

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2011

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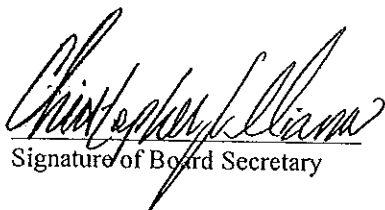
CERTIFICATE OF BOARD

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, 2011, at a meeting of the Board of Trustees of such school district on the ____ day of January, 2012.


Signature of Board Secretary


Signature of Board President

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

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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

TEL. (940) 387-8563
FAX (940) 383-4746

Independent Auditor's Report

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

Members of the Board:

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 Standards*, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012, on our consideration of the District's internal control over financial reporting and on our tests 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 financial statements. The accompanying 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

January 4, 2012

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011
(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, 2011. The District has implemented Government Accounting Standards Board Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". 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 13.

FINANCIAL HIGHLIGHTS

- The liabilities of Little Elm Independent School District exceeded its assets at the close of the most recent fiscal period by \$7,802,163 (net assets). Of this amount, \$(7,910,616) (unrestricted net assets) 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 assets increased by \$1,095,515.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$22,555,625. 49% of this total amount (\$11,057,376) 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 \$11,057,376 or 26.3% 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 Assets and the Statement of Activities (on pages 13 through 15). 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 16) 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 27) 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 Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. 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 Assets includes all the District's assets 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 assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets 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 Assets 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 16 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 Assets 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 Assets 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 Assets on page 25. 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 assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Net assets of the District's governmental activities increased from \$(8,980,360) to \$(7,924,875). Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$(8,033,328) at August 31, 2011. This increase in governmental net assets was the result of the District's revenues exceeding expenditures by \$1,055,485.

Table I
NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Current and other assets	\$ 25,991,795	\$ 28,581,638	\$88,773	\$127,410	\$ 26,080,568	\$ 28,709,048
Capital assets	127,892,363	125,521,959	-	-	127,892,363	125,521,959
Total assets	153,884,158	154,103,597	88,773	127,410	153,972,931	154,231,007
Long-term liabilities	159,986,333	158,544,998	-	-	159,986,333	158,544,998
Other liabilities	2,878,185	3,483,474	6,091	4,698	2,884,276	3,488,172
Total liabilities	162,864,518	162,028,472	6,091	4,698	162,870,609	162,033,170
Net Assets:						
Invested in capital assets net of related debt	(5,244,259)	(3,085,297)	-	-	(5,244,259)	(3,085,297)
Restricted	2,984,928	3,193,750	-	-	2,984,928	3,193,750
Unrestricted	(6,721,029)	(8,033,328)	82,682	122,712	(6,638,347)	(7,910,616)
Total net assets	\$(8,980,360)	\$(7,924,875)	\$82,682	\$122,712	\$(8,897,678)	\$(7,802,163)

Table II
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues:						
Program Revenues:						
Charges for services	\$ 1,129,988	\$ 1,142,535	\$736,936	\$717,207	\$ 1,866,924	\$ 1,859,742
Operating grants and contributions	11,603,024	10,992,869	-	-	11,603,024	10,992,869
General Revenues:						
Maintenance and operations taxes	17,773,149	18,106,638	-	-	17,773,149	18,106,638
Debt service taxes	8,456,210	8,623,301	-	-	8,456,210	8,623,301
State aid	20,865,155	22,031,811	-	-	20,865,155	22,031,811
Investment earnings	416,779	382,740	-	-	416,779	382,740
Miscellaneous	187,680	161,727	-	-	187,680	161,727
Other federal revenue	352,509	442,084	-	-	352,509	442,084
Total Revenue	60,784,494	61,883,705	736,936	717,207	61,521,430	62,600,912
Expenses:						
Instruction, curriculum and media services	31,674,994	32,356,311	-	-	31,674,994	32,356,311
Instructional and school leadership	3,881,972	3,685,182	-	-	3,881,972	3,685,182
Student support services	5,965,409	3,861,789	-	-	5,965,409	3,861,789
Child nutrition	2,605,821	2,978,767	-	-	2,605,821	2,978,767
Cocurricular activities	2,333,054	2,173,701	-	-	2,333,054	2,173,701
General administration	1,355,638	1,651,261	-	-	1,355,638	1,651,261
Plant maintenance, security & data processing	5,492,162	5,585,683	-	-	5,492,162	5,585,683
Community services	120,473	161,164	-	-	120,473	161,164
Childcare services	-	-	698,367	677,177	698,367	677,177
Debt services	8,317,476	8,010,860	-	-	8,317,476	8,010,860
Facilities acquisition, construction	106,302	45,525	-	-	106,302	45,525
Intergovernmental charges	246,941	227,609	-	-	246,941	227,609
Total Expenses	62,100,242	60,737,852	698,367	677,177	62,798,609	61,415,029
Transfers In (Out)	(100,000)	(88,175)	-	-	(100,000)	(88,175)
Prior year tax refund	-	(2,193)	-	-	-	(2,193)
Increase (decrease) in net assets	(1,415,748)	1,055,485	38,569	40,030	(1,377,179)	1,095,515
Net assets at beginning of year	(7,564,612)	(8,980,360)	44,113	82,682	(7,520,499)	(8,897,678)
Net assets at end of year	\$(8,980,360)	\$(7,924,875)	\$ 82,682	\$122,712	\$(8,897,678)	\$(7,802,163)

The District notes the following highlights for the 2010-2011 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 and the teacher/staff attendance plan for perfect and near perfect attendance.
- 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 2.5%.
- The District maintained its agreement with nearby Denton ISD, allowing high school students to take vocational classes in Denton, and its partnership with North Central Texas College, providing credit and non-credit opportunities for high school students and community residents at our High School location.
- The District earned the designation as a 'Recognized' School District by the Texas Education Agency and 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 \$60,737,852. However, as shown in the Statement of Activities on pages 14 and 15, the amount that our taxpayers ultimately financed for these activities through District taxes was \$26,729,939 because some of the costs were paid by those who directly benefited from the programs (\$1,142,535) or by other governments and organizations that subsidized certain programs with grants and contributions (\$10,992,869) or by State equalization funding (\$22,031,811), or by other federal funding (\$442,084).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$22,555,625, which is \$2,150,342 higher than last year's total of \$20,405,283. Included in this year's total change in fund balance is an increase of \$2,157,605 in the District's General Fund. The primary reasons for the General Fund's gain was due to revenues exceeding expenditures.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2010). 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 \$19,109,798 reported on page 16 differs from the General Fund's budgetary fund balance of \$16,687,631 reported in the budgetary comparison schedule on page 21. This is principally due to revenues being more than amounts budgeted, and cost savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2011, the District had \$125,521,959 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$2,370,404 or 1.9 percent, below last year.

This year's major addition was the reconfiguration of buildings for classrooms and administrative uses, paid for with general funds.

