

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED AUGUST 31, 2008**

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2008

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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, 2008, at a meeting of the Board of Trustees of such school district on the \_\_\_\_ day of January, 2009.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

## 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, 2008, 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 administrators. Our responsibility is to express an opinion on them 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 opinion.

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, 2008, 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.

Management's discussion and analysis and the budgetary comparison information on pages 5 through 10 and 23, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Little Elm Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose 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 in addition to the combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents, are not a required part of the basic financial statements. Such information, excluding the Fund Balance and Cash Flow Calculation Worksheet - General Fund (Exhibit J-3) which is marked unaudited and on which we express no opinion, has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2009, 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 the 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.

*Authorized signatures available on the reports filed with TEA*

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

January 7, 2009

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED AUGUST 31, 2008  
(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, 2008. 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 \$3,143,713 (net assets). Of this amount, \$18,182,730 (unrestricted net assets) may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund designation and fiscal policies.
- The District's total net assets decreased by \$2,917,603.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$28,597,976. 55% of this total amount (\$15,705,130) is unreserved and available for use within the District's designation and policies.
- At the end of the current fiscal period, unreserved fund balance for the general fund was \$15,343,496 or 41.9% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net 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 28) 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 27. 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

The District implemented GASB Statement #34 in a prior year. Therefore, our 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. Our 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 decreased from \$(232,844) to \$(3,190,953). 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 \$18,135,490 at August 31, 2008. This decrease in governmental net assets was the result of the District's expenditures exceeding revenues by \$2,958,109.

**Table I**  
**NET ASSETS**

|  | Governmental Activities |              | Business-type Activities |        | Total        |              |
|--|-------------------------|--------------|--------------------------|--------|--------------|--------------|
|  | 2007                    | 2008         | 2007                     | 2008   | 2007         | 2008         |
| Current and other assets                       | 35,676,611              | 33,797,729   | 11,543                   | 55,548 | 35,688,154   | 33,853,277   |
| Capital assets                                 | 117,779,534             | 125,029,736  | -                        | -      | 117,779,534  | 125,029,736  |
| Total assets                                   | 153,456,145             | 158,827,465  | 11,543                   | 55,548 | 153,467,688  | 158,883,013  |
| Long-term liabilities                          | 150,739,602             | 159,375,805  | -                        | -      | 150,739,602  | 159,375,805  |
| Other liabilities                              | 2,949,387               | 2,642,613    | 4,809                    | 8,308  | 2,954,196    | 2,650,921    |
| Total liabilities                              | 153,688,989             | 162,018,418  | 4,809                    | 8,308  | 153,693,798  | 162,026,726  |
| Net Assets:                                    |                         |              |                          |        |              |              |
| Invested in capital assets net of related debt | (18,046,670)            | (23,384,221) | -                        | -      | (18,046,670) | (23,384,221) |
| Restricted                                     | 2,290,516               | 2,057,778    | -                        | -      | 2,290,516    | 2,057,778    |
| Unrestricted                                   | 15,523,310              | 18,135,490   | 6,734                    | 47,240 | 15,530,044   | 18,182,730   |
| Total net assets                               | (232,844)               | (3,190,953)  | 6,734                    | 47,240 | (226,110)    | (3,143,713)  |



**Table II**  
**CHANGES IN NET ASSETS**

|   | Governmental<br>Activities |                    | Business-type<br>Activities |                | Total             |                    |
|---|----------------------------|--------------------|-----------------------------|----------------|-------------------|--------------------|
|   | 2007                       | 2008               | 2007                        | 2008           | 2007              | 2008               |
| <b>Revenues:</b>                              |                            |                    |                             |                |                   |                    |
| Program Revenues:                             |                            |                    |                             |                |                   |                    |
| Charges for services                          | 1,081,313                  | 1,131,537          | 550,320                     | 673,363        | 1,631,633         | 1,804,900          |
| Operating grants and contributions            | 9,289,826                  | 9,081,646          | -                           | -              | 9,289,826         | 9,081,646          |
| General Revenues:                             |                            |                    |                             |                |                   |                    |
| Maintenance and operations taxes              | 17,914,597                 | 15,377,663         | -                           | -              | 17,914,597        | 15,377,663         |
| Debt service taxes                            | 4,981,788                  | 6,369,525          | -                           | -              | 4,981,788         | 6,369,525          |
| State aid                                     | 14,716,839                 | 18,454,238         | -                           | -              | 14,716,839        | 18,454,238         |
| Investment earnings                           | 1,986,359                  | 1,389,604          | -                           | -              | 1,986,359         | 1,389,604          |
| Miscellaneous                                 | 119,275                    | 294,515            | -                           | -              | 119,275           | 294,515            |
| Other federal revenue                         | 713,511                    | 426,069            | -                           | -              | 713,511           | 426,069            |
| Total Revenue                                 | <u>50,803,508</u>          | <u>52,524,797</u>  | <u>550,320</u>              | <u>673,363</u> | <u>51,353,828</u> | <u>53,198,160</u>  |
| <b>Expenses:</b>                              |                            |                    |                             |                |                   |                    |
| Instruction, curriculum and media services    | 23,363,906                 | 26,482,601         | -                           | -              | 23,363,906        | 26,482,601         |
| Instructional and school leadership           | 3,187,995                  | 3,354,387          | -                           | -              | 3,187,995         | 3,354,387          |
| Student support services                      | 4,186,783                  | 4,596,444          | -                           | -              | 4,186,783         | 4,596,444          |
| Child nutrition                               | 2,125,139                  | 2,325,946          | -                           | -              | 2,125,139         | 2,325,946          |
| Cocurricular activities                       | 1,824,558                  | 2,090,847          | -                           | -              | 1,824,558         | 2,090,847          |
| General administration                        | 1,362,731                  | 1,431,965          | -                           | -              | 1,362,731         | 1,431,965          |
| Plant maintenance, security & data processing | 4,826,000                  | 5,566,485          | -                           | -              | 4,826,000         | 5,566,485          |
| Community services                            | 216,402                    | 206,956            | -                           | -              | 216,402           | 206,956            |
| Childcare services                            | -                          | -                  | 502,361                     | 632,857        | 502,361           | 632,857            |
| Debt services                                 | 8,213,124                  | 8,615,472          | -                           | -              | 8,213,124         | 8,615,472          |
| Facilities acquisition, construction          | 117,502                    | 769,001            | -                           | -              | 117,502           | 769,001            |
| Intergovernmental charges                     | 48,084                     | 42,802             | -                           | -              | 48,084            | 42,802             |
| Total Expenses                                | <u>49,472,224</u>          | <u>55,482,906</u>  | <u>502,361</u>              | <u>632,857</u> | <u>49,974,585</u> | <u>56,115,763</u>  |
| Increase (decrease) in net assets             | 1,331,284                  | (2,958,109)        | 47,959                      | 40,506         | 1,379,243         | (2,917,603)        |
| Net assets at beginning of year               | (1,564,128)                | (232,844)          | (41,225)                    | 6,734          | (1,605,353)       | (226,110)          |
| Net assets at end of year                     | <u>(232,844)</u>           | <u>(3,190,953)</u> | <u>6,734</u>                | <u>47,240</u>  | <u>(226,110)</u>  | <u>(3,143,713)</u> |

The District notes the following highlights for the 2007-2008 school year in response to changes in personnel and continued growth in student enrollment.

- The District completed construction of Oak Point Elementary School. It opened in August 2008 for students in grades K-4.
- The District began the construction of an addition to the High School to include 37 classrooms at an estimated cost of \$11 million.
- The District maintained its contract with a professional demographer in an effort to plan for future facility needs.
- The District's enrollment at the end of the 2008 school year grew to 5,394 students. This was an increase of 5.5% from the end of 2007.
- The District maintained the employer's health insurance contribution of \$225 per month and the teacher/staff attendance incentive plan for perfect and near perfect attendance.
- The District maintained an Energy Management Plan including special monitoring equipment. An Energy Education Plan was also approved in an effort to conserve energy and reduce energy costs.
- The District's Child Care Program was expanded to Oak Point Elementary School.
- The Board of Trustees approved a property tax rate of \$1.49/100 (1.03 for M&O and .46 for Debt Service).
- The District maintained an employee induction program for new teachers that provides training and staff development.
- The District implemented a new salary scale that reflected a beginning teacher salary starting at \$40,000 along with increases to the midpoints of other staff ranging from 6 to 8%.
- 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 cost of all governmental activities for the current fiscal year was \$55,482,906. 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 \$21,747,188 because some of the costs were paid by those who directly benefited from the programs (\$1,131,537) or by other governments and organizations that subsidized certain programs with grants and contributions (\$9,081,646) or by State equalization funding (\$18,454,238), or by other federal funding (\$426,069).

## **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 \$28,597,976, which is \$2,787,407 lower than last year's total of \$31,385,383. Included in this year's total change in fund balance is an increase of \$692,014 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 2007). 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 \$15,361,544 reported on page 16 differs from the General Fund's budgetary fund balance of \$14,331,850 reported in the budgetary comparison schedule on page 23. This is principally due to expenditures being less than amounts budgeted.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### Capital Assets

At August 31, 2008, the District had \$125,029,736 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$7,250,202 or 6 percent, above last year.

This year's major addition was the start of construction on an elementary school, paid for with prior year bond proceeds.

