Little Elm Independent School District

Final Pricing and Bond Sale Results – Unlimited Tax Refunding Bonds, Series 2019

Pricing Date: July 29, 2019

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Final Sale Results

Section 1

Final Sale Results

Transaction Summary

Financing Team

Financial Advisor:	RBC Capital Markets
Bond Counsel:	Bracewell LLP
Underwriter's Counsel:	McCall, Parkhurst & Horton L.L.P.
Sole Managing Underwriter:	BOK Financial Securities
Paying/Escrow Agent:	UMB Bank N.A.

Summary Statistics

Dated Date:	July 15, 2019
Pricing Date:	July 29, 2019
Delivery Date:	August 15, 2019
First Interest Payment Date:	February 15, 2020
Arbitrage Yield:	2.140%
All-In TIC:	3.459%
Final Maturity:	August 15, 2021
Par Amount of Refunded Notes:	$3,620,000
Gross Debt Service Savings:	$664,364
Present Value Debt Service Savings:	$116,640
Present Value Savings as a % of Refunded Notes:	3.222%

Rating: S&P "AA-"
(See "RATING")

OFFICIAL STATEMENT
Dated: July 29, 2019

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Bonds is not excluded from gross income for federal tax purposes under existing law. See "TAX MATTERS" herein.

$3,985,000
LITTLE ELM INDEPENDENT SCHOOL DISTRICT
(Denton County, Texas)
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2019

Dated Date: July 15, 2019 **Due: August 15, as shown on page ii**
Interest Accrual Date: Date of Delivery

The Little Elm Independent School District (the "District") is issuing its $3,985,000 Unlimited Tax Refunding Bonds, Taxable Series 2019 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), an election held in the District on November 7, 2017 (the "Election") and an order authorizing the issuance of the Bonds (the "Bond Order") passed by the Board of Trustees (the "Board") of the District on May 20, 2019. In the Bond Order, the Board delegated to officers of the District, pursuant to certain provisions of Chapters 1207, authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to as the "Order").

The Bonds constitute direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (see "THE BONDS – Security").

Interest on the Bonds will accrue from the date they are initially delivered (the "Date of Delivery") to the underwriter named below (the "Underwriter") and will be payable on February 15 and August 15 of each year, commencing February 15, 2020, until stated maturity. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – General Description").

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. The principal and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by UMB Bank N.A., Dallas, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. No physical delivery of the Bonds will be made to the beneficial owners thereof. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "BOOK-ENTRY-ONLY SYSTEM").

The Bonds will not be guaranteed by the Permanent School Fund of Texas.

Proceeds from the sale of the Bonds will be used to provide funds sufficient to (i) refund the District's Maintenance Tax Notes, Series 2014 (the "Refunded Obligations") in order to restructure a portion of the District's outstanding debt obligations pursuant to the Election and (ii) pay costs of issuance related to the Bonds (see "THE BONDS - Authorization and Purpose" and "SCHEDULE I – SCHEDULE OF OBLIGATIONS TO BE REFUNDED" herein).

CUSIP PREFIX: 537096
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page ii

The Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas. Certain legal matters will be passed upon for the Underwriter by their counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about August 15, 2019.

BOK Financial Securities, Inc.

Final Sale Results

Sources and Uses of Funds and Maturity Schedule

Estimated Sources and Uses of Funds

Sources:	
Principal Amount of Bonds	$3,985,000.00
Total Sources	**$3,985,000.00**

Uses:	
Deposit to Escrow Fund	$3,901,660.85
Underwriter's Discount and Costs of Issuance	83,339.15
Total Uses	**$3,985,000.00**

Maturity Schedule

$3,985,000 Serial Bonds

Maturity Date (8/15)	Principal Amount	Interest Rate	Initial Reoffering Yield	CUSIP
2020	$1,625,000	2.17%	2.17%	5370962F5
2021	2,360,000	2.13%	2.13%	5370962G3

(Interest Accrues from the Delivery Date)

Final Sale Results

Final Refunding Results

Summary of Projected vs. Final Debt Service Savings

Description	Preliminary Financing Plan	Final Financing Plan
Original Principal Amount of Refunded Notes:	$3,620,000	$3,620,000
Average Coupon of Refunded Notes:	3.978%	3.977%
"All-In" TIC of Refunding Notes:	4.231%	3.459%
Total Debt Service Savings:	$655,218	$664,364
Net Present Value of Debt Service Savings:	$1,589	$116,640
Net PV Savings as a % of Refunded Par:	0.044%	3.222%
Negative Arbitrage:	$76,411	$47,688