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

Debt Administration

At year-end, the District had \$158,544,988 in bonds and leases outstanding (including accreted interest on bonds) versus \$159,986,333 last year—a decrease of .90 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 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District took actions for 2011-2012 to compensate for some increases in costs and continued increases in enrollment:

- The Board adopted a \$55.3 million dollar balanced expenditure budget including General Operating, Child Nutrition, Debt Service, Child Care, and Print Shop.
- 2011 Certified Property Values increased from the 2010 values.
- The Board adopted a total tax rate of \$1.54/\$100 of value (1.04 for M&O and .50 for Debt Service).
- The District maintained a teacher salary scale beginning at \$44,800 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.

BASIC FINANCIAL STATEMENTS

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

EXHIBIT A-1

Data Control Codes	Primary Government			
	Governmental Activities	Business Type Activities	Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 23,765,787	\$ 127,410	\$ 23,893,197
1220	Property Taxes Receivable (Delinquent)	879,746	-	879,746
1230	Allowance for Uncollectible Taxes	(57,184)	-	(57,184)
1240	Due from Other Governments	2,212,310	-	2,212,310
1290	Other Receivables, net	8,580	-	8,580
1410	Deferred Expenses	52,422	-	52,422
1420	Capitalized Bond and Other Debt Issuance Costs	1,719,977	-	1,719,977
Capital Assets:				
1510	Land	10,687,116	-	10,687,116
1520	Buildings, Net	113,914,183	-	113,914,183
1530	Furniture and Equipment, Net	920,660	-	920,660
1000	Total Assets	154,103,597	127,410	154,231,007
LIABILITIES				
2110	Accounts Payable	749,953	2,358	752,311
2160	Accrued Wages Payable	1,523,516	2,300	1,525,816
2200	Accrued Expenses	31,978	40	32,018
2300	Deferred Revenues	1,178,027	-	1,178,027
Noncurrent Liabilities				
2501	Due Within One Year	2,832,630	-	2,832,630
2502	Due in More Than One Year	155,712,368	-	155,712,368
2000	Total Liabilities	162,028,472	4,698	162,033,170
NET ASSETS				
3200	Invested in Capital Assets, Net of Related Debt	(3,085,297)	-	(3,085,297)
Restricted for:				
3820	Restricted for Federal and State Programs	840,676	-	840,676
3850	Restricted for Debt Service	2,207,173	-	2,207,173
3870	Restricted for Campus Activities	135,684	-	135,684
3890	Restricted for Textbooks	10,217	-	10,217
3900	Unrestricted Net Assets	(8,033,328)	122,712	(7,910,616)
3000	Total Net Assets	\$ (7,924,875)	\$ 122,712	\$ (7,802,163)

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, 2011

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 30,527,691	\$ 27,883	\$ 3,220,096
12 Instructional Resources and Media Services	1,083,183	-	32,312
13 Curriculum and Staff Development	745,437	-	161,915
21 Instructional Leadership	535,603	-	40,734
23 School Leadership	3,149,579	-	629,813
31 Guidance, Counseling and Evaluation Services	1,764,438	-	582,191
32 Social Work Services	13,012	-	43,002
33 Health Services	470,593	-	24,666
34 Student (Pupil) Transportation	1,613,746	-	521,891
35 Food Services	2,978,767	952,994	1,883,098
36 Extracurricular Activities	2,173,701	109,422	305,678
41 General Administration	1,651,261	-	155,587
51 Plant Maintenance and Operations	4,695,723	52,236	1,784,808
52 Security and Monitoring Services	305,138	-	2,701
53 Data Processing Services	584,822	-	26,331
61 Community Services	161,164	-	119,174
72 Debt Service - Interest on Long Term Debt	7,927,113	-	1,458,872
73 Debt Service - Bond Issuance Cost and Fees	83,747	-	-
81 Capital Outlay	45,525	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	8,099	-	-
99 Other Intergovernmental Charges	219,510	-	-
[TG] Total Governmental Activities:	60,737,852	1,142,535	10,992,869
BUSINESS-TYPE ACTIVITIES:			
01 Childcare	677,177	717,207	-
[TB] Total Business-Type Activities:	677,177	717,207	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 61,415,029	\$ 1,859,742	\$ 10,992,869

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 - Prior Year Tax Refunds
S2	Special Item - Other Federal Revenues
FR	Transfers In (Out)
TR	Total General Revenues and Special Items
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

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

Net (Expense) Revenue and

Changes in Net Assets

6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (27,279,712)	\$ -	\$ (27,279,712)
(1,050,871)	-	(1,050,871)
(583,522)	-	(583,522)
(494,869)	-	(494,869)
(2,519,766)	-	(2,519,766)
(1,182,247)	-	(1,182,247)
29,990	-	29,990
(445,927)	-	(445,927)
(1,091,855)	-	(1,091,855)
(142,675)	-	(142,675)
(1,758,601)	-	(1,758,601)
(1,495,674)	-	(1,495,674)
(2,858,679)	-	(2,858,679)
(302,437)	-	(302,437)
(558,491)	-	(558,491)
(41,990)	-	(41,990)
(6,468,241)	-	(6,468,241)
(83,747)	-	(83,747)
(45,525)	-	(45,525)
(8,099)	-	(8,099)
(219,510)	-	(219,510)
(48,602,448)	-	(48,602,448)
-	40,030	40,030
-	40,030	40,030
(48,602,448)	40,030	(48,562,418)
18,106,638	-	18,106,638
8,623,301	-	8,623,301
22,031,811	-	22,031,811
382,740	-	382,740
161,727	-	161,727
(2,193)	-	(2,193)
442,084	-	442,084
(88,175)	-	(88,175)
49,657,933	-	49,657,933
1,055,485	40,030	1,095,515
(8,980,360)	82,682	(8,897,678)
\$ (7,924,875)	\$ 122,712	\$ (7,802,163)

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 20,888,942	\$ 2,295,025	\$ 581,820	\$ 23,765,787
1220 Property Taxes - Delinquent	623,292	256,454	-	879,746
1230 Allowance for Uncollectible Taxes (Credit)	(40,514)	(16,670)	-	(57,184)
1240 Receivables from Other Governments	1,018,261	-	1,194,049	2,212,310
1290 Other Receivables	2,515	-	6,065	8,580
1410 Deferred Expenditures	52,422	-	-	52,422
1000 Total Assets	<u>\$ 22,544,918</u>	<u>\$ 2,534,809</u>	<u>\$ 1,781,934</u>	<u>\$ 26,861,661</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 209,819	\$ -	\$ 540,134	\$ 749,953
2160 Accrued Wages Payable	1,437,162	-	86,354	1,523,516
2200 Accrued Expenditures	27,334	-	4,644	31,978
2300 Deferred Revenues	1,760,805	239,784	-	2,000,589
2000 Total Liabilities	<u>3,435,120</u>	<u>239,784</u>	<u>631,132</u>	<u>4,306,036</u>
Fund Balances:				
Nonspendable Fund Balance:				
3430 Prepaid Items	52,422	-	-	52,422
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	840,676	840,676
3480 Retirement of Long-Term Debt	-	2,295,025	-	2,295,025
Committed Fund Balance:				
3540 Campus Activities	-	-	132,684	132,684
3545 Textbooks	-	-	10,217	10,217
Assigned Fund Balance:				
3550 Construction	-	-	167,225	167,225
3590 Capital Projects, Payroll & General Expenses	8,000,000	-	-	8,000,000
3600 Unassigned Fund Balance	11,057,376	-	-	11,057,376
3000 Total Fund Balances	<u>19,109,798</u>	<u>2,295,025</u>	<u>1,150,802</u>	<u>22,555,625</u>
4000 Total Liabilities and Fund Balances	<u>\$ 22,544,918</u>	<u>\$ 2,534,809</u>	<u>\$ 1,781,934</u>	<u>\$ 26,861,661</u>