More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

### Debt Administration

At year-end, the District had \$159,375,805 in bonds, loans and leases outstanding (including accreted interest on bonds) versus \$151,831,056 last year—an increase of 5 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 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District took actions for 2008-2009 to compensate for some increases in costs and continued increases in enrollment:

- The Board adopted a \$53.4 million dollar budget including General Operating, Child Nutrition, Debt Service, Technology, Child Care, and Print Shop.
- Property values have risen to \$1.62 billion dollars from \$1.45 billion a year ago or +12%.
- The Board adopted a tax rate of \$1.53/100 (1.04 for M&O and .49 for Debt Service).
- The District implemented changes to the teacher pay scale that ranged from 3 to 5%, and increased other salaries 4% 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, 500 Lobo 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, 2008

| Data<br>Control<br>Codes                             | 1                          | 2  | 3                     |
|--|----------------------------|--|-----------------------|
|  | Governmental<br>Activities | Primary Government<br>Business<br>Type<br>Activities | Total                 |
| <b>ASSETS</b>  |                            |  |                       |
| 1110 Cash and Cash Equivalents                       | \$ 29,803,347              | \$ 54,509  | \$ 29,857,856         |
| 1220 Property Taxes Receivable (Delinquent)          | 1,034,492                  | -  | 1,034,492             |
| 1230 Allowance for Uncollectible Taxes               | (67,242)                   | -  | (67,242)              |
| 1240 Due from Other Governments                      | 1,385,841                  | -  | 1,385,841             |
| 1290 Other Receivables, net                          | 33,250                     | 1,039  | 34,289                |
| 1410 Deferred Expenses                               | 18,151                     | -  | 18,151                |
| 1420 Capitalized Bond and Other Debt Issuance Costs  | 1,589,890                  | -  | 1,589,890             |
| Capital Assets:                                      |                            |  |                       |
| 1510 Land  | 10,684,116                 | -  | 10,684,116            |
| 1520 Buildings, Net                                  | 111,789,110                | -  | 111,789,110           |
| 1530 Furniture and Equipment, Net                    | 981,068                    | -  | 981,068               |
| 1580 Construction in Progress                        | 1,575,442                  | -  | 1,575,442             |
| 1000 Total Assets                                    | <u>158,827,465</u>         | <u>55,548</u>  | <u>158,883,013</u>    |
| <b>LIABILITIES</b>                                   |                            |  |                       |
| 2110 Accounts Payable                                | 1,401,430                  | 5,502  | 1,406,932             |
| 2160 Accrued Wages Payable                           | 1,208,411                  | 2,758  | 1,211,169             |
| 2200 Accrued Expenses                                | 29,360                     | 48   | 29,408                |
| 2300 Deferred Revenues                               | 3,412                      | -  | 3,412                 |
| Noncurrent Liabilities                               |                            |  |                       |
| 2501 Due Within One Year                             | 1,827,190                  | -  | 1,827,190             |
| 2502 Due in More Than One Year                       | 157,548,615                | -  | 157,548,615           |
| 2000 Total Liabilities                               | <u>162,018,418</u>         | <u>8,308</u>   | <u>162,026,726</u>    |
| <b>NET ASSETS</b>                                    |                            |  |                       |
| 3200 Invested in Capital Assets, Net of Related Debt | (23,384,221)               | -  | (23,384,221)          |
| Restricted for:                                      |                            |  |                       |
| 3840 Restricted for Food Service                     | 575,608                    | -  | 575,608               |
| 3850 Restricted for Debt Service                     | 1,368,118                  | -  | 1,368,118             |
| 3870 Restricted for Campus Activities                | 114,052                    | -  | 114,052               |
| 3900 Unrestricted Net Assets                         | 18,135,490                 | 47,240   | 18,182,730            |
| 3000 Total Net Assets                                | <u>\$ (3,190,953)</u>      | <u>\$ 47,240</u>                                     | <u>\$ (3,143,713)</u> |

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, 2008

| Data<br>Control<br>Codes                             | 1                    | Program Revenues        |  |
|--|----------------------|-------------------------|--|
|  |                      | 3                       | 4  |
|  | Expenses             | Charges for<br>Services | Operating<br>Grants and<br>Contributions |
| <b>Primary Government:</b>                           |                      |                         |  |
| GOVERNMENTAL ACTIVITIES:                             |                      |                         |  |
| 11 Instruction                                       | \$ 24,973,247        | \$ 23,323               | \$ 2,657,936                             |
| 12 Instructional Resources and Media Services        | 938,441              | -                       | 38,904                                   |
| 13 Curriculum and Instructional Staff Development    | 570,913              | -                       | 238,602                                  |
| 21 Instructional Leadership                          | 667,066              | -                       | 42,281                                   |
| 23 School Leadership                                 | 2,687,321            | -                       | 161,324                                  |
| 31 Guidance, Counseling and Evaluation Services      | 1,513,832            | -                       | 356,645                                  |
| 32 Social Work Services                              | 1,521,318            | -                       | 1,521,268                                |
| 33 Health Services                                   | 384,205              | -                       | 20,739                                   |
| 34 Student (Pupil) Transportation                    | 1,177,089            | -                       | 359,403                                  |
| 35 Food Services                                     | 2,325,946            | 949,540                 | 1,306,871                                |
| 36 Extracurricular Activities                        | 2,090,847            | 116,454                 | 298,797                                  |
| 41 General Administration                            | 1,431,965            | -                       | 49,810                                   |
| 51 Plant Maintenance and Operations                  | 4,796,163            | 42,220                  | 110,017                                  |
| 52 Security and Monitoring Services                  | 241,669              | -                       | 3,710                                    |
| 53 Data Processing Services                          | 528,653              | -                       | 21,939                                   |
| 61 Community Services                                | 206,956              | -                       | 206,956                                  |
| 72 Debt Service - Interest on Long Term Debt         | 8,604,567            | -                       | 1,686,444                                |
| 73 Debt Service - Bond Issuance Cost and Fees        | 10,905               | -                       | -  |
| 81 Facilities Acquisition and Construction           | 769,001              | -                       | -  |
| 93 Payments to Fiscal Agent/Member Districts of SSA  | 20,641               | -                       | -  |
| 95 Payments to Juvenile Justice Alternative Ed. Prg. | 22,161               | -                       | -  |
| [TG] Total Governmental Activities:                  | <u>55,482,906</u>    | <u>1,131,537</u>        | <u>9,081,646</u>                         |
| BUSINESS-TYPE ACTIVITIES:                            |                      |                         |  |
| 01 Childcare   | 632,857              | 673,363                 | -  |
| [TB] Total Business-Type Activities:                 | <u>632,857</u>       | <u>673,363</u>          | <u>-</u>                                 |
| [TP] TOTAL PRIMARY GOVERNMENT:                       | <u>\$ 56,115,763</u> | <u>\$ 1,804,900</u>     | <u>\$ 9,081,646</u>                      |

|                          |  |
|--------------------------|--|
| Data<br>Control<br>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 -                               |
| 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<br>Changes in Net Assets |                             |                       |
|--|-----------------------------|-----------------------|
| 6  | 7                           | 8                     |
| Primary Government                                 |                             |                       |
| Governmental<br>Activities                         | Business-type<br>Activities | Total                 |
| \$ (22,291,988)                                    | \$ -                        | \$ (22,291,988)       |
| (899,537)  | -                           | (899,537)             |
| (332,311)  | -                           | (332,311)             |
| (624,785)  | -                           | (624,785)             |
| (2,525,997)  | -                           | (2,525,997)           |
| (1,157,187)  | -                           | (1,157,187)           |
| (50)   | -                           | (50)                  |
| (363,466)  | -                           | (363,466)             |
| (817,686)  | -                           | (817,686)             |
| (69,535)   | -                           | (69,535)              |
| (1,675,596)  | -                           | (1,675,596)           |
| (1,382,155)  | -                           | (1,382,155)           |
| (4,643,926)  | -                           | (4,643,926)           |
| (237,959)  | -                           | (237,959)             |
| (506,714)  | -                           | (506,714)             |
| -  | -                           | -                     |
| (6,918,123)  | -                           | (6,918,123)           |
| (10,905)   | -                           | (10,905)              |
| (769,001)  | -                           | (769,001)             |
| (20,641)   | -                           | (20,641)              |
| (22,161)   | -                           | (22,161)              |
| <u>(45,269,723)</u>                                | <u>-</u>                    | <u>(45,269,723)</u>   |
| -  | 40,506                      | 40,506                |
| -  | 40,506                      | 40,506                |
| <u>(45,269,723)</u>                                | <u>40,506</u>               | <u>(45,229,217)</u>   |
| 15,377,663   | -                           | 15,377,663            |
| 6,369,525  | -                           | 6,369,525             |
| 18,454,238   | -                           | 18,454,238            |
| 1,389,604  | -                           | 1,389,604             |
| 294,515  | -                           | 294,515               |
| 426,069  | -                           | 426,069               |
| <u>42,311,614</u>                                  | <u>-</u>                    | <u>42,311,614</u>     |
| (2,958,109)  | 40,506                      | (2,917,603)           |
| (232,844)  | 6,734                       | (226,110)             |
| <u>\$ (3,190,953)</u>                              | <u>\$ 47,240</u>            | <u>\$ (3,143,713)</u> |



LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2008

| Data<br>Control<br>Codes                        | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|---|-----------------------|----------------------------|---------------------------|
| <b>ASSETS</b>                                   |                       |                            |                           |
| 1110 Cash and Cash Equivalents                  | \$ 15,682,739         | \$ 1,352,100               | \$ 12,059,431             |
| 1220 Property Taxes - Delinquent                | 778,856               | 255,636                    | -                         |
| 1230 Allowance for Uncollectible Taxes (Credit) | (50,626)              | (16,616)                   | -                         |
| 1240 Due from Other Governments                 | 993,723               | -                          | -                         |
| 1290 Other Receivables                          | 1,545                 | -                          | -                         |
| 1410 Deferred Expenditures                      | 18,048                | -                          | -                         |
| 1000 Total Assets                               | <u>\$ 17,424,285</u>  | <u>\$ 1,591,120</u>        | <u>\$ 12,059,431</u>      |
| <b>LIABILITIES AND FUND BALANCES</b>            |                       |                            |                           |
| Liabilities:                                    |                       |                            |                           |
| 2110 Accounts Payable                           | \$ 198,597            | \$ 14,758                  | \$ 1,097,583              |
| 2160 Accrued Wages Payable                      | 1,111,681             | -                          | -                         |
| 2200 Accrued Expenditures                       | 21,272                | -                          | -                         |
| 2300 Deferred Revenues                          | 731,191               | 239,020                    | -                         |
| 2000 Total Liabilities                          | <u>\$ 2,062,741</u>   | <u>\$ 253,778</u>          | <u>\$ 1,097,583</u>       |
| Fund Balances:                                  |                       |                            |                           |
| Reserved For:                                   |                       |                            |                           |
| 3420 Retirement of Long Term Debt               | \$ -                  | \$ 1,337,342               | \$ -                      |
| 3430 Deferred Expenditures                      | 18,048                | -                          | -                         |
| 3450 Food Service                               | -                     | -                          | -                         |
| 3490 Construction                               | -                     | -                          | 10,961,848                |
| Unreserved Designated For:                      |                       |                            |                           |
| 3590 Other Purposes-Future Growth               | 7,000,000             | -                          | -                         |
| Unreserved and Undesignated:                    |                       |                            |                           |
| 3600 Reported in the General Fund               | 8,343,496             | -                          | -                         |
| 3610 Reported in Special Revenue Funds          | -                     | -                          | -                         |
| 3000 Total Fund Balances                        | <u>\$ 15,361,544</u>  | <u>\$ 1,337,342</u>        | <u>\$ 10,961,848</u>      |
| 4000 Total Liabilities and Fund Balances        | <u>\$ 17,424,285</u>  | <u>\$ 1,591,120</u>        | <u>\$ 12,059,431</u>      |

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

| Other<br>Funds      | Total<br>Governmental<br>Funds |
|---------------------|--------------------------------|
| \$ 709,077          | \$ 29,803,347                  |
| -                   | 1,034,492                      |
| -                   | (67,242)                       |
| 392,118             | 1,385,841                      |
| 31,705              | 33,250                         |
| 103                 | 18,151                         |
| <u>\$ 1,133,003</u> | <u>\$ 32,207,839</u>           |
| <br>                |                                |
| \$ 90,492           | \$ 1,401,430                   |
| 96,730              | 1,208,411                      |
| 8,088               | 29,360                         |
| 451                 | 970,662                        |
| <u>\$ 195,761</u>   | <u>\$ 3,609,863</u>            |
| <br>                |                                |
| \$ -                | \$ 1,337,342                   |
| -                   | 18,048                         |
| 575,608             | 575,608                        |
| -                   | 10,961,848                     |
| -                   | 7,000,000                      |
| -                   | 8,343,496                      |
| 361,634             | 361,634                        |
| <u>\$ 937,242</u>   | <u>\$ 28,597,976</u>           |
| <br>                |                                |
| <u>\$ 1,133,003</u> | <u>\$ 32,207,839</u>           |

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LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 AUGUST 31, 2008

|   |           |                    |
|---|-----------|--------------------|
| <b>Total Fund Balances - Governmental Funds</b>   | \$        | 28,597,976         |
| 1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.             |           | 146,613,947        |
| 2 Accumulated depreciation has not been included in the fund financial statements.  |           | (21,584,211)       |
| 3 Bonds payable and leases payable have not been included in the fund financial statements.   |           | (138,702,197)      |
| 4 Accreted interest on capital appreciation bonds has not been included in the fund financial statements.   |           | (20,621,554)       |
| 5 Deferred loss on bond refunding has not been included in the fund financial statements.   |           | 1,689,406          |
| 6 Bond issuance cost is not capitalized in the fund financial statements.   |           | 1,589,890          |
| 7 Bond discounts and premiums are not recognized in the fund financial statements.  |           | (1,741,460)        |
| 8 Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements. |           | 967,250            |
| <b>19 Net Assets of Governmental Activities</b>   | <u>\$</u> | <u>(3,190,953)</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, 2008

| Data Control Codes   | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|--|-----------------------|----------------------------|---------------------------|
| <b>REVENUES:</b>   |                       |                            |                           |
| 5700 Total Local and Intermediate Sources                      | \$ 16,552,943         | \$ 6,505,399               | \$ 436,147                |
| 5800 State Program Revenues                                    | 20,396,026            | 1,686,444                  | -                         |
| 5900 Federal Program Revenues                                  | 426,069               | -                          | -                         |
| 5020 Total Revenues  | <u>37,375,038</u>     | <u>8,191,843</u>           | <u>436,147</u>            |
| <b>EXPENDITURES:</b>   |                       |                            |                           |
| <b>Current:</b>  |                       |                            |                           |
| 0011 Instruction   | 21,383,645            | -                          | -                         |
| 0012 Instructional Resources and Media Services                | 644,585               | -                          | 162,444                   |
| 0013 Curriculum and Instructional Staff Development            | 333,503               | -                          | -                         |
| 0021 Instructional Leadership                                  | 651,302               | -                          | -                         |
| 0023 School Leadership   | 2,560,260             | -                          | -                         |
| 0031 Guidance, Counseling and Evaluation Services              | 1,197,044             | -                          | -                         |
| 0032 Social Work Services                                      | 50                    | -                          | -                         |
| 0033 Health Services   | 368,270               | -                          | -                         |
| 0034 Student (Pupil) Transportation                            | 1,132,410             | -                          | -                         |
| 0035 Food Services   | -                     | -                          | -                         |
| 0036 Extracurricular Activities                                | 1,396,763             | -                          | -                         |
| 0041 General Administration                                    | 1,412,147             | -                          | -                         |
| 0051 Facilities Maintenance and Operations                     | 4,680,060             | -                          | -                         |
| 0052 Security and Monitoring Services                          | 237,730               | -                          | -                         |
| 0053 Data Processing Services                                  | 519,183               | -                          | -                         |
| 0061 Community Services  | -                     | -                          | -                         |
| <b>Debt Service:</b>   |                       |                            |                           |
| 0071 Debt Service - Principal on Long Term Debt                | 60,235                | 1,293,277                  | -                         |
| 0072 Debt Service - Interest on Long Term Debt                 | 41,883                | 7,329,824                  | -                         |
| 0073 Debt Service - Bond Issuance Cost and Fees                | -                     | 141,549                    | 55,379                    |
| <b>Capital Outlay:</b>   |                       |                            |                           |
| 0081 Facilities Acquisition and Construction                   | 27,540                | -                          | 11,192,939                |
| <b>Intergovernmental:</b>                                      |                       |                            |                           |
| 0093 Payments to Fiscal Agent/Member Districts of SSA          | 20,641                | -                          | -                         |
| 0095 Payments to Juvenile Justice Alternative Ed. Prg.         | 22,161                | -                          | -                         |
| 6030 Total Expenditures  | <u>36,689,412</u>     | <u>8,764,650</u>           | <u>11,410,762</u>         |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>685,626</u>        | <u>(572,807)</u>           | <u>(10,974,615)</u>       |
| <b>OTHER FINANCING SOURCES (USES):</b>                         |                       |                            |                           |
| 7911 Capital Related Debt Issued (Regular Bonds)               | -                     | 1,067,333                  | 7,500,000                 |
| 7912 Sale of Real and Personal Property                        | 6,388                 | -                          | 133,496                   |
| 7916 Premium or Discount on Issuance of Bonds                  | -                     | 689,901                    | 55,379                    |
| 7917 Prepaid Interest  | -                     | 26,926                     | -                         |
| 7949 Other Resources   | -                     | -                          | 118,765                   |
| 8949 Other (Uses)  | -                     | (1,616,644)                | -                         |
| 7080 Total Other Financing Sources (Uses)                      | <u>6,388</u>          | <u>167,516</u>             | <u>7,807,640</u>          |
| 1200 Net Change in Fund Balances                               | 692,014               | (405,291)                  | (3,166,975)               |
| 0100 Fund Balance - September 1 (Beginning)                    | <u>14,669,530</u>     | <u>1,742,633</u>           | <u>14,128,823</u>         |
| 3000 Fund Balance - August 31 (Ending)                         | <u>\$ 15,361,544</u>  | <u>\$ 1,337,342</u>        | <u>\$ 10,961,848</u>      |

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

|    | Other<br>Funds | Total<br>Governmental<br>Funds |
|----|----------------|--------------------------------|
| \$ | 2,108,385      | \$ 25,602,874                  |
|    | 1,483,107      | 23,565,577                     |
|    | 2,811,461      | 3,237,530                      |
|    | 6,402,953      | 52,405,981                     |
|    | 1,567,478      | 22,951,123                     |
|    | 9,180          | 816,209                        |
|    | 230,416        | 563,919                        |
|    | 15,764         | 667,066                        |
|    | 46,598         | 2,606,858                      |
|    | 296,523        | 1,493,567                      |
|    | 1,521,268      | 1,521,318                      |
|    | 1,801          | 370,071                        |
|    | -              | 1,132,410                      |
|    | 2,147,002      | 2,147,002                      |
|    | 257,437        | 1,654,200                      |
|    | 6,122          | 1,418,269                      |
|    | 1,273          | 4,681,333                      |
|    | 2,290          | 240,020                        |
|    | -              | 519,183                        |
|    | 206,956        | 206,956                        |
|    | -              | 1,353,512                      |
|    | -              | 7,371,707                      |
|    | -              | 196,928                        |
|    | -              | 11,220,479                     |
|    | -              | 20,641                         |
|    | -              | 22,161                         |
|    | 6,310,108      | 63,174,932                     |
|    | 92,845         | (10,768,951)                   |
|    | -              | 8,567,333                      |
|    | -              | 139,884                        |
|    | -              | 745,280                        |
|    | -              | 26,926                         |
|    | -              | 118,765                        |
|    | -              | (1,616,644)                    |
|    | -              | 7,981,544                      |
|    | 92,845         | (2,787,407)                    |
|    | 844,397        | 31,385,383                     |
| \$ | 937,242        | \$ 28,597,976                  |