Summary of Refunded Bonds

Series	Maturities To Be Refunded	Principal To Be Refunded	Average Coupon	Redemption Date*	Redemption Price
Mtc Tax Notes Ser 2014	2020 - 2033	$3,620,000	3.977%	2/15/2024	100%

** Maturities 2020-2023 are noncallable and will be escrowed to maturity.*

Final Sale Results

Final Refunding Results

Preliminary Summary of Cash Flow

FYE (8/31)	Refunded Debt Service	Series 2019 Debt Service	Debt Service Savings
2020	$339,638	$1,532,900	($1,193,263)
2021	339,513	2,597,045	(2,257,533)
2022	343,213	-	343,213
2023	341,613	-	341,613
2024	339,863	-	339,863
2025	341,813	-	341,813
2026	343,413	-	343,413
2027	344,038	-	344,038
2028	339,288	-	339,288
2029	343,688	-	343,688
2030	342,488	-	342,488
2031	340,163	-	340,163
2032	342,413	-	342,413
2033	344,025	-	344,025
Total	**$4,785,163**	**$4,129,945**	**$655,218**

Net PV of Debt Service Savings: $1,589

Final Summary of Cash Flow

FYE (8/31)	Refunded Debt Service	Series 2019 Debt Service	Debt Service Savings
2020	$339,638	$1,710,531	($1,370,893)
2021	339,513	2,410,268	(2,070,756)
2022	343,213	-	343,213
2023	341,613	-	341,613
2024	339,863	-	339,863
2025	341,813	-	341,813
2026	343,413	-	343,413
2027	344,038	-	344,038
2028	339,288	-	339,288
2029	343,688	-	343,688
2030	342,488	-	342,488
2031	340,163	-	340,163
2032	342,413	-	342,413
2033	344,025	-	344,025
Total	**$4,785,163**	**$4,120,799**	**$664,364**