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
AUGUST 31, 2011

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 22,555,625
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	158,196,967
2 Accumulated depreciation has not been included in the fund financial statements..	(32,675,008)
3 Bonds payable and leases payable have not been included in the fund financial statements.	(130,838,037)
4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.	(29,770,517)
5 Deferred loss on bond refunding has not been included in the fund financial statements.	3,700,616
6 Bond issuance cost is not capitalized in the fund financial statements.	1,719,977
7 Bond discounts and premiums were not recognized in the fund financial statements.	(1,637,060)
8 Property tax revenue reported as deferred revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	822,562
19 Net Assets of Governmental Activities	<u><u>\$ (7,924,875)</u></u>

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 19,099,027	\$ 8,746,295	\$ 1,303,394	\$ 29,148,716
5800 State Program Revenues	24,599,821	1,458,872	479,496	26,538,189
5900 Federal Program Revenues	442,084	-	6,158,027	6,600,111
5020 Total Revenues	44,140,932	10,205,167	7,940,917	62,287,016
EXPENDITURES:				
Current:				
0011 Instruction	26,082,673	-	2,016,597	28,099,270
0012 Instructional Resources and Media Services	944,971	-	-	944,971
0013 Curriculum and Instructional Staff Development	590,384	-	137,979	728,363
0021 Instructional Leadership	519,296	-	16,307	535,603
0023 School Leadership	2,583,159	-	472,208	3,055,367
0031 Guidance, Counseling and Evaluation Services	1,226,634	-	516,086	1,742,720
0032 Social Work Services	12,000	-	1,012	13,012
0033 Health Services	454,134	-	-	454,134
0034 Student (Pupil) Transportation	1,508,778	-	57,275	1,566,053
0035 Food Services	57,636	-	2,778,456	2,836,092
0036 Extracurricular Activities	1,329,435	-	261,894	1,591,329
0041 General Administration	1,630,184	-	7,177	1,637,361
0051 Facilities Maintenance and Operations	2,849,989	-	1,657,816	4,507,805
0052 Security and Monitoring Services	295,275	-	347	295,622
0053 Data Processing Services	583,173	-	-	583,173
0061 Community Services	41,990	-	119,174	161,164
Debt Service:				
0071 Principal on Long Term Debt	70,571	2,776,398	-	2,846,969
0072 Interest on Long Term Debt	31,547	6,866,881	-	6,898,428
0073 Bond Issuance Cost and Fees	-	346,053	-	346,053
Capital Outlay:				
0081 Facilities Acquisition and Construction	966,479	-	410,461	1,376,940
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	8,099	-	-	8,099
0099 Other Intergovernmental Charges	219,510	-	-	219,510
6030 Total Expenditures	42,005,917	9,989,332	8,452,789	60,448,038
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,135,015	215,835	(511,872)	1,838,978
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued (Regular Bonds)	-	19,960,000	-	19,960,000
7912 Sale of Real and Personal Property	24,783	-	-	24,783
7915 Transfers In	-	-	7,394	7,394
7916 Premium or Discount on Issuance of Bonds	-	9,837,346	-	9,837,346
7917 Prepaid Interest	-	26,341	-	26,341
8911 Transfers Out (Use)	-	-	(95,569)	(95,569)
8949 Other (Uses)	(2,193)	(29,446,738)	-	(29,448,931)
7080 Total Other Financing Sources (Uses)	22,590	376,949	(88,175)	311,364
1200 Net Change in Fund Balances	2,157,605	592,784	(600,047)	2,150,342
0100 Fund Balance - September 1 (Beginning)	16,952,193	1,702,241	1,750,849	20,405,283
3000 Fund Balance - August 31 (Ending)	\$ 19,109,798	\$ 2,295,025	\$ 1,150,802	\$ 22,555,625

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

EXHIBIT C-4

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$ 2,150,342
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 2011 capital outlays is to increase net assets in the government-wide financial statements.	1,444,737
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 assets in the government-wide financial statements.	(3,815,141)
Current year long-term debt principal payments on loans payable, 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.	4,700,571
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.	(2,718,379)
Accrued interest paid less prepaid interest on bonds refunded in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(131,866)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements.	(428,094)
Current year amortization of bond issuance costs is not reflected in the fund financial statements, but is shown as a reduction to the bond issuance costs asset in the government-wide financial statements.	(77,342)
Bond premiums are income when incurred in the fund financial statements, but are capitalized net of amortization in the government-wide financial statements.	73,833
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.	(132,216)
Current year issuances of bonds and 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.	(19,960,000)

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

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, 2011

Current year bond issuance costs are expenditures in the fund financial statements, but are capitalized net of amortization in the government-wide financial statements. Current year amortization of bond issuance costs is not reflected in the fund financial statements.	339,648
The premium on the current year issuances of current interest and capital appreciation bonds is recorded as an other resource in the fund financial statements, but is shown as an increase accreted interest and premium on bonds in long-term debt in the government-wide financial statements.	(9,837,346)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as reduction in long-term debt in the government-wide financial statements.	29,446,738
Change in Net Assets of Governmental Activities	<u>\$ 1,055,485</u>