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, 2008

|   |           |                    |
|---|-----------|--------------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>   | \$        | (2,787,407)        |
| Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the 2008 capital outlays is to increase net assets.                                  |           | 10,523,219         |
| 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.                                   |           | (3,137,868)        |
| Current year long-term debt principal payments on loans payable and bonds payable and payments of accreted interest on capital appreciation bonds are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. |           | 1,353,513          |
| Current year interest 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.  |           | (1,254,060)        |
| Bond issuance costs and premiums associated with bonds issued are shown as current expenditures or other resources in the fund financial statements, but capitalized and amortized in the government-wide financial statements.   |           | (745,280)          |
| Bond issuance costs, bond premiums and deferred loss on bond refunding are not amortized in the fund financial statements, but are shown net of amortization in the government-wide financial statements.   |           | 180,296            |
| 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.     |           | (4,684)            |
| Current year sale of assets are other resources in the fund financial statements, but a reduction in assets in the government-wide financial statements.  |           | (135,149)          |
| Current year issuances of bonds are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.  |           | (8,567,333)        |
| Escrow trust payments from a bond refunding are shown as other uses in the fund financial statements, but are debt reduction and loss on refunding on the government-wide financial statements.   |           | 1,616,644          |
| <b>Change in Net Assets of Governmental Activities</b>  | <b>\$</b> | <b>(2,958,109)</b> |

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, 2008

| Data Control Codes                     | Budgeted Amounts  |               | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |              |
|--|---|---------------|--------------------------------|--|--------------|
|  | Original  | Final         |                                |  |              |
| <b>REVENUES:</b>                       |   |               |                                |  |              |
| 5700                                   | Total Local and Intermediate Sources                      | \$ 15,964,660 | \$ 16,131,834                  | \$ 16,552,943  | \$ 421,109   |
| 5800                                   | State Program Revenues                                    | 21,419,222    | 21,419,222                     | 20,396,026   | (1,023,196)  |
| 5900                                   | Federal Program Revenues                                  | 300,001       | 300,001                        | 426,069  | 126,068      |
| 5020                                   | Total Revenues  | 37,683,883    | 37,851,057                     | 37,375,038   | (476,019)    |
| <b>EXPENDITURES:</b>                   |   |               |                                |  |              |
| <b>Current:</b>                        |   |               |                                |  |              |
| 0011                                   | Instruction   | 22,046,641    | 22,050,214                     | 21,383,645   | 666,569      |
| 0012                                   | Instructional Resources and Media Services                | 659,871       | 654,152                        | 644,585  | 9,567        |
| 0013                                   | Curriculum and Instructional Staff Development            | 322,482       | 365,887                        | 333,503  | 32,384       |
| 0021                                   | Instructional Leadership                                  | 646,108       | 656,867                        | 651,302  | 5,565        |
| 0023                                   | School Leadership   | 2,689,634     | 2,688,485                      | 2,560,260  | 128,225      |
| 0031                                   | Guidance, Counseling and Evaluation Services              | 1,229,377     | 1,219,736                      | 1,197,044  | 22,692       |
| 0032                                   | Social Work Services                                      | -             | 1,000                          | 50   | 950          |
| 0033                                   | Health Services   | 360,181       | 366,109                        | 368,270  | (2,161)      |
| 0034                                   | Student (Pupil) Transportation                            | 1,252,000     | 1,243,030                      | 1,132,410  | 110,620      |
| 0036                                   | Extracurricular Activities                                | 1,492,358     | 1,562,125                      | 1,396,763  | 165,362      |
| 0041                                   | General Administration                                    | 1,529,980     | 1,485,104                      | 1,412,147  | 72,957       |
| 0051                                   | Facilities Maintenance and Operations                     | 4,521,160     | 4,965,540                      | 4,680,060  | 285,480      |
| 0052                                   | Security and Monitoring Services                          | 217,897       | 251,439                        | 237,730  | 13,709       |
| 0053                                   | Data Processing Services                                  | 525,194       | 547,049                        | 519,183  | 27,866       |
| <b>Debt Service:</b>                   |   |               |                                |  |              |
| 0071                                   | Debt Service - Principal on Long Term Debt                | 61,000        | 61,000                         | 60,235   | 765          |
| 0072                                   | Debt Service - Interest on Long Term Debt                 | 42,000        | 42,000                         | 41,883   | 117          |
| <b>Capital Outlay:</b>                 |   |               |                                |  |              |
| 0081                                   | Facilities Acquisition and Construction                   | 28,000        | 33,000                         | 27,540   | 5,460        |
| <b>Intergovernmental:</b>              |   |               |                                |  |              |
| 0093                                   | Payments to Fiscal Agent/Member Districts of SSA          | 30,000        | 30,000                         | 20,641   | 9,359        |
| 0095                                   | Payments to Juvenile Justice Alternative Ed. Prg.         | 30,000        | 35,000                         | 22,161   | 12,839       |
| 6030                                   | Total Expenditures  | 37,683,883    | 38,257,737                     | 36,689,412   | 1,568,325    |
| 1100                                   | Excess (Deficiency) of Revenues Over (Under) Expenditures | -             | (406,680)                      | 685,626  | 1,092,306    |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |               |                                |  |              |
| 7912                                   | Sale of Real and Personal Property                        | -             | -                              | 6,388  | 6,388        |
| 7080                                   | Total Other Financing Sources (Uses)                      | -             | -                              | 6,388  | 6,388        |
| <b>OTHER FINANCING SOURCES (USES):</b> |   |               |                                |  |              |
| 7919                                   | Extraordinary Item - Resource                             | -             | 69,000                         | -  | (69,000)     |
| 1200                                   | Net Change in Fund Balances                               | -             | (337,680)                      | 692,014  | 1,029,694    |
| 0100                                   | Fund Balance - September 1 (Beginning)                    | 14,669,530    | 14,669,530                     | 14,669,530   | -            |
| 3000                                   | Fund Balance - August 31 (Ending)                         | \$ 14,669,530 | \$ 14,331,850                  | \$ 15,361,544  | \$ 1,029,694 |

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, 2008

EXHIBIT D-1

|                           | Business-Type<br>Activities - | Governmental<br>Activities - |
|---------------------------|-------------------------------|------------------------------|
|                           | Total<br>Enterprise<br>Funds  | Internal<br>Service Fund     |
| <b>ASSETS</b>             |                               |                              |
| Current Assets:           |                               |                              |
| Cash and Cash Equivalents | \$ 54,509                     | \$ -                         |
| Other Receivables         | 1,039                         | -                            |
| Total Assets              | 55,548                        | -                            |
| <b>LIABILITIES</b>        |                               |                              |
| Current Liabilities:      |                               |                              |
| Accounts Payable          | 5,502                         | -                            |
| Accrued Wages Payable     | 2,758                         | -                            |
| Accrued Expenses          | 48                            | -                            |
| Total Liabilities         | 8,308                         | -                            |
| <b>NET ASSETS</b>         |                               |                              |
| Unrestricted Net Assets   | 47,240                        | -                            |
| Total Net Assets          | \$ 47,240                     | \$ -                         |

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, 2008

|  | Business-Type<br>Activities - | Governmental<br>Activities - |
|--|-------------------------------|------------------------------|
|  | Total<br>Enterprise<br>Funds  | Internal<br>Service Fund     |
| <b>OPERATING REVENUES:</b>                 |                               |                              |
| Local and Intermediate Sources             | \$ 640,559                    | \$ 44,672                    |
| State Program Revenues                     | 32,804                        | 1,379                        |
| Total Operating Revenues                   | <u>673,363</u>                | <u>46,051</u>                |
| <b>OPERATING EXPENSES:</b>                 |                               |                              |
| Payroll Costs                              | 546,160                       | 19,301                       |
| Professional and Contracted Services       | 3,420                         | 18,203                       |
| Supplies and Materials                     | 74,961                        | 8,547                        |
| Other Operating Costs                      | 8,316                         | -                            |
| Total Operating Expenses                   | <u>632,857</u>                | <u>46,051</u>                |
| Operating Income                           | 40,506                        | -                            |
| Total Net Assets - September 1 (Beginning) | <u>6,734</u>                  | <u>-</u>                     |
| Total Net Assets - August 31 (Ending)      | <u><u>\$ 47,240</u></u>       | <u><u>\$ -</u></u>           |

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

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2008

EXHIBIT D-3

|  | Business-Type<br>Activities | Governmental<br>Activities - |
|--|-----------------------------|------------------------------|
|  | Total                       |                              |
|  | Enterprise<br>Funds         | Internal<br>Service Fund     |
| <u>Cash Flows from Operating Activities:</u>   |                             |                              |
| Cash Received from User Charges  | \$ 672,324                  | \$ -                         |
| Cash Received from District  | -                           | 46,051                       |
| Cash Payments for Payroll Costs  | (544,658)                   | (19,301)                     |
| Cash Payments for Professional Services  | (3,420)                     | (18,203)                     |
| Cash Payments for Supplies and Materials   | (72,964)                    | (8,547)                      |
| Cash Payments for Other Costs  | (8,316)                     | -                            |
| Net Cash Provided by Operating Activities  | <u>42,966</u>               | <u>-</u>                     |
| Net Increase in Cash and Cash Equivalents  | 42,966                      | -                            |
| Cash and Cash Equivalents at Beginning of the Year:  | <u>11,543</u>               | <u>-</u>                     |
| Cash and Cash Equivalents at the End of the Year:  | <u>\$ 54,509</u>            | <u>\$ -</u>                  |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u> |                             |                              |
| Operating Income (Loss):   | \$ 40,506                   | \$ -                         |
| Effect of Increases and Decreases in Current Assets and Liabilities:                           |                             |                              |
| Decrease (increase) in Receivables   | (1,039)                     | -                            |
| Increase (decrease) in Accounts Payable  | 1,997                       | -                            |
| Increase (decrease) in Accrued Wages Payable   | 1,473                       | -                            |
| Increase (decrease) in Accrued Expenses  | <u>29</u>                   | <u>-</u>                     |
| Net Cash Provided by Operating Activities  | <u>\$ 42,966</u>            | <u>\$ -</u>                  |

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, 2008

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|                           | Agency<br>Fund   |
|---------------------------|------------------|
| <hr/>                     |                  |
| ASSETS                    |                  |
| Cash and Cash Equivalents | \$ 63,010        |
| Other Receivables         | 95               |
| Total Assets              | <u>\$ 63,105</u> |
| LIABILITIES               |                  |
| Due to Student Groups     | \$ 63,105        |
| Total Liabilities         | <u>\$ 63,105</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, 2008

**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, 2008

Fund Financial Statements:

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

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

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

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Enterprise Fund** - The District utilizes an enterprise fund to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its child care program, because the child care program is self-supporting and does not require subsidies from the general fund.
3. **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, 2008

4. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

**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  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008

**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, 2008 that were subsequently provided for in the 2008-09 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 reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

**G. INTERFUND RECEIVABLES AND PAYABLES**

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

**H. 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.



LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008

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 |

**I. 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.

**J. NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCES**

The District classifies fund balances as follows:

A. Reserves – Used to denote that portion of fund balance, which is not appropriable for expenditure or is legally segregated for specific future use.

