$ 9,334,217	\$ 9,334,383	\$ 166
5800 State Program Revenues	1,223,127	1,223,127	1,564,585	341,458
5020 Total Revenues	10,557,344	10,557,344	10,898,968	341,624
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	2,161,689	2,161,689	2,161,689	-
0072 Interest on Long Term Debt	8,691,320	8,691,320	8,691,320	-
0073 Bond Issuance Cost and Fees	20,000	20,000	6,905	13,095
6030 Total Expenditures	10,873,009	10,873,009	10,859,914	13,095
1200 Net Change in Fund Balances	(315,665)	(315,665)	39,054	354,719
0100 Fund Balance - September 1 (Beginning)	3,582,562	3,582,562	3,582,562	-
3000 Fund Balance - August 31 (Ending)	\$ 3,266,897	\$ 3,266,897	\$ 3,621,616	\$ 354,719

FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Little Elm Independent School District, as of and for the year ended August 31, 2013, 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, 2013.

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, 2013

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, 2013. 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, 2013. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular-A133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-1.

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 District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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, 2013

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

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? X Yes _____

Identification of major programs:

<u>CFDA Number</u>	<u>Program</u>
10.553	School Breakfast Program
10.555	National School Lunch Program

- 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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2013

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Finding 2013-01 – Noncompliance: Child Nutrition Program

CFDA 10.553	School Breakfast Program
CFDA 10.555	National School Lunch Program

Criteria or Specified Requirement

In accordance with U. S. Department of Agriculture program requirements, each student participating in the School Breakfast and Lunch Program must be directly certified as eligible by the State of Texas or approved based on income amounts included on an application submitted to the District.

Condition

During our testing of students participating or declined for the School Breakfast and Lunch Program, five students were noted that were classified incorrectly. Of the 260 students tested, one student was denied based on family income in excess of allowable levels. The family income was incorrectly computed, and the student should have been approved for reduced-price meals. Four students should have been reduced instead of free, because family income was incorrectly computed.

Questioned Costs

None

Cause

The incorrect classifications were caused by clerical errors in processing the applications.

Effect

The District incorrectly classified five students. The student that was denied was not able to participate in the program. Four students were given free meals when they should have been reduced.

Recommendation

We recommend that the District provide additional training and supervision of clerical staff assigned to processing of program applications.

Views of Responsible Officials and Planned Corrective Actions

Refer to Corrective Action Plan prepared by District management.

SECTION IV – OTHER FINDINGS

Finding 2013-02 – Pledged collateral less than required amount

Criteria: The Texas Public Funds Investment Act (the Act) requires the District's depository bank to pledge securities or letters of credit to the District to fully secure any bank balances that exceed the FDIC deposit insurance coverage on District bank balances. When certain types of securities are pledged, the Act requires that the value of the pledged collateral must equal 110% of uninsured deposits. In addition, municipal bonds issued by state or local governments outside the State of Texas are not eligible collateral under the Act.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS-CONTINUED
FOR THE YEAR ENDED AUGUST 31, 2013

SECTION IV – OTHER FINDING - continued

Condition: During the year ended August 31, 2013, the District's depository bank pledged securities as collateral to secure District deposits in excess of FDIC deposit insurance. The market value of the securities pledged by the District's depository bank exceed the District's uninsured deposits throughout the year. The District's depository bank used reducing-principal securities for part of their collateral pledged. The Act provides that when reducing-principal securities are used as collateral, that collateral must cover 110% of the District's uninsured deposits. As a result, the collateral provided by the District's depository bank did not fully meet the requirements of the Act.

Questioned Costs: None

Cause: The District monitors the level of deposits and pledged securities on a regular basis, on three days during the year the pledged securities were less than the required levels, due to larger than usual deposits.

Effect: Pledged collateral was less than the amount required by the Act at times during the fiscal year.

Recommendation: The District has procedures in place to monitor balances and pledged securities on a regular basis. The bank has agreed to increase pledged securities at times during the year when deposits are expected to be large.

Finding 2013-03 – The District exceeded appropriations in one functional category in the General Fund.

Criteria: The District is required to monitor and amend the budget and control expenditures to make sure appropriations are not exceeded in any one functional category.

Condition: The District exceeded appropriations in one functional category in the General Fund.

Questioned Costs: None

Cause: Appropriations were not properly amended in one functional category in the General Fund.

Effect: Expenditures exceeded appropriations in one functional category in the General Fund.

Recommendation: The District should review expenditures and amend the budget as needed to make sure expenditures don't exceed appropriations.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

FINDING/NONCOMPLIANCE

Finding 2012-1

The District's cash deposits were not entirely covered by FDIC Insurance or pledged collateral securities on several occasions during the year.

The District cut the number of days pledges were short to just three days in 2012-13. These were caused by large property tax deposits on three days in January 2013.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

Finding 2013-01 – Noncompliance: Child Nutrition Program

An error occurred in the processing of five students. The District will implement procedures to provide additional training and supervision for seasonal employees involved in processing program applications and direct certifications.

Contact Person: Carolyn Tarver, Food Service Director

Finding 2013-02 – Pledged collateral less than required amount

The District will continue to monitor its cash balances and securities pledged on a regular basis. The bank has agreed to increase pledged securities at times when deposits are higher.

Contact Person: Linda Engle, Assistant Superintendent of Finance and Operations

Finding 2013-03 – The District exceeded appropriations in one functional category in the General Fund

The District will review expenditures and amend the budget as needed to make sure expenditures don't exceed appropriations.

Contact Person: Linda Engle, Assistant Superintendent of Finance and Operations

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 1,202,685
Total Direct Programs			\$ 1,202,685
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13-610101061914	\$ 291,740
*IDEA - Part B, Formula	84.027	13-660001061914	704,829
*IDEA - Part B, Preschool	84.173	13-660001061914	3,083
Total Special Education Cluster (IDEA)			707,912
Career and Technical - Basic Grant	84.048	13-420006061914	35,194
Title III, Part A - English Language Acquisition	84.365A	13-671001061914	126,002
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13-694501061914	53,070
Summer School LEP	84.369	69551002	7,807
Total Passed Through State Department of Education			\$ 1,221,725
TOTAL DEPARTMENT OF EDUCATION			\$ 2,424,410
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401201	\$ 375,399
*National School Lunch Program - Cash Assistance	10.555	71301201	1,318,360
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301201	145,371
Total CFDA Number 10.555			1,463,731
Total Child Nutrition Cluster			1,839,130
Watershed Protection & Flood Control	10.904		151,455
Total Passed Through the State Department of Agriculture			\$ 1,990,585
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,990,585
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,414,995

*Clustered Programs

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013

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, 2013, 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.

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