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT C-5

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 18,724,762	\$ 18,817,139	\$ 19,099,027	\$ 281,888
5800	State Program Revenues	23,448,504	23,555,231	24,599,821	1,044,590
5900	Federal Program Revenues	295,000	295,000	442,084	147,084
5020	Total Revenues	42,468,266	42,667,370	44,140,932	1,473,562
EXPENDITURES:					
Current:					
0011	Instruction	26,940,348	26,212,045	26,082,673	129,372
0012	Instructional Resources and Media Services	652,952	954,311	944,971	9,340
0013	Curriculum and Instructional Staff Development	633,641	613,490	590,384	23,106
0021	Instructional Leadership	508,604	544,579	519,296	25,283
0023	School Leadership	3,078,999	2,668,734	2,583,159	85,575
0031	Guidance, Counseling and Evaluation Services	1,411,403	1,290,466	1,226,634	63,832
0032	Social Work Services	12,000	12,000	12,000	-
0033	Health Services	461,722	486,687	454,134	32,553
0034	Student (Pupil) Transportation	1,450,500	1,551,531	1,508,778	42,753
0035	Food Services	-	58,634	57,636	998
0036	Extracurricular Activities	1,316,576	1,439,793	1,329,435	110,358
0041	General Administration	1,656,605	1,710,832	1,630,184	80,648
0051	Facilities Maintenance and Operations	3,052,026	3,014,718	2,849,989	164,729
0052	Security and Monitoring Services	272,764	333,457	295,275	38,182
0053	Data Processing Services	628,476	634,286	583,173	51,113
0061	Community Services	450	44,394	41,990	2,404
Debt Service:					
0071	Principal on Long Term Debt	70,600	70,600	70,571	29
0072	Interest on Long Term Debt	31,600	31,600	31,547	53
Capital Outlay:					
0081	Facilities Acquisition and Construction	32,000	1,002,775	966,479	36,296
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	32,000	32,000	8,099	23,901
0099	Other Intergovernmental Charges	225,000	225,000	219,510	5,490
6030	Total Expenditures	42,468,266	42,931,932	42,005,917	926,015
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(264,562)	2,135,015	2,399,577
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	24,783	24,783
8949	Other (Uses)	-	-	(2,193)	(2,193)
7080	Total Other Financing Sources (Uses)	-	-	22,590	22,590
1200	Net Change in Fund Balances	-	(264,562)	2,157,605	2,422,167
0100	Fund Balance - September 1 (Beginning)	16,952,193	16,952,193	16,952,193	-
3000	Fund Balance - August 31 (Ending)	\$ 16,952,193	\$ 16,687,631	\$ 19,109,798	\$ 2,422,167

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2011

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 127,410	\$ 5
Total Assets	<u>127,410</u>	<u>5</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,358	5
Accrued Wages Payable	2,300	-
Accrued Expenses	<u>40</u>	<u>-</u>
Total Liabilities	<u>4,698</u>	<u>5</u>
NET ASSETS		
Unrestricted Net Assets	<u>122,712</u>	<u>-</u>
Total Net Assets	<u>\$ 122,712</u>	<u>\$ -</u>

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT D-2

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 717,207	\$ 29,953
Total Operating Revenues	717,207	29,953
OPERATING EXPENSES:		
Payroll Costs	621,769	13,979
Professional and Contracted Services	2,506	11,435
Supplies and Materials	42,798	4,539
Other Operating Costs	10,104	-
Total Operating Expenses	677,177	29,953
Operating Income	40,030	-
Total Net Assets - September 1 (Beginning)	82,682	-
Total Net Assets - August 31 (Ending)	\$ 122,712	\$ -

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, 2011

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	\$ 717,207	\$ -
Cash Received from User Charges	-	29,953
Cash Received from District	(622,428)	(13,979)
Cash Payments for Payroll Costs	(2,506)	(12,685)
Cash Payments for Professional Services	(43,532)	(4,539)
Cash Payments for Supplies and Materials	(10,104)	-
Cash Payments for Other Costs	38,637	(1,250)
Net Cash Provided by (Used for) Operating Activities	38,637	(1,250)
Net Increase (Decrease) in Cash and Cash Equivalents	88,773	1,255
Cash and Cash Equivalents at Beginning of the Year:	\$ 127,410	\$ 5
Cash and Cash Equivalents at the End of the Year:		
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>	\$ 40,030	\$ -
Operating Income (Loss):		
Effect of Increases and Decreases in Current Assets and Liabilities:		
Increase (decrease) in Accounts Payable	(734)	(1,250)
Increase (decrease) in Accrued Wages Payable	(625)	-
Increase (decrease) in Accrued Expenses	(34)	-
Net Cash Provided by (Used for) Operating Activities	\$ 38,637	\$ (1,250)

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2011

EXHIBIT E-1

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 104,815	\$ 56,920
Total Assets	<u>104,815</u>	<u>\$ 56,920</u>
LIABILITIES		
Due to Student Groups	-	\$ 56,920
Total Liabilities	<u>-</u>	<u>\$ 56,920</u>
NET ASSETS		
Unrestricted Net Assets	104,815	
Total Net Assets	<u>\$ 104,815</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 ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 104,881
Total Additions	<u>104,881</u>
DEDUCTIONS:	
Supplies and Materials	34,516
Other Operating Costs	6,875
Total Deductions	<u>41,391</u>
Change in Net Assets	63,490
Total Net Assets - September 1 (Beginning)	<u>41,325</u>
Total Net Assets - August 31 (Ending)	<u>\$ 104,815</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, 2011

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 assets and the statement of changes in net assets) 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, 2011

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, 2011

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 and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
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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, 2011 that were subsequently provided for in the 2011-12 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	7-10 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 ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are available for general governmental uses. When both restricted and unrestricted net assets are available, restricted net assets are expended before unrestricted net assets 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 assets. Bond premiums and discounts, as well as issuance costs, 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 deferred charges and amortized over the term of the related debt.

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 2011, 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, 2011, 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, 2011.

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, 2011, the fund carries a discounted reserve of \$73,157,844 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2011, 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
Band Floater
Boiler
EDP Floater
Generic Floater
Other Equipment Floater
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, 2011, 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
Crime
General Liability
School Professional Legal Liability
Sexual Misconduct Claims 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, 2011, 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, 2010, are available at the TASB offices and have been filed with Texas Department of Insurance in Austin.

M. ESTIMATES

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

NOTE 2. FUND BALANCE

Beginning with the year ending August 31, 2011, the District 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.

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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 inventories and 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, 2011 for campus activities and textbooks.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

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 16) and are described below:

General Fund

The General Fund has unassigned fund balance of \$11,057,376 at August 31, 2011. Deferred expenditures (prepaid items) of \$52,422 are considered nonspendable fund balance. \$8,000,000 has been assigned for future capital projects, payroll and general operating expenses.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
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Other Major Funds

The Debt Service Fund has restricted funds of \$2,295,025 at August 31, 2011 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The fund balance of \$132,684 of the Campus Activity Fund and \$10,217 Textbook Fund (special revenue funds) are shown as committed due to Board policy committing those funds to campus activities and textbooks. The fund balance of \$840,676 in the Food Service Fund is shown as restricted for food service operations. The Capital Projects Fund has assigned funds of \$167,225 at August 31, 2011 consisting primarily of unspent bond funds.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2011, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$8,181,260, which includes \$9,460 cash on hand. The combined bank balance was \$8,582,110. The District's cash deposits at August 31, 2011 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:

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- 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, 2011, the District's cash balances totaled \$8,582,110. 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, 2011, however, there were two months 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, 2011, the District held investments in bank certificates of deposit and in four public funds investment pools (TexPool, TexSTAR, Lonestar and MBIA). The District is not exposed to custodial credit risk for its certificates of deposit as all are collateralized with securities held by the financial institution's agent or by FDIC coverage. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the four investment pools range from AAA (Standard & Poor's) to AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for both TexPool and TexStar is less than 60 days. Additionally, all investments in bank certificates of deposit are covered by the District's depository pledge or by FDIC coverage if in other banks.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2011, 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.