1. Reserve for retirement of long-term debt represents that portion of the fund balance legally restricted to debt service.
2. Reserve for deferred expenditures represents that portion of fund balance already disbursed on supplies, materials and other items which are expenditures for a future period.
3. Reserve for food service represents that portion of fund balance restricted for child nutrition operations.
4. Reserve for construction projects represents management's intent to utilize resources for construction and renovations.

B. Designations – Used to indicate tentative plans for financial resource utilization:

1. Designated for future growth represents management's intent to save resources for future growth needs.

C. Undesignated – Used to denote that portion of fund balance which is available for appropriation.

**K. CASH EQUIVALENTS**

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008

**L. 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.

**M. 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.

**N. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

For fiscal year 2002, the District implemented GASB Statement No. 33 (GASB 33), "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34 (GASB 34), "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37 (GASB 37), "Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus" and GASB Statements No. 38 (GASB 38), "Certain Financial Statement Disclosures".

GASB 34 created new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the District programs between governmental and business-type activities.

**O. 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 2008, 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008

**P. 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. 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, 2008, the carrying amount of the District's deposits in checking accounts and interest-bearing savings accounts was \$2,140,146, which includes \$7,900 cash on hand. The combined bank balance was \$2,588,143. The District's cash deposits at August 31, 2008 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2008, the District's cash balances totaled \$2,588,143. 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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008

- 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, 2008, 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. 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.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2008, 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. The District did have more than 5 percent in certificates of deposit in a single bank.

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.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008

The District's investments pools and certificates of deposit at August 31, 2008, are shown below:

| <u>Name</u>             | <u>Carrying<br/>Amount</u> | <u>Market<br/>Value</u> |
|-------------------------|----------------------------|-------------------------|
| TexPool                 | \$ 1,303,310               | \$ 1,303,310            |
| TexSTAR                 | 4,205,201                  | 4,205,201               |
| Lonestar                | 7,528,778                  | 7,528,778               |
| MBIA                    | 12,059,431                 | 12,059,431              |
| Certificates of Deposit | <u>2,684,000</u>           | <u>2,684,000</u>        |
| Total                   | <u>\$27,780,720</u>        | <u>\$27,780,720</u>     |

**NOTE 3. CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2008, was as follows:

|   | <u>Balance<br/>September 1</u> | <u>Additions/<br/>Completions</u> | <u>Retirement/<br/>Adjustments</u> | <u>Balance<br/>August 31</u> |
|---|--------------------------------|-----------------------------------|------------------------------------|------------------------------|
| Governmental Activities:                    |                                |                                   |                                    |                              |
| Capital assets, not being depreciated:      |                                |                                   |                                    |                              |
| Land  | \$ 10,819,265                  | \$ -                              | \$ (135,149)                       | \$ 10,684,116                |
| Construction in Progress                    | <u>3,840,207</u>               | <u>1,575,442</u>                  | <u>(3,840,207)</u>                 | <u>1,575,442</u>             |
| Total capital assets, not being depreciated | <u>14,659,472</u>              | <u>1,575,442</u>                  | <u>(3,975,356)</u>                 | <u>12,259,558</u>            |
| Capital assets, being depreciated:          |                                |                                   |                                    |                              |
| Buildings                                   | 120,050,225                    | 12,678,459                        | -                                  | 132,728,684                  |
| Furniture and Equipment                     | <u>1,516,180</u>               | <u>109,525</u>                    | -                                  | <u>1,625,705</u>             |
| Total capital assets, being depreciated     | <u>121,566,405</u>             | <u>12,787,984</u>                 | -                                  | <u>134,354,389</u>           |
| Less accumulated depreciation for:          |                                |                                   |                                    |                              |
| Buildings                                   | (17,947,642)                   | (2,991,932)                       | -                                  | (20,939,574)                 |
| Furniture and Equipment                     | <u>(498,701)</u>               | <u>(145,936)</u>                  | -                                  | <u>(644,637)</u>             |
| Total accumulated depreciation              | <u>(18,446,343)</u>            | <u>(3,137,868)</u>                | -                                  | <u>(21,584,211)</u>          |
| Total capital assets being depreciated, net | <u>103,120,062</u>             | <u>9,650,116</u>                  | -                                  | <u>112,770,178</u>           |
| Governmental activities capital assets, net | <u>\$117,779,534</u>           | <u>\$11,225,558</u>               | <u>\$ (3,975,356)</u>              | <u>\$125,029,736</u>         |

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

|  |                    |
|--|--------------------|
| Governmental activities:                           |                    |
| Instruction  | \$2,022,124        |
| Instructional Resources & Media Services           | 122,232            |
| Curriculum & Instructional Staff Development       | 6,994              |
| School Leadership                                  | 80,463             |
| Guidance, Counseling & Evaluation Services         | 20,265             |
| Health Services                                    | 14,134             |
| Student (Pupil) Transportation                     | 44,679             |
| Food Services                                      | 192,465            |
| Cocurricular/Extracurricular Activities            | 486,850            |
| General Administration                             | 13,696             |
| Plant Maintenance and Operations                   | 122,847            |
| Data Processing Services                           | 9,470              |
| Security and Monitoring Services                   | <u>1,649</u>       |
| Total depreciation expense-Governmental activities | <u>\$3,137,868</u> |

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2008

**NOTE 4. 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, 2008.

A summary of changes in capital leases payable for the year ended August 31, 2008 is as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Amount Outstanding</u><br><u>9-1-07</u> | <u>Issued Current</u><br><u>Year</u> | <u>Retired Current</u><br><u>Year</u> | <u>Amount Outstanding</u><br><u>8-31-08</u> | <u>Due Within One</u><br><u>Year</u> |
|--------------------|----------------------|--|--------------------------------------|---------------------------------------|---|--------------------------------------|
| Equipment          | 5.36%                | <u>\$772,669</u>                           | \$ -                                 | <u>\$ 60,235</u>                      | <u>\$712,434</u>                            | <u>\$63,500</u>                      |

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

| <u>Year Ended</u><br><u>August 31,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total Requirements</u> |
|--|-------------------|------------------|---------------------------|
| 2009                                   | \$ 63,500         | \$ 38,618        | \$ 102,118                |
| 2010                                   | 66,942            | 35,176           | 102,118                   |
| 2011                                   | 70,571            | 31,547           | 102,118                   |
| 2012                                   | 74,396            | 27,722           | 102,118                   |
| 2013                                   | 78,429            | 23,689           | 102,118                   |
| 2014-2017                              | <u>358,596</u>    | <u>49,876</u>    | <u>408,472</u>            |
|  | <u>\$ 712,434</u> | <u>\$206,628</u> | <u>\$ 919,062</u>         |

**NOTE 5. 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.

**LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008**

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2008:

| <u>Description</u>                      | <u>Interest<br/>Rate<br/>Payable</u> | <u>Amounts<br/>Outstanding<br/>9/1/07</u> | <u>Additions</u>    | <u>Refunded/<br/>Retired</u> | <u>Amounts<br/>Outstanding<br/>8/31/08</u> | <u>Due<br/>Within<br/>One Year</u> |
|---|--------------------------------------|---|---------------------|------------------------------|--|------------------------------------|
| <b>Bonded Indebtedness:</b>             |                                      |   |                     |                              |  |                                    |
| 1995 Refunding                          | 7.00%                                | \$ 1,490,000                              | \$ -                | \$ 100,000                   | \$ 1,390,000                               | \$ 95,000                          |
| 1995A School Bldg.                      | 5.90%                                | 120,000                                   | -                   | 10,000                       | 110,000                                    | 10,000                             |
| 1999 School Bldg. & Ref.                | 6.22%                                | 3,422,433                                 | -                   | 150,000                      | 3,272,433                                  | 250,138                            |
| 2000 School Bldg. & Ref.                | 6.13%                                | 187,100                                   | -                   | 12,100                       | 175,000                                    | 65,000                             |
| 2001 School Bldg. & Ref.                | 5.625%                               | 9,503,029                                 | -                   | 132,344                      | 9,370,685                                  | 120,313                            |
| 2002 School Bldg. & Ref.                | 6.29%                                | 23,977,048                                | -                   | 135,103                      | 23,841,945                                 | 94,426                             |
| 2002A School Bldg. & Ref.               | 5.98%                                | 32,546,574                                | -                   | 1,347,273                    | 31,199,301                                 | 374,211                            |
| 2003 School Bldg. & Ref.                | 5.93%                                | 12,441,037                                | -                   | 26,182                       | 12,414,855                                 | 45,000                             |
| 2004 School Bldg. & Ref.                | 4.00%                                | 14,004,181                                | -                   | 447,609                      | 13,556,572                                 | 766,572                            |
| 2006 School Bldg. & Ref.                | 5.00%                                | 34,091,639                                | -                   | -                            | 34,091,639                                 | -                                  |
| 2008A School Building                   | 4.00%                                | -   | 7,500,000           | -                            | 7,500,000                                  | -                                  |
| 2008B Refunding                         | 4.00%                                | -   | 1,067,333           | -                            | 1,067,333                                  | -                                  |
| <b>Total Bonded Indebtedness</b>        |                                      | <u>131,783,041</u>                        | <u>8,567,333</u>    | <u>2,360,611</u>             | <u>137,989,763</u>                         | <u>1,820,660</u>                   |
| Capital Lease                           | 5.36%                                | 772,669                                   | -                   | 60,235                       | 712,434                                    | 63,500                             |
| Accreted Interest                       | 5.17%                                | 19,367,494                                | 3,604,807           | 2,350,747                    | 20,621,554                                 | -                                  |
| Deferred Loss on Bond Ref.              |                                      | (1,183,602)                               | (549,311)           | (43,507)                     | (1,689,406)                                | (56,970)                           |
| Discount/Premium on Issuance<br>of Debt |                                      | <u>1,091,454</u>                          | <u>689,404</u>      | <u>39,398</u>                | <u>1,741,460</u>                           | <u>-</u>                           |
| <b>Total Other Obligations</b>          |                                      | <u>20,048,015</u>                         | <u>3,744,900</u>    | <u>2,406,873</u>             | <u>21,386,042</u>                          | <u>6,530</u>                       |
| <b>Total Obligations of District</b>    |                                      | <u>\$151,831,056</u>                      | <u>\$12,312,233</u> | <u>\$ 4,767,484</u>          | <u>\$159,375,805</u>                       | <u>\$1,827,190</u>                 |