Net PV of Debt Service Savings: $116,640

Final Sale Results

Updated Bond Plan

Updated Bond Plan - Issue $235,000,000 in Three Installments with MTN Refunding. 2019/20 Preliminary TAV (95%) to grow 5.0% for five years. No EDA or IFA Assistance.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
													Tax Rate Impact Analysis			Tier I Funds Analysis	
Fiscal Year Ending	Existing Gross Outstanding Debt Service	Series 2019 MTN Refunding	Series 2021 $60,000,000 @ 3.61%	Projected Gross Debt Service	Less: Projected Existing IFA Assistance	Less: Projected Existing EDA Assistance	Less: Frozen Levy Revenues	Less: I&S Fund Balance Contribution	Net Combined Debt Service	Gross Taxable Assessed Valuation	Net Taxable Assessed Valuation	TAV Growth	Current Tax Rate	Tax Rate Combined Debt Service	Tax Rate Change	Max Tier I Funds Needed for 50-Cent Test[A]	Tier I Funds Needed For Debt Service[B]
2019	$21,086,602	$0		$21,086,602	$0	$0	$2,210,000	$0	$18,876,602	$4,714,833,603	$4,016,072,701	20.0%	$0.4700	$0.4700		$0	$0
2020	21,632,499	1,710,531		23,343,029	0	0	2,900,000	0	20,443,029	5,285,552,473	4,439,112,099	10.5%		0.4699	(0.0001)	0	0
2021	19,307,961	2,410,268	$2,730,150	24,448,379	0	0	2,900,000	80,000	21,468,379	5,549,830,097	4,661,067,704	5.0%		0.4700		0	0
2022	19,302,306	0	5,970,150	25,272,456	0	0	2,900,000	0	22,372,456	5,827,321,601	4,894,121,089	5.0%		0.4665		0	0
2023	19,302,806	0	7,104,350	26,407,156	0	0	2,900,000	0	23,507,156	6,118,687,682	5,138,827,144	5.0%		0.4668		0	0
2024	19,644,631	0	7,950,950	27,595,581	0	0	2,900,000	0	24,695,581	6,424,622,066	5,395,768,501	5.0%		0.4670		0	0
2025	19,649,981	0	9,195,300	28,845,281	0	0	2,900,000	0	25,945,281	6,745,853,169	5,665,556,926	5.0%		0.4673		0	0
2026	19,643,431	0	9,202,375	28,845,806	0	0	2,900,000	0	25,945,806	6,745,853,169	5,665,556,926	0.0%		0.4673		0	0
2027	19,648,131	0	9,199,825	28,847,956	0	0	2,900,000	0	25,947,956	6,745,853,169	5,665,556,926	0.0%		0.4673		0	0
2028	19,644,881	0	9,202,425	28,847,306	0	0	2,900,000	0	25,947,306	6,745,853,169	5,665,556,926	0.0%		0.4673		0	0
2029	19,648,031	0	9,199,275	28,847,306	0	0	2,900,000	0	25,947,306	6,745,853,169	5,665,556,926	0.0%		0.4673		0	0
2030	19,649,994	0	3,626,325	23,276,319	0	0	2,900,000	0	20,376,319	6,745,853,169	5,665,556,926	0.0%		0.3670		0	0
2031	19,644,606	0	0	19,644,606	0	0	2,900,000	0	16,744,606	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2032	19,646,325	0	0	19,646,325	0	0	2,900,000	0	16,746,325	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2033	19,645,500	0	0	19,645,500	0	0	2,900,000	0	16,745,500	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2034	19,646,388		0	19,646,388	0	0	2,900,000	0	16,746,388	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2035	19,640,963		0	19,640,963	0	0	2,900,000	0	16,740,963	6,745,853,169	5,665,556,926	0.0%		0.3015		0	0
2036	19,647,150		0	19,647,150	0	0	2,900,000	0	16,747,150	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2037	19,649,100		0	19,649,100	0	0	2,900,000	0	16,749,100	6,745,853,169	5,665,556,926	0.0%		0.3017		0	0
2038	19,645,650		0	19,645,650	0	0	2,900,000	0	16,745,650	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2039	19,643,200		0	19,643,200	0	0	2,900,000	0	16,743,200	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2040	19,646,850		0	19,646,850	0	0	2,900,000	0	16,746,850	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2041	19,645,350		0	19,645,350	0	0	2,900,000	0	16,745,350	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2042	19,643,400		0	19,643,400	0	0	2,900,000	0	16,743,400	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2043	19,643,700		0	19,643,700	0	0	2,900,000	0	16,743,700	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2044	19,650,050		0	19,650,050	0	0	2,900,000	0	16,750,050	6,745,853,169	5,665,556,926	0.0%		0.3017		0	0
2045	19,644,600		0	19,644,600	0	0	2,900,000	0	16,744,600	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2046	19,646,050		0	19,646,050	0	0	2,900,000	0	16,746,050	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2047	19,647,200		0	19,647,200	0	0	2,900,000	0	16,747,200	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2048	19,645,600		0	19,645,600	0	0	2,900,000	0	16,745,600	6,745,853,169	5,665,556,926	0.0%		0.3016		0	0
2049	0		0	0	0	0	0	0	0	6,745,853,169	5,665,556,926	0.0%		0.0000		0	0
2050	0		0	0	0	0	0	0	0	6,745,853,169	5,665,556,926	0.0%		0.0000		0	0
Total	**$591,782,937**	**$4,120,799**	**$73,381,125**	**$669,284,860**	**$0**	**$0**	**$86,310,000**	**$80,000**	**$582,894,860**								

[A] Based upon the District's taxable assessed valuation in fiscal year 2018/19. Does not include Series 2020 in calculation.
[B] Based upon the District's annual projected taxable assessed valuation in each respective fiscal year.

Credit Rating Report

Section 2

Credit Rating Report

- On July 10, 2019, the District held a conference call with S&P Global Ratings ("S&P"). **Subsequently, S&P affirmed the District's underlying credit rating of "AA-".**

- S&P's rating reflects the following strengths and challenges regarding the District:
  - Access to the diverse Dallas-Fort Worth MSA;
  - Extremely strong wealth and strong income indicators; and
  - Very strong finances, evidenced by very strong reserves.
  - Offsetting the above strengths, in S&P's view, is the District's high overall debt burden with an extended amortization schedule.

S&P Global
Ratings

RatingsDirect®

Summary:

Little Elm Independent School District, Texas; General Obligation; School State Program

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Secondary Contact:
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Summary:

Little Elm Independent School District, Texas; General Obligation; School State Program

Credit Profile		
US$3.96 mil unltd tax rfdg bnds taxable ser 2019 dtd 07/15/2019 due 07/15/2019		
Long Term Rating	AA-/Stable	New
Little Elm Indpt Sch Dist PSF		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	AA-/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to Little Elm Independent School District (ISD), Texas' series 2019 unlimited-tax refunding bonds. At the same time, S&P Global Ratings affirmed its 'AA-' rating on the district's general obligation (GO) debt outstanding. The outlook is stable.