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The District's investments pools and certificates of deposit at August 31, 2011, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	\$ 304,692	\$ 304,692
TexSTAR	1,375,261	1,375,261
Lonestar	12,096,977	12,096,977
MBIA	606,747	606,747
Certificates of Deposit	<u>1,490,000</u>	<u>1,490,000</u>
Total	<u>\$15,873,677</u>	<u>\$15,873,677</u>

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2011, was as follows:

	<u>Balance September 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance August 31</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 10,687,116	\$ -	\$ -	\$ 10,687,116
Total capital assets, not being depreciated	<u>10,687,116</u>	<u>-</u>	<u>-</u>	<u>10,687,116</u>
Capital assets, being depreciated:				
Buildings	144,072,586	1,331,415	-	145,404,001
Furniture and Equipment	<u>1,992,528</u>	<u>113,322</u>	<u>-</u>	<u>2,105,850</u>
Total capital assets, being depreciated	<u>146,065,114</u>	<u>1,444,737</u>	<u>-</u>	<u>147,509,851</u>
Less accumulated depreciation for:				
Buildings	(27,858,072)	(3,631,746)	-	(31,489,818)
Furniture and Equipment	<u>(1,001,795)</u>	<u>(183,395)</u>	<u>-</u>	<u>(1,185,190)</u>
Total accumulated depreciation	<u>(28,859,867)</u>	<u>(3,815,141)</u>	<u>-</u>	<u>(32,675,008)</u>
Total capital assets being depreciated, net	<u>117,205,247</u>	<u>(2,370,404)</u>	<u>-</u>	<u>114,834,843</u>
Governmental activities capital assets, net	<u>\$127,892,363</u>	<u>\$(2,370,404)</u>	<u>\$-</u>	<u>\$125,521,959</u>

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

Governmental activities:	
Instruction	\$2,446,513
Instructional Resources & Media Services	138,212
Curriculum & Instructional Staff Development	17,074
School Leadership	94,212
Guidance, Counseling & Evaluation Services	21,718
Health Services	16,459
Student (Pupil) Transportation	47,693
Food Services	237,905
Cocurricular/Extracurricular Activities	582,372
General Administration	13,900
Plant Maintenance and Operations	187,918
Data Processing Services	9,516
Security and Monitoring Services	<u>1,649</u>
Total depreciation expense-Governmental activities	<u>\$3,815,141</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5. CAPITAL LEASES

The District is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,034,305 at August 31, 2011.

A summary of changes in capital leases payable for the year ended August 31, 2011 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9-1-10</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 8-31-11</u>	<u>Due Within One Year</u>
Equipment	5.36%	<u>\$581,992</u>	<u>\$ -</u>	<u>\$ 70,571</u>	<u>\$511,421</u>	<u>\$74,396</u>

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

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2012	\$ 74,396	\$ 27,722	\$102,118
2013	78,429	23,689	102,118
2014	82,680	19,438	102,118
2015	87,162	14,956	102,118
2016	91,887	10,231	102,118
2017	<u>96,867</u>	<u>5,251</u>	<u>102,118</u>
	<u>\$511,421</u>	<u>\$101,287</u>	<u>\$612,708</u>

NOTE 6. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds and one capital lease. 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.

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The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2011:

Description	Interest Rate Payable	Amounts Outstanding 9/1/10	Additions	Refunded/ Retired	Amounts Outstanding 8/31/11	Due Within One Year
Bonded Indebtedness:						
1995 Refunding	7.00%	\$ 1,205,000	\$ -	\$ 1,010,000	\$ 195,000	\$ 70,000
1995A School Bldg.	5.90%	90,000	-	-	90,000	-
1999 School Bldg. & Ref.	6.22%	2,787,835	-	356,753	2,431,082	204,791
2000 School Bldg. & Ref.	6.13%	40,000	-	40,000	-	-
2001 School Bldg. & Ref.	5.625%	9,004,642	-	7,877,298	1,127,344	221,560
2002 School Bldg. & Ref.	6.29%	22,619,496	-	8,151,942	14,467,554	650,281
2002A School Bldg. & Ref.	5.98%	30,443,929	-	4,341,163	26,102,766	447,579
2003 School Bldg. & Ref.	5.93%	12,060,691	-	445,154	11,615,537	561,287
2004 School Bldg. & Ref.	4.00%	12,670,000	-	320,000	12,350,000	590,000
2006 School Bldg. & Ref.	5.00%	33,616,639	-	196,639	33,420,000	160,000
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	-
Total Bonded Indebtedness		133,105,565	19,960,000	22,738,949	130,326,616	2,905,498
Capital Lease	5.36%	581,992	-	70,571	511,421	74,396
Accreted Interest	5.17%	26,273,216	12,445,858	8,948,557	29,770,517	-
Deferred Loss on Bond Ref.		(1,575,466)	(2,257,366)	(132,216)	(3,700,616)	(147,264)
Discount/Premium on Issuance of Debt		1,601,026	109,867	73,833	1,637,060	-
Total Other Obligations		26,880,768	10,298,359	8,960,745	28,218,382	(72,868)
Total Obligations of District		\$159,986,333	\$30,258,359	\$31,699,694	\$158,544,998	\$2,832,630

The 1995, 1999, 2001, 2002, 2002A, 2003, 2004, 2006, 2008A, 2008B and 2010 bond series include outstanding capital appreciation bonds in the principal amount of \$22,209,566. The bonds mature variously beginning in 2011 through 2037. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity. The accrued interest of \$29,770,517 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, 2011.

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

Year Ended	Total	
August 31,	Principal	Interest
2012	\$ 2,905,498	\$ 7,064,138
2013	2,200,208	8,044,529
2014	2,736,274	7,795,394
2015	3,065,858	7,750,553
2016	3,245,036	7,847,333
2017-2021	19,544,137	36,780,038
2022-2026	14,806,626	40,080,923
2027-2031	24,596,494	29,334,252
2032-2036	44,156,485	9,979,503
2037-2041	12,480,000	990,987
2042	590,000	26,550
	<u>\$130,326,616</u>	<u>\$155,694,200</u>
		<u>\$286,020,816</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

NOTE 7. DEBT ISSUANCE AND DEFEASED BONDS OUTSTANDING

On November 1, 2010 the District issued \$13,945,000 (par value) in unlimited tax refunding bonds (current interest bonds) and \$6,015,000 in premium capital appreciation bonds to advance refund \$19,962,551 of unlimited tax school building and refunding bonds. The bonds were issued at a premium of \$9,837,346, and, after paying issuance costs of \$339,648 the net proceeds were \$29,457,698. \$29,446,738 of the net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded bonds until the bonds mature. The advanced refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's General Long-Term Debt. The advance refunding resulted in a present value economic gain (difference between present value of debt service payments on the old and new debt) of \$4,813,404.