The 1999, 2001, 2002, 2002A, 2003, 2004, 2006, 2008A and 2008B bond series include outstanding capital appreciation bonds in the principal amount of \$36,403,736. The bonds mature variously beginning in 2009 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 \$20,621,554 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, 2008.

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

| <u>Year Ended</u> |                      |                      | <u>Total</u>         |
|-------------------|----------------------|----------------------|----------------------|
| August 31,        | <u>Principal</u>     | <u>Interest</u>      | <u>Requirements</u>  |
| 2009              | \$ 1,820,661         | \$ 7,475,526         | \$ 9,296,187         |
| 2010              | 3,063,538            | 6,656,803            | 9,720,341            |
| 2011              | 3,012,492            | 7,035,744            | 10,048,236           |
| 2012              | 3,396,002            | 7,315,511            | 10,711,513           |
| 2013              | 2,467,311            | 8,163,978            | 10,631,289           |
| 2014-2018         | 17,956,003           | 38,734,819           | 56,690,822           |
| 2019-2023         | 19,799,214           | 37,593,483           | 57,392,697           |
| 2024-2028         | 17,320,088           | 37,669,051           | 54,989,139           |
| 2029-2033         | 28,188,537           | 26,809,970           | 54,998,507           |
| 2034-2038         | 38,750,917           | 5,860,221            | 44,611,138           |
| 2039-2042         | <u>2,215,000</u>     | <u>254,475</u>       | <u>2,469,475</u>     |
|                   | <u>\$137,989,763</u> | <u>\$183,569,581</u> | <u>\$321,559,344</u> |

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2008

**NOTE 6. DEBT ISSUANCE AND DEFEASED BONDS OUTSTANDING**

On June 16, 2008 the District issued \$7,130,000 (par value) in unlimited tax building bonds (current interest bonds) and \$1,437,333 (par value) in unlimited tax building and refunding bonds (capital appreciation bonds) to advance refund \$1,067,333 of unlimited tax school building bonds and provide funds for construction projects. The capital appreciation bonds were issued at a premium of \$935,232, and, after paying issuance costs of \$186,023 and a discount on current interest bonds of \$189,952 the net proceeds were \$9,126,640. \$1,616,644 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 loss (difference between present value of debt service payments on the old and new debt) of \$160,733.

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, 2008, \$23,478,972 of bonds outstanding are considered defeased.

**NOTE 7. 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 2007-08 fiscal year was based was \$1,438,423,004. 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, 2008, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.03 and \$0.43 per \$100 valuation, respectively, for a total of \$1.46 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2008 were 98.68% 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, 2008, property taxes receivable, net of estimated uncollectible taxes, totaled \$728,230 and \$239,020 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, 2008

**NOTE 8. 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 6.58% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.58% 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, 2006, 2007, and 2008 were \$1,388,831, \$1,703,172 and \$1,836,067, 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, 2006, 2007, and 2008 were \$169,118, \$213,430 and \$326,417, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended August 31, 2006, 2007, and 2008 were \$1,154,575, \$1,445,185 and \$1,783,084, 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 9. 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](http://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, 2008**

*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 2008, 2007 and 2006. 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, 2008, 2007, and 2006, the State's contributions to TRS-Care were \$297,181, \$240,864, and \$192,429, respectively, the active member contributions were \$193,167, \$156,562, and \$125,079, respectively, and the school district's contribution were \$163,449, \$132,475, and \$105,836, respectively, which equaled the required contributions each year.

**NOTE 10. HEALTH CARE**

During the year ended August 31, 2008, 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 11. 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, 2008, 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<br/>Grant</u> | <u>Federal<br/>Grants</u> | <u>Total</u>       |
|-----------------|------------------------|---------------------------|--------------------|
| General Fund    | \$ 993,723             | \$ -                      | \$ 993,723         |
| Special Revenue | <u>198,655</u>         | <u>193,463</u>            | <u>392,118</u>     |
| Total           | <u>\$1,192,378</u>     | <u>\$193,463</u>          | <u>\$1,385,841</u> |

**NOTE 12. 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, 2008 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, 2008

**NOTE 13. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

|   | General<br>Fund     | Special<br>Revenue Fund | Debt<br>Service Fund | Capital<br>Projects Fund | Total               |
|---|---------------------|-------------------------|----------------------|--------------------------|---------------------|
| Property Taxes                                      | \$15,146,123        | \$ -                    | \$6,246,955          | \$ -                     | \$21,393,078        |
| Food Sales  | -                   | 949,540                 | -                    | -                        | 949,540             |
| Investment Income                                   | 767,342             | 19,465                  | 166,650              | 436,147                  | 1,389,604           |
| Penalties, interest and other<br>tax related income | 267,000             | -                       | 91,794               | -                        | 358,794             |
| Co-curricular student activities                    | 116,454             | -                       | -                    | -                        | 116,454             |
| Other   | <u>256,024</u>      | <u>1,139,380</u>        | <u>-</u>             | <u>-</u>                 | <u>1,395,404</u>    |
| Total   | <u>\$16,552,943</u> | <u>\$2,108,385</u>      | <u>\$6,505,399</u>   | <u>\$ 436,147</u>        | <u>\$25,602,874</u> |

**NOTE 14. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

|                   | General<br>Fund  | Special<br>Revenue<br>Fund | Debt<br>Service<br>Fund | Total            |
|-------------------|------------------|----------------------------|-------------------------|------------------|
| Net Tax Revenue   | \$728,230        | \$ -                       | \$239,020               | \$967,250        |
| Grants            | -                | 451                        | -                       | 451              |
| Athletic Receipts | <u>2,961</u>     | <u>-</u>                   | <u>-</u>                | <u>2,961</u>     |
|                   | <u>\$731,191</u> | <u>\$ 451</u>              | <u>\$239,020</u>        | <u>\$970,662</u> |

**NOTE 15. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS**

The District participates in shared services arrangements for Dropout Prevention Services with another entity. The District accounts for revenues or expenditures in this program and discloses them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the entity, nor does the District have a net equity interest in the entity. The entity is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Little Elm ISD. During the year ended August 31, 2008, the District contributed \$20,641 to the entity as its share of the costs of the joint venture.

**NOTE 16. GENERAL FUND FEDERAL SOURCE REVENUES**

| <u>Program or Source</u> | <u>CFDA<br/>Number</u> | <u>Amount</u>    | <u>Total Grant<br/>or Entitlement</u> |
|--------------------------|------------------------|------------------|---------------------------------------|
| General Fund:            |                        |                  |                                       |
| Impact Aid               | 84.041                 | \$286,889        | \$286,889                             |
| Federal Flood Control    | 10.904                 | <u>139,180</u>   | <u>139,180</u>                        |
| Total for General Fund   |                        | <u>\$426,069</u> | <u>\$426,069</u>                      |

**NOTE 17. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires 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 General Fund and one functional category in the Debt Service Fund for the year ended August 31, 2008.