An unlimited-ad valorem-property-tax pledge secures the bonds. Bond proceeds will be used to refund the district's series 2014 maintenance tax notes.

The series 2014 notes are a direct obligation of the district; note principal and interest are payable from, and secured by, the proceeds of a continuing direct annual ad valorem tax levy for maintenance and operations, against all taxable property in the district, within the limits prescribed by law. We do not make a rating distinction between the district's unlimited- and limited-tax debt, because the taxing base is coterminous with the district and we see no unusual risks regarding the district's willingness to support debt or resource fungibility. We note that once the series 2014 notes are refunded, the district will not have any limited-tax debt outstanding.

With its proximity to Dallas-Fort Worth metropolitan statistical area (MSA), the district has realized rapid growth over the last 10 years, exhibited by its tax base increasing 144% and enrollment increasing 28.2% over that time. The very strong tax base growth has helped the district maintain a very strong financial position, with an available general fund balance of 43.8% of expenditures in fiscal 2018, and positive operating results in each of the last five audited years. With preliminary taxable assessed value numbers for fiscal 2020 indicating a 17.8% increase, and additional state funding from the recently enacted House Bill 3 (see "Texas Funds Public Schools, Staving Off Expenditure Growth For Now," published June 13, 2019, on RatingsDirect), we expect the district will maintain its very strong financial position over the next two years.

At 9.9% of market value and $10,520 per capita, we continue to view the district's moderately-high to high overall net debt burden, as the district's primary credit weakness. With plans to issue an additional $60 million of debt over the next three years and a slow 19% amortization rate, we expect the district's overall net debt burden to remain high over the next two years; although we do not expect it to increase significantly, either. Based on the district's current enrollment projections and facility capacity, we do not expect the district's budget to be pressured by enrollment growth over the next two to five years, given the district's rapidly growing tax base and the recent increase in state aid.

The rating reflects our view of the district's:

- Access to the diverse Dallas-Fort Worth MSA;
- Extremely strong wealth and strong income indicators; and
- Very strong finances, evidenced by very strong reserves.

Offsetting the above credit strengths, in our view, is the district's high overall debt burden with an extended amortization schedule.

Economy

Little Elm ISD is located about 30 miles north of downtown Dallas, and serves an estimated population of 44,149. The district is primarily a residential community, with many residents commuting into the Dallas-Fort Worth Metroplex for employment. In our opinion, median household and per capita effective buying incomes are very strong at 144% and good at 110%, respectively, of national levels.

The district has experienced very strong tax base growth over the last five years, averaging 18.1% taxable assessed value (AV) growth, including a 20% increase to $4.7 billion in fiscal 2019. We consider the district's market value to be extremely strong at $106,794 per capita. While the district's tax base growth will eventually moderate, we expect its growth rate to continue to be robust over the next two years, with preliminary numbers for fiscal 2020 indicating a 17.8% increase in AV. We note that the district's 10 leading taxpayers make up an estimated 3.8% of total AV, which we consider very diverse.

Finances

The district has maintained, what we consider, a very strong financial position, with general fund surpluses in each of the last five fiscal years, including a $1.1 million surplus, or 1.7% of general fund expenditures, in fiscal 2018. This surplus increased the district's available general fund balance to $28.8 million, or 43.8% of expenditures, which we consider very strong. The district adopted a balanced budget for fiscal 2019, however, district officials expect to increase its available fund balance to $29 million or $30 million, depending on how much of the surplus is transferred out to the capital outlay fund. For fiscal 2020, the district expects further positive operating results, benefiting from an increase in state aid, as a result of the recently enacted House Bill 3. We note that property taxes accounted for 62.4% of the district's general fund revenues in fiscal 2018, followed by state aid at 31.8%. Given our expectations for continued tax base growth and an increase in state aid, we expect the district will maintain its very strong financial position over the next two years.

A wealth equalization formula, based on property values and average daily attendance (property wealth per student), determines state funding for all school districts. Therefore, increases or decreases in average daily attendance (enrollment) can lead to increases or decreases, respectively, in the amount of state revenue a district receives. Enrollment totaled 7,836 in fiscal 2019, and has increased on average by 3.4% over the last five years. District officials expect similar enrollment growth over the next five years, projecting total enrollment to be 9,054 by fiscal 2024. We note that the district estimates its current facility capacity, for its nine facilities, to be approximately 9,714 students.