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, 2011, \$20,158,928 of bonds outstanding are considered defeased.

NOTE 8. 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 2010-11 fiscal year was based was \$1,640,765,714. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2011, 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, 2011 were 98.76% 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, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$582,778 and \$239,784 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

NOTE 9. 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 6.644% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.644% 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, 2009, 2010, and 2011 were \$2,038,579, \$2,175,244 and \$2,150,838, 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, 2009, 2010, and 2011 were \$412,846, \$413,641 and \$438,270, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2009, 2010, and 2011 were \$1,874,140, \$2,024,160 and \$2,012,961, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

NOTE 10. 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2011

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010 and 2009. 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, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$336,069, \$339,881, and \$318,528, respectively, the active member contributions were \$218,451, \$220,919, and \$207,045, respectively, and the school district's contribution were \$184,838, \$186,938, and \$175,187, 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, 2011, the contribution made on behalf of the District was \$90,433.

NOTE 11. HEALTH CARE

During the year ended August 31, 2011, employees of Little Elm Independent School District were covered by the TRS-Active Care health insurance plan (the Plan). The District contributed \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

NOTE 12. 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, 2011, are summarized below. All federal grants shown below are passed through the TEA and are reported on the financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Grant</u>	<u>Federal Grants</u>	<u>Total</u>
General Fund	\$1,018,261	\$ -	\$1,018,261
Special Revenue	<u>51,448</u>	<u>1,142,601</u>	<u>1,194,049</u>
Total	<u>\$1,069,709</u>	<u>\$1,142,601</u>	<u>\$2,212,310</u>

NOTE 13. 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, 2011 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011

NOTE 14. 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	\$18,101,799	\$ -	\$8,597,806	\$ -	\$26,699,605
Food Sales	-	952,994	-	-	952,994
Investment Income	325,663	20,744	35,142	1,191	382,740
Penalties, interest and other tax related income	345,079	-	113,347	-	458,426
Co-curricular student activities	109,422	324,298	-	-	433,720
Other	217,064	4,167	-	-	221,231
Total	<u>\$19,099,027</u>	<u>\$1,302,203</u>	<u>\$8,746,295</u>	<u>\$ 1,191</u>	<u>\$29,148,716</u>

NOTE 15. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 582,778	\$ -	\$239,784	\$ 822,562
State Funding	1,174,507	-	-	1,174,507
Athletic Receipts	3,520	-	-	3,520
	<u>\$1,760,805</u>	<u>\$ -</u>	<u>\$239,784</u>	<u>\$2,000,589</u>

NOTE 16. 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	\$357,687	\$357,687
Watershed Protection & Flood Control	10.904	84,397	84,397
Total for General Fund		<u>\$442,084</u>	<u>\$442,084</u>

NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency required the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category in the Child Nutrition Program for the year ended August 31, 2011.

NOTE 18. SUBSEQUENT EVENTS

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

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COMBINING SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ (77,399)	\$ (99,697)	\$ (634)	\$ 937,144
1240	Receivables from Other Governments	87,313	130,080	634	64,498
1290	Other Receivables	-	1,716	-	4,323
1000	Total Assets	<u>\$ 9,914</u>	<u>\$ 32,099</u>	<u>\$ -</u>	<u>\$ 1,005,965</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 116,304
2160	Accrued Wages Payable	9,073	29,292	-	47,989
2200	Accrued Expenditures	841	2,807	-	996
2000	Total Liabilities	<u>9,914</u>	<u>32,099</u>	<u>-</u>	<u>165,289</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	840,676
Committed Fund Balance:					
3540	Campus Activities	-	-	-	-
3545	Textbooks	-	-	-	-
Assigned Fund Balance:					
3550	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>840,676</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,914</u>	<u>\$ 32,099</u>	<u>\$ -</u>	<u>\$ 1,005,965</u>

EXHIBIT H-1 (Cont'd)

244 Career and Technical - Basic Grant	255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I, A Improving Basic Program	287 Education Jobs Fund
\$ -	\$ (5,767)	\$ (32,974)	\$ (609,882)	\$ (184,813)	\$ (15,182)	\$ (11,458)	\$ -
-	5,767	32,974	609,882	184,813	15,182	11,458	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes		289 Summer School LEP	396 Communities in Schools	397 Advanced Placement Incentives	404 Student Success Initiative
	ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ (51,448)
1240	Receivables from Other Governments	-	-	-	51,448
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	LIABILITIES AND FUND BALANCES				
	Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2200	Accrued Expenditures	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Fund Balances:				
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
	Committed Fund Balance:				
3540	Campus Activities	-	-	-	-
3545	Textbooks	-	-	-	-
	Assigned Fund Balance:				
3550	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	415 Kindergarten and Pre-K Grants	461 Campus Activity Funds	491 Textbook Fund	Total Nonmajor Special Revenue Funds	647 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 135,776	\$ 10,217	\$ (6,117)	\$ 587,937	\$ 581,820
-	-	-	-	1,194,049	-	1,194,049
-	-	26	-	6,065	-	6,065
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,802</u>	<u>\$ 10,217</u>	<u>\$ 1,193,997</u>	<u>\$ 587,937</u>	<u>\$ 1,781,934</u>
\$ -	\$ -	\$ 3,118	\$ -	\$ 119,422	\$ 420,712	\$ 540,134
-	-	-	-	86,354	-	86,354
-	-	-	-	4,644	-	4,644
-	-	3,118	-	210,420	420,712	631,132
-	-	-	-	840,676	-	840,676
-	-	132,684	-	132,684	-	132,684
-	-	-	10,217	10,217	-	10,217
-	-	-	-	-	167,225	167,225
-	-	132,684	10,217	983,577	167,225	1,150,802
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 135,802</u>	<u>\$ 10,217</u>	<u>\$ 1,193,997</u>	<u>\$ 587,937</u>	<u>\$ 1,781,934</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 973,739
5800 State Program Revenues	-	-	-	16,228
5900 Federal Program Revenues	271,750	858,793	10,696	1,679,874
5020 Total Revenues	271,750	858,793	10,696	2,669,841
EXPENDITURES:				
Current:				
0011 Instruction	196,966	527,962	3,748	-
0013 Curriculum and Instructional Staff Development	7,327	2,300	289	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	326,986	6,659	-
0032 Social Work Services	1,012	-	-	-
0034 Student (Pupil) Transportation	-	-	-	2,778,456
0035 Food Services	-	1,545	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	5,280	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	61,165	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	271,750	858,793	10,696	2,778,456
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(108,615)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	(108,615)
0100 Fund Balance - September 1 (Beginning)	-	-	-	949,291
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 840,676