## COMBINING SCHEDULES

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2008

| Data<br>Control<br>Codes             | 204<br>ESEA Title IV<br>Safe & Drug<br>Free Schools | 211<br>ESEA I, A<br>Improving<br>Basic Program | 212<br>ESEA Title I<br>Part C<br>Migrant | 213<br>ESEA Title I<br>Part B<br>Even Start |                 |
|--------------------------------------|---|--|--|---|-----------------|
| <b>ASSETS</b>                        |   |  |  |   |                 |
| 1110                                 | Cash and Cash Equivalents                           | \$ -   | \$ (4,074)                               | \$ (289)                                    | \$ (89,572)     |
| 1240                                 | Due from Other Governments                          | -  | 11,482                                   | 722   | 93,457          |
| 1290                                 | Other Receivables                                   | -  | -  | -   | -               |
| 1410                                 | Deferred Expenditures                               | -  | -  | -   | -               |
| 1000                                 | Total Assets  | <u>\$ -</u>                                    | <u>\$ 7,408</u>                          | <u>\$ 433</u>                               | <u>\$ 3,885</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |   |  |  |   |                 |
| Liabilities:                         |   |  |  |   |                 |
| 2110                                 | Accounts Payable                                    | \$ -   | \$ -                                     | \$ -  | \$ -            |
| 2160                                 | Accrued Wages Payable                               | -  | 6,757                                    | 394   | 3,343           |
| 2200                                 | Accrued Expenditures                                | -  | 651                                      | 39  | 542             |
| 2300                                 | Deferred Revenues                                   | -  | -  | -   | -               |
| 2000                                 | Total Liabilities                                   | <u>-</u>                                       | <u>7,408</u>                             | <u>433</u>                                  | <u>3,885</u>    |
| Fund Balances:                       |   |  |  |   |                 |
| Reserved For:                        |   |  |  |   |                 |
| 3450                                 | Food Service  | -  | -  | -   | -               |
| Unreserved and Undesignated:         |   |  |  |   |                 |
| 3610                                 | Reported in Special Revenue Funds                   | -  | -  | -   | -               |
| 3000                                 | Total Fund Balances                                 | <u>-</u>                                       | <u>-</u>                                 | <u>-</u>                                    | <u>-</u>        |
| 4000                                 | Total Liabilities and Fund Balances                 | <u>\$ -</u>                                    | <u>\$ 7,408</u>                          | <u>\$ 433</u>                               | <u>\$ 3,885</u> |

| 224<br>IDEA - Part B<br>Formula | 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program | 244<br>Vocational Ed<br>Basic<br>Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 263<br>Title III, A<br>English Lang.<br>Acquisition | 269<br>Title V, Pt.A<br>Innovative<br>Programs | 289<br>Texas<br>Placement<br>Spanish |
|---------------------------------|-----------------------------------|---|--|--|---|--|--------------------------------------|
| \$ (28,023)                     | \$ -                              | \$ 631,026  | \$ -                                   | \$ -   | \$ (288)  | \$ -   | \$ 451                               |
| 54,177                          | -                                 | 28,123  | -                                      | -  | 5,502   | -  | -                                    |
| -                               | -                                 | 7,045   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | -   | -  | -                                    |
| <u>\$ 26,154</u>                | <u>\$ -</u>                       | <u>\$ 666,194</u>                                 | <u>\$ -</u>                            | <u>\$ -</u>                                    | <u>\$ 5,214</u>                                     | <u>\$ -</u>                                    | <u>\$ 451</u>                        |
| \$ -                            | \$ -                              | \$ 59,388   | \$ -                                   | \$ -   | \$ -  | \$ -   | \$ -                                 |
| 23,813                          | -                                 | 27,717  | -                                      | -  | 4,759   | -  | -                                    |
| 2,341                           | -                                 | 3,481   | -                                      | -  | 455   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | -   | -  | 451                                  |
| <u>26,154</u>                   | <u>-</u>                          | <u>90,586</u>                                     | <u>-</u>                               | <u>-</u>                                       | <u>5,214</u>  | <u>-</u>                                       | <u>451</u>                           |
| -                               | -                                 | 575,608   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | -   | -  | -                                    |
| <u>-</u>                        | <u>-</u>                          | <u>575,608</u>                                    | <u>-</u>                               | <u>-</u>                                       | <u>-</u>  | <u>-</u>                                       | <u>-</u>                             |
| <u>\$ 26,154</u>                | <u>\$ -</u>                       | <u>\$ 666,194</u>                                 | <u>\$ -</u>                            | <u>\$ -</u>                                    | <u>\$ 5,214</u>                                     | <u>\$ -</u>                                    | <u>\$ 451</u>                        |

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2008

| Data<br>Control<br>Codes             | 396<br>Communities<br>in Schools    | 404<br>Student<br>Success<br>Initiative | 411<br>Technology<br>Allotment | 415<br>Kindergarten<br>and Pre-K<br>Grants |                  |
|--------------------------------------|-------------------------------------|---|--------------------------------|--|------------------|
| <b>ASSETS</b>                        |                                     |   |                                |  |                  |
| 1110                                 | Cash and Cash Equivalents           | \$ 113,091                              | \$ (74,752)                    | \$ 13,020                                  | \$ (43,240)      |
| 1240                                 | Due from Other Governments          | 64,032                                  | 80,025                         | -  | 54,598           |
| 1290                                 | Other Receivables                   | 24,068                                  | -                              | -  | -                |
| 1410                                 | Deferred Expenditures               | -                                       | -                              | -  | -                |
| 1000                                 | Total Assets                        | <u>\$ 201,191</u>                       | <u>\$ 5,273</u>                | <u>\$ 13,020</u>                           | <u>\$ 11,358</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                                     |   |                                |  |                  |
| Liabilities:                         |                                     |   |                                |  |                  |
| 2110                                 | Accounts Payable                    | \$ 30,234                               | \$ -                           | \$ -                                       | \$ -             |
| 2160                                 | Accrued Wages Payable               | 3,160                                   | 5,173                          | -  | 11,141           |
| 2200                                 | Accrued Expenditures                | 62                                      | 100                            | -  | 217              |
| 2300                                 | Deferred Revenues                   | -                                       | -                              | -  | -                |
| 2000                                 | Total Liabilities                   | <u>33,456</u>                           | <u>5,273</u>                   | <u>-</u>                                   | <u>11,358</u>    |
| Fund Balances:                       |                                     |   |                                |  |                  |
| Reserved For:                        |                                     |   |                                |  |                  |
| 3450                                 | Food Service                        | -                                       | -                              | -  | -                |
| Unreserved and Undesignated:         |                                     |   |                                |  |                  |
| 3610                                 | Reported in Special Revenue Funds   | 167,735                                 | -                              | 13,020                                     | -                |
| 3000                                 | Total Fund Balances                 | <u>167,735</u>                          | <u>-</u>                       | <u>13,020</u>                              | <u>-</u>         |
| 4000                                 | Total Liabilities and Fund Balances | <u>\$ 201,191</u>                       | <u>\$ 5,273</u>                | <u>\$ 13,020</u>                           | <u>\$ 11,358</u> |

| 428<br>High School<br>Allotment | 429<br>LEP Student<br>Success<br>Initiative | 461<br>Campus<br>Activity<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---------------------------------|---|------------------------------------|--|
| \$ 77,500                       | \$ -  | \$ 114,227                         | \$ 709,077                                 |
| -                               | -   | -                                  | 392,118                                    |
| -                               | -   | 592                                | 31,705                                     |
| -                               | -   | 103                                | 103  |
| <u>\$ 77,500</u>                | <u>\$ -</u>                                 | <u>\$ 114,922</u>                  | <u>\$ 1,133,003</u>                        |
| \$ -                            | \$ -  | \$ 870                             | \$ 90,492                                  |
| 10,473                          | -   | -                                  | 96,730                                     |
| 200                             | -   | -                                  | 8,088                                      |
| -                               | -   | -                                  | 451  |
| <u>10,673</u>                   | <u>-</u>                                    | <u>870</u>                         | <u>195,761</u>                             |
| -                               | -   | -                                  | 575,608                                    |
| 66,827                          | -   | 114,052                            | 361,634                                    |
| <u>66,827</u>                   | <u>-</u>                                    | <u>114,052</u>                     | <u>937,242</u>                             |
| <u>\$ 77,500</u>                | <u>\$ -</u>                                 | <u>\$ 114,922</u>                  | <u>\$ 1,133,003</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, 2008

| Data<br>Control<br>Codes                            | 204<br>ESEA Title IV<br>Safe & Drug<br>Free Schools | 211<br>ESEA I, A<br>Improving<br>Basic Program | 212<br>ESEA Title I<br>Part C<br>Migrant | 213<br>ESEA Title I<br>Part B<br>Even Start |
|---|---|--|--|---|
| <b>REVENUES:</b>                                    |   |  |  |   |
| 5700 Total Local and Intermediate Sources           | \$ -  | \$ -   | \$ -                                     | \$ -  |
| 5800 State Program Revenues                         | -   | -  | -  | -   |
| 5900 Federal Program Revenues                       | 11,461  | 244,261  | 43,552                                   | 198,968                                     |
| 5020 Total Revenues                                 | <u>11,461</u>                                       | <u>244,261</u>                                 | <u>43,552</u>                            | <u>198,968</u>                              |
| <b>EXPENDITURES:</b>                                |   |  |  |   |
| <b>Current:</b>                                     |   |  |  |   |
| 0011 Instruction                                    | 5,760   | 191,952  | 3,957                                    | -   |
| 0012 Instructional Resources and Media Services     | -   | -  | -  | -   |
| 0013 Curriculum and Instructional Staff Development | -   | -  | -  | -   |
| 0021 Instructional Leadership                       | -   | -  | 3,508                                    | -   |
| 0023 School Leadership                              | -   | -  | -  | -   |
| 0031 Guidance, Counseling and Evaluation Services   | -   | -  | -  | -   |
| 0032 Social Work Services                           | -   | 41,711   | 35,264                                   | -   |
| 0033 Health Services                                | 326   | -  | -  | -   |
| 0035 Food Services                                  | -   | -  | -  | -   |
| 0036 Extracurricular Activities                     | -   | -  | -  | -   |
| 0041 General Administration                         | 183   | 5,116  | 823                                      | -   |
| 0051 Facilities Maintenance and Operations          | 402   | -  | -  | 871   |
| 0052 Security and Monitoring Services               | 2,290   | -  | -  | -   |
| 0061 Community Services                             | 2,500   | 5,482  | -  | 198,097                                     |
| 6030 Total Expenditures                             | <u>11,461</u>                                       | <u>244,261</u>                                 | <u>43,552</u>                            | <u>198,968</u>                              |
| 1200 Net Change in Fund Balance                     | -   | -  | -  | -   |
| 0100 Fund Balance - September 1 (Beginning)         | <u>-</u>  | <u>-</u>                                       | <u>-</u>                                 | <u>-</u>                                    |
| 3000 Fund Balance - August 31 (Ending)              | <u>\$ -</u>   | <u>\$ -</u>                                    | <u>\$ -</u>                              | <u>\$ -</u>                                 |