Management

We consider the district's management practices strong under our Financial Management Assessment methodology, indicating financial practices are strong, well embedded and likely sustainable. We revised our FMA to strong from good because the district adopted a debt management policy that stipulates that variable rate debt shall not exceed 25% of outstanding debt and prohibits swaps, derivatives, or other synthetic debt.

Other highlights include management's:

- Conservative budgeting that incorporates historical information for, at least, three years, as well as outside information;
- Monthly reports on budget-to-actual financial performance to the school board;
- Long-term financial plan that looks out five years with detailed revenue and expenditure assumptions;
- Long-term capital plan that details funding sources and uses;
- Formal investment policy that adheres to state guidelines and monthly reports on investment holdings and earnings to the board; and
- Formal reserve policy that dictates maintaining a minimum 24% of expenditures, a level the district continues to exceed.

Debt

Overall net debt is 9.9% of market value, or $10,520 per capita, which we consider moderately-high and high, respectively. With 19% of direct debt scheduled to be retired within 10 years, amortization is, in our view, slow. Debt service carrying charges were 17.8% of total-governmental-fund expenditures, excluding capital outlay, in fiscal 2018, which we consider elevated.

The district has roughly $60 million in authorized, but unissued, new-money debt remaining; management currently plans to fully issue this debt by 2022. The district's interest-and-sinking tax rate was 47 cents in fiscal 2018, three cents below the 50-cent requirement for issuing additional debt. Given the district's additional debt plans and slow amortization rate, we expect the district's overall net debt burden to remain high over the outlook horizon.

Pension and other-postemployment-benefit liabilities

The district paid its full required contribution of $1.4 million to its pension obligations in fiscal 2018, or 1.3% of total governmental expenditures. In addition, the district paid $344,000, or 0.3% of total governmental expenditures, to its other-postemployment-benefit (OPEB) obligation in fiscal 2018. The combined pension and OPEB carrying charge totaled 1.7% of total-governmental-fund expenditures in fiscal 2018.

The district provides pension benefits for full-time employees through the statewide multiple-employer defined-benefit plan, the Teacher Retirement System (TRS). It also provides OPEBs in the form of retiree health care through the Texas Public School Retired Employees Group Insurance Program (TRS-Care). The district's net pension liability for TRS as of Aug. 31, 2017 was $14.9 million. We also note that TRS recently lowered the discount rate to 7.25% from 8% and updated its mortality tables. These updated assumptions resulted in a decrease in the funded ratio, to 73.7% in fiscal 2018 from 82.2% in fiscal 2017. In accordance with updated reporting standards related to Governmental Accounting Standards Board Statement No. 75, the district's reported net OPEB obligation for TRS-Care was $21.2 million. Payments to TRS-Care are statutorily based and the district has been making the full required contributions.

With the passing of Senate Bill 12 on May 27, 2019, contributions to TRS will increase incrementally from fiscal years 2020-2024. Despite this change, we do not expect district pension costs will materially increase during the next few years. Statewide school district contributions will increase to 2% of payroll by 2024, up from the current 1.5%. The state, however, will pay the largest share of these increases. While contribution increases will likely result in some near- to medium-term cost increases for local independent school districts, we believe that increased funding will likely provide long-term TRS stability and that annual funding will eventually reach or exceed actuarially determined rates, likely leading to improved plan funding ratios.

Outlook

The stable outlook reflects our opinion that general fund reserves will likely remain very strong. We also expect the district will likely manage enrollment growth sufficiently and the resulting capital needs without a significant deterioration in finances. We do not expect to change the rating within the two-year outlook period.

Upside scenario

Assuming all other rating factors remain stable or improve, if current debt were to decrease due to continued tax base growth and if reserves were to remain very strong, we could raise the rating.

Downside scenario

If reserves were to fall below levels we consider very strong due to sustained operating deficits, or if debt were to increase significantly beyond current levels, causing budgetary pressure, we could lower the rating.

Ratings Detail (As Of July 15, 2019)		
Little Elm Indpt Sch Dist unltd tax sch bldg bnds		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	AA-/Stable	Affirmed
Little Elm Indpt Sch Dist GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Little Elm Indpt Sch Dist GO		
Long Term Rating	AA-/Stable	Affirmed
Little Elm Indpt Sch Dist SCHSTPR		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	AA-/Stable	Affirmed

Many issues are enhanced by bond insurance.

Disclaimer

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