244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 Title XIV ARRA State Stabilization	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
20,523	41,633	110,569	1,652,332	492,979	16,680	24,539	971,213
20,523	41,633	110,569	1,652,332	492,979	16,680	24,539	971,213
9,715	7,230	34,379	111,158	392,718	11,240	19,872	201,358
10,808	14,359	71,960	-	5,404	413	-	-
-	14,343	1,964	-	-	-	-	-
-	5,701	-	-	-	-	-	466,507
-	-	-	-	41,884	5,027	-	135,530
-	-	-	-	-	-	-	-
-	-	-	50,829	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,897	-	-	-	-	-
-	-	-	1,489,998	-	-	-	167,818
-	-	-	347	-	-	-	-
-	-	369	-	52,973	-	4,667	-
-	-	-	-	-	-	-	-
20,523	41,633	110,569	1,652,332	492,979	16,680	24,539	971,213
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		289 Summer School LEP	396 Communities in Schools	397 Advanced Placement Incentives	404 Student Success Initiative
	REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 1,800	\$ 54,461
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	6,446	-	-	-
5020	Total Revenues	6,446	-	1,800	54,461
	EXPENDITURES:				
	Current:				
0011	Instruction	-	-	13,698	54,461
0013	Curriculum and Instructional Staff Development	-	-	1,800	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0034	Student (Pupil) Transportation	6,446	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0061	Community Services	-	-	-	-
	Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	6,446	-	15,498	54,461
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(13,698)	-
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	-
8911	Transfers Out (Use)	-	(88,175)	-	-
7080	Total Other Financing Sources (Uses)	-	(88,175)	-	-
1200	Net Change in Fund Balance	-	(88,175)	(13,698)	-
0100	Fund Balance - September 1 (Beginning)	-	88,175	13,698	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

411 Technology Allotment	415 Kindergarten and Pre-K Grants	461 Campus Activity Funds	491 Textbook Fund	Total Nonmajor Special Revenue Funds	647 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 324,298	\$ 4,166	\$ 1,302,203	\$ 1,191	\$ 1,303,394
173,907	233,100	-	-	479,496	-	479,496
-	-	-	-	6,158,027	-	6,158,027
173,907	233,100	324,298	4,166	7,939,726	1,191	7,940,917
173,907	233,100	23,742	1,343	2,016,597	-	2,016,597
-	-	23,319	-	137,979	-	137,979
-	-	-	-	16,307	-	16,307
-	-	-	-	472,208	-	472,208
-	-	-	-	516,086	-	516,086
-	-	-	-	1,012	-	1,012
-	-	-	-	57,275	-	57,275
-	-	-	-	2,778,456	-	2,778,456
-	-	260,349	-	261,894	-	261,894
-	-	-	-	7,177	-	7,177
-	-	-	-	1,657,816	-	1,657,816
-	-	-	-	347	-	347
-	-	-	-	119,174	-	119,174
-	-	-	-	-	410,461	410,461
173,907	233,100	307,410	1,343	8,042,328	410,461	8,452,789
-	-	16,888	2,823	(102,602)	(409,270)	(511,872)
-	-	-	7,394	7,394	-	7,394
-	-	(7,394)	-	(95,569)	-	(95,569)
-	-	(7,394)	7,394	(88,175)	-	(88,175)
-	-	9,494	10,217	(190,777)	(409,270)	(600,047)
-	-	123,190	-	1,174,354	576,495	1,750,849
\$ -	\$ -	\$ 132,684	\$ 10,217	\$ 983,577	\$ 167,225	\$ 1,150,802

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 AUGUST 31, 2011

	818 Grants & Scholarships	819 Co-Serv Scholarship	Total Private Purpose Trust Funds
<hr/>			
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 13,868	\$ 90,947	\$ 104,815
Total Assets	<u>13,868</u>	<u>90,947</u>	<u>104,815</u>
NET ASSETS			
Unrestricted Net Assets	<u>13,868</u>	<u>90,947</u>	<u>104,815</u>
Total Net Assets	<u>\$ 13,868</u>	<u>\$ 90,947</u>	<u>\$ 104,815</u>

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	818 Grants & Scholarships	819 Co-Serv Scholarship	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 13,934	\$ 90,947	\$ 104,881
Total Additions	<u>13,934</u>	<u>90,947</u>	<u>104,881</u>
DEDUCTIONS:			
Supplies and Materials	34,516	-	34,516
Other Operating Costs	6,875	-	6,875
Total Deductions	<u>41,391</u>	<u>-</u>	<u>41,391</u>
Change in Net Assets	(27,457)	90,947	63,490
Total Net Assets - September 1 (Beginning)	<u>41,325</u>	<u>-</u>	<u>41,325</u>
Total Net Assets - August 31 (Ending)	<u>\$ 13,868</u>	<u>\$ 90,947</u>	<u>\$ 104,815</u>

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REQUIRED T.E.A. SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.274800	0.436300	555,676,377
2004	1.349000	0.381000	738,243,717
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 (School year under audit)	1.040000	0.500000	1,640,765,714
1000 TOTALS			

EXHIBIT J-1

(10) Beginning Balance 9/1/2010		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 8/31/2011	
\$	39,980	\$	-	\$	878	\$	227	\$	(7,298)	\$	31,577
	66,688		-		34,713		11,883		(1)		20,091
	106,917		-		65,708		18,558		1,340		23,991
	130,481		-		84,716		20,170		1,880		27,475
	158,446		-		122,501		28,775		54,188		61,358
	210,380		-		162,647		45,293		67,384		69,824
	67,777		-		42,250		17,638		54,976		62,865
	129,028		-		71,980		33,914		77,615		100,749
	427,903		-		259,520		124,769		117,053		160,667
	-		25,267,792		17,256,886		8,296,579		606,822		321,149
\$	1,337,600	\$	25,267,792	\$	18,101,799	\$	8,597,806	\$	973,959	\$	879,746

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2011

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	\$ -	\$ -	\$ 46,386	\$ 1,173,172	\$ -	\$ -	\$ 1,219,558
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	45,326	-	-	-	45,326
6212	Audit Services	-	-	-	21,000	-	-	21,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	219,510	-	-	-	-	219,510
621X	Other Professional Services	228	11,495	7,000	46,778	-	-	65,501
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	20,015	-	-	20,015
6260	Rentals	-	-	-	73,390	-	-	78,022
6290	Miscellaneous Contr.	700	-	3,932	-	-	-	69
6320	Textbooks and Reading	-	-	69	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	778	-	9,934	67,071	-	-	77,783
6410	Travel, Subsistence, Stipends	3,366	-	20,286	16,938	-	-	40,590
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	8,494	-	-	-	-	-	8,494
6490	Miscellaneous Operating	6,788	-	12,533	51,972	-	-	71,293
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 20,354	\$ 231,005	\$ 145,466	\$ 1,470,336	\$ -	\$ -	\$ 1,867,161

Total expenditures/expenses for General and Special Revenue Funds:

(9) \$ 50,048,246

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)

(10) \$ 1,034,275

Total Debt & Lease (6500)

(11) 102,118

Plant Maintenance (Function 51, 6100-6400)

(12) 4,507,806

Food (Function 35, 6341 and 6499)

(13) 1,395,137

Stipends (6413)

(14) -

Column 4 (above) - Total Indirect Cost

1,470,336

SubTotal:

8,509,672

Net Allowed Direct Cost

\$ 41,538,574

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)

(15) \$ 145,404,001

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) \$ 2,105,850

Historical Cost of Furniture & Equipment over 16 years old

(19) \$ -

Amount of Federal Money in Furniture & Equipment (Net of #19)

(20) \$ -

(8) NOTE A: \$10,290 in Function 53 expenditures are included in this report on administrative costs.

\$219,510 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, 2011

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	\$ 927,400	\$ 927,400	\$ 973,739	\$ 46,339
5800 State Program Revenues	70,634	17,000	16,228	(772)
5900 Federal Program Revenues	1,532,472	1,532,472	1,679,874	147,402
5020 Total Revenues	2,530,506	2,476,872	2,669,841	192,969
EXPENDITURES:				
0035 Food Services	2,530,506	2,751,872	2,778,456	(26,584)
6030 Total Expenditures	2,530,506	2,751,872	2,778,456	(26,584)
1200 Net Change in Fund Balances	-	(275,000)	(108,615)	166,385
0100 Fund Balance - September 1 (Beginning)	949,291	949,291	949,291	-
3000 Fund Balance - August 31 (Ending)	\$ 949,291	\$ 674,291	\$ 840,676	\$ 166,385

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, 2011

FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 8,728,750	\$ 8,728,750	\$ 8,746,295	\$ 17,545
5800	State Program Revenues	1,342,000	1,342,000	1,458,872	116,872
5020	Total Revenues	10,070,750	10,070,750	10,205,167	134,417
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,815,000	2,815,000	2,776,398	38,602
0072	Interest on Long Term Debt	6,875,750	6,875,750	6,866,881	8,869
0073	Bond Issuance Cost and Fees	380,000	380,000	346,053	33,947
6030	Total Expenditures	10,070,750	10,070,750	9,989,332	81,418
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	215,835	215,835
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	19,960,000	19,960,000
7916	Premium or Discount on Issuance of Bonds	-	-	9,837,346	9,837,346
7917	Prepaid Interest	-	-	26,341	26,341
8949	Other (Uses)	-	-	(29,446,738)	(29,446,738)
7080	Total Other Financing Sources (Uses)	-	-	376,949	376,949
1200	Net Change in Fund Balances	-	-	592,784	592,784
0100	Fund Balance - September 1 (Beginning)	1,702,241	1,702,241	1,702,241	-
3000	Fund Balance - August 31 (Ending)	\$ 1,702,241	\$ 1,702,241	\$ 2,295,025	\$ 592,784

FEDERAL AWARDS SECTION

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MEMBERS:
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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
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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*

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

We have audited 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 (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 4, 2012. 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 Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, and appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

January 4, 2012

MEMBERS:
AMERICAN INSTITUTE OF
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Little Elm Independent School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 the 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

January 4, 2012

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 510 (a): No
7. Major programs include:

Special Education Cluster:

84.027 IDEA-Part B, Formula
84.173A IDEA-Part B, Preschool
84.391A IDEA-Part B, Formula-ARRA
84.392A IDEA-Part B, Preschool-ARRA

84.394 Title XIV, State Fiscal Stabilization Fund-ARRA
84.410 Education Jobs Fund

Child Nutrition Cluster:

10.553 School Breakfast Program
10.555 National School Lunch Program-Cash Assistance
10.555 National School Lunch Program-Non Cash Assistance

8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

Finding 2011-1 The District exceeded appropriations in one functional category in the Child Nutrition Fund.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2011

III. Other Findings - Continued

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 Found	The District exceeded appropriations in one functional category in the Child Nutrition Fund.
Instance/Universe	One category in the Child Nutrition Fund exceeded appropriations by \$26,584 during the year.
Recommendation	The District should review expenditures and amend the budget as needed to make sure expenditures don't exceed appropriations.
Finding 2011-2	The District's cash deposits were not entirely covered by FDIC Insurance or pledged collateral securities on two days during the year.
Criteria	The District's bank is required to keep pledged securities and FDIC Insurance to cover 110% of any daily cash balance in the bank.
Condition Found	110% of the daily cash balance exceeded the pledged securities and FDIC Insurance coverage on two occasions.
Instance/Universe	This happened in September and January.
Recommendation	The bank should increase it's coverage and monitoring of daily balances.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

CORRECTIVE ACTION PLAN

Contact Person – Ms. Linda Engle, Executive Director of Business and Operations

FINDING 2011-1 The District exceeded appropriations in one functional category in the Child Nutrition Fund.

CORRECTIVE ACTION

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

FINDING 2011-2 The District's cash deposits were not entirely covered by FDIC Insurance or pledged collateral securities on two occasions during the year.

CORRECTIVE ACTION

The District will continue to predict and monitor cash flow positions while working with our local bank depository to keep funds fully collateralized.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

FINDING/NONCOMPLIANCE

None

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041		\$ 357,687
Total Direct Programs			\$ 357,687
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11-610101061914	\$ 271,750
*Title I, Part A - ARRA/Stimulus	84.389	10-551001061914	24,539
Total Title I, Part A Cluster			296,289
*IDEA - Part B, Formula	84.027	11-660001061914	858,793
*IDEA - Part B, Preschool	84.173	11-661001061914	10,696
*IDEA, Part B, Formula - ARRA	84.391	10-554001061914	492,979
*IDEA, Part B, Preschool - ARRA	84.392	10-551001061914	16,680
Total Special Education Cluster (IDEA)			1,379,148
Career and Technical - Basic Grant	84.048	11-420006061914	20,523
Title III, Part A - English Language Acquisition	84.365A	11-671001061914	110,569
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11-694501061914	41,633
Summer School LEP	84.369	69551002	6,446
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001061914	1,652,332
Education Jobs Fund	84.410	11-550100106914	971,213
Total Passed Through State Department of Education			\$ 4,478,153
TOTAL DEPARTMENT OF EDUCATION			\$ 4,835,840
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401101	\$ 379,137
*National School Lunch Program - Cash Assistance	10.555	71301101	1,166,165
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301101	134,572
Total CFDA Number 10.555			1,300,737
Total Child Nutrition Cluster			1,679,874
Watershed Protection & Flood Control	10.904		84,397
Total Passed Through the State Department of Agriculture			\$ 1,764,271
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,764,271
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 6,600,111

*Clustered Programs

LITTLE ELM INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

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, 2011, 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.