| 224<br>IDEA - Part B<br>Formula | 225<br>IDEA - Part B<br>Preschool | 240<br>National<br>Breakfast and<br>Lunch Program | 244<br>Vocational Ed<br>Basic<br>Grant | 255<br>ESEA II,A<br>Training and<br>Recruiting | 263<br>Title III, A<br>English Lang.<br>Acquisition | 269<br>Title V, Pt.A<br>Innovative<br>Programs | 289<br>Texas<br>Placement<br>Spanish |
|---------------------------------|-----------------------------------|---|--|--|---|--|--------------------------------------|
| \$ -                            | \$ -                              | \$ 969,005  | \$ -                                   | \$ -   | \$ -  | \$ -   | \$ -                                 |
| -                               | -                                 | 68,994  | -                                      | -  | -   | -  | -                                    |
| <u>735,177</u>                  | <u>5,823</u>                      | <u>1,237,877</u>                                  | <u>21,477</u>                          | <u>53,003</u>                                  | <u>88,186</u>                                       | <u>4,321</u>                                   | <u>8,325</u>                         |
| <u>735,177</u>                  | <u>5,823</u>                      | <u>2,275,876</u>                                  | <u>21,477</u>                          | <u>53,003</u>                                  | <u>88,186</u>                                       | <u>4,321</u>                                   | <u>8,325</u>                         |
| 439,946                         | 4,437                             | -   | 19,984                                 | 4,970  | 27,536  | 1,353  | 8,325                                |
| -                               | -                                 | -   | -                                      | -  | -   | -  | -                                    |
| 1,201                           | 386                               | -   | -                                      | 37,845   | 50,526  | 2,968  | -                                    |
| -                               | -                                 | -   | -                                      | 3,172  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | 7,016  | -   | -  | -                                    |
| 294,030                         | 1,000                             | -   | 1,493                                  | -  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | 9,465   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | 2,147,002   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | -   | -                                      | -  | 659   | -  | -                                    |
| <u>735,177</u>                  | <u>5,823</u>                      | <u>2,147,002</u>                                  | <u>21,477</u>                          | <u>53,003</u>                                  | <u>88,186</u>                                       | <u>4,321</u>                                   | <u>8,325</u>                         |
| -                               | -                                 | 128,874   | -                                      | -  | -   | -  | -                                    |
| -                               | -                                 | 446,734   | -                                      | -  | -   | -  | -                                    |
| <u>\$ -</u>                     | <u>\$ -</u>                       | <u>\$ 575,608</u>                                 | <u>\$ -</u>                            | <u>\$ -</u>                                    | <u>\$ -</u>   | <u>\$ -</u>                                    | <u>\$ -</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, 2008

| Data<br>Control<br>Codes | 396<br>Communities<br>in Schools               | 404<br>Student<br>Success<br>Initiative | 411<br>Technology<br>Allotment | 415<br>Kindergarten<br>and Pre-K<br>Grants |
|--------------------------|--|---|--------------------------------|--|
| <b>REVENUES:</b>         |  |   |                                |  |
| 5700                     | Total Local and Intermediate Sources           | \$ 821,765                              | \$ -                           | \$ -                                       |
| 5800                     | State Program Revenues                         | 450,452                                 | 144,230                        | 311,581                                    |
| 5900                     | Federal Program Revenues                       | 159,030                                 | -                              | -  |
| 5020                     | Total Revenues                                 | <u>1,431,247</u>                        | <u>144,230</u>                 | <u>311,581</u>                             |
| <b>EXPENDITURES:</b>     |  |   |                                |  |
| Current:                 |  |   |                                |  |
| 0011                     | Instruction                                    | -                                       | 49,049                         | 288,550                                    |
| 0012                     | Instructional Resources and Media Services     | -                                       | -                              | -  |
| 0013                     | Curriculum and Instructional Staff Development | -                                       | 84,353                         | -  |
| 0021                     | Instructional Leadership                       | -                                       | -                              | -  |
| 0023                     | School Leadership                              | -                                       | 10,828                         | 23,031                                     |
| 0031                     | Guidance, Counseling and Evaluation Services   | -                                       | -                              | -  |
| 0032                     | Social Work Services                           | 1,434,828                               | -                              | -  |
| 0033                     | Health Services                                | -                                       | -                              | -  |
| 0035                     | Food Services                                  | -                                       | -                              | -  |
| 0036                     | Extracurricular Activities                     | -                                       | -                              | -  |
| 0041                     | General Administration                         | -                                       | -                              | -  |
| 0051                     | Facilities Maintenance and Operations          | -                                       | -                              | -  |
| 0052                     | Security and Monitoring Services               | -                                       | -                              | -  |
| 0061                     | Community Services                             | -                                       | -                              | -  |
| 6030                     | Total Expenditures                             | <u>1,434,828</u>                        | <u>144,230</u>                 | <u>311,581</u>                             |
| 1200                     | Net Change in Fund Balance                     | (3,581)                                 | -                              | -  |
| 0100                     | Fund Balance - September 1 (Beginning)         | <u>171,316</u>                          | <u>-</u>                       | <u>-</u>                                   |
| 3000                     | Fund Balance - August 31 (Ending)              | <u>\$ 167,735</u>                       | <u>\$ -</u>                    | <u>\$ 13,020</u>                           |

| 428<br>High School<br>Allotment | 429<br>LEP Student<br>Success<br>Initiative | 461<br>Campus<br>Activity<br>Funds | Total<br>Nonmajor<br>Governmental<br>Funds |
|---------------------------------|---|------------------------------------|--|
| \$ -                            | \$ -  | \$ 317,615                         | \$ 2,108,385                               |
| 351,098                         | 3,753                                       | -                                  | 1,483,107                                  |
| -                               | -   | -                                  | 2,811,461                                  |
| <u>351,098</u>                  | <u>3,753</u>                                | <u>317,615</u>                     | <u>6,402,953</u>                           |
| 354,922                         | -   | 26,758                             | 1,567,478                                  |
| 9,180                           | -   | -                                  | 9,180                                      |
| 30,292                          | 2,328                                       | 20,517                             | 230,416                                    |
| 9,084                           | -   | -                                  | 15,764                                     |
| 5,723                           | -   | -                                  | 46,598                                     |
| -                               | -   | -                                  | 296,523                                    |
| -                               | -   | -                                  | 1,521,268                                  |
| -                               | 1,475                                       | -                                  | 1,801                                      |
| -                               | -   | -                                  | 2,147,002                                  |
| -                               | -   | 257,437                            | 257,437                                    |
| -                               | -   | -                                  | 6,122                                      |
| -                               | -   | -                                  | 1,273                                      |
| -                               | -   | -                                  | 2,290                                      |
| 218                             | -   | -                                  | 206,956                                    |
| <u>409,419</u>                  | <u>3,803</u>                                | <u>304,712</u>                     | <u>6,310,108</u>                           |
| (58,321)                        | (50)  | 12,903                             | 92,845                                     |
| <u>125,148</u>                  | <u>50</u>                                   | <u>101,149</u>                     | <u>844,397</u>                             |
| <u>\$ 66,827</u>                | <u>\$ -</u>                                 | <u>\$ 114,052</u>                  | <u>\$ 937,242</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, 2008

| Last 10 Years Ended<br>August 31 | (1)         | (2)          | (3)  |
|----------------------------------|-------------|--------------|--|
|                                  | Tax Rates   |              | Assessed/Appraised<br>Value for School<br>Tax Purposes |
|                                  | Maintenance | Debt Service |  |
| 1999 and prior years             | Various     | Various      | \$ Various   |
| 2000                             | 1.362000    | 0.222500     | 235,136,942  |
| 2001                             | 1.183000    | 0.347000     | 313,405,472  |
| 2002                             | 1.276500    | 0.322500     | 410,037,490  |
| 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 (School year under audit)   | 1.030000    | 0.430000     | 1,438,423,004  |
| 1000 TOTALS                      |             |              |  |

| (10)<br>Beginning<br>Balance<br>9/1/2007 | (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Collections | (32)<br>Debt Service<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>8/31/2008 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 35,064                                | \$ -                                    | \$ 1,366                           | \$ 486                              | \$ (1,808)                              | \$ 31,404                              |
| 10,360                                   | -                                       | 1,135                              | 185                                 | -                                       | 9,040                                  |
| 11,547                                   | -                                       | 3,052                              | 895                                 | 2,575                                   | 10,175                                 |
| 34,278                                   | -                                       | 17,945                             | 4,533                               | 12,455                                  | 24,255                                 |
| 49,930                                   | -                                       | 20,229                             | 6,925                               | 29,036                                  | 51,812                                 |
| 70,559                                   | -                                       | 33,056                             | 9,336                               | 45,005                                  | 73,172                                 |
| 102,186                                  | -                                       | 45,141                             | 10,748                              | 42,327                                  | 88,624                                 |
| 162,279                                  | -                                       | 48,634                             | 11,424                              | 43,229                                  | 145,450                                |
| 563,299                                  | -                                       | 355,953                            | 99,126                              | 60,221                                  | 168,441                                |
| -  | 21,000,976                              | 14,619,558                         | 6,103,296                           | 153,997                                 | 432,119                                |
| <u>\$ 1,039,502</u>                      | <u>\$ 21,000,976</u>                    | <u>\$ 15,146,069</u>               | <u>\$ 6,246,954</u>                 | <u>\$ 387,037</u>                       | <u>\$ 1,034,492</u>                    |



LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2009-2010  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2008

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

| Account Number | Account Name                                  | 1<br>(702)<br>School Board | 2<br>(703)<br>Tax Collections | 3<br>(701)<br>Supt's Office | 4<br>(750)<br>Indirect Cost | 5<br>(720)<br>Direct Cost | 6<br>(other)<br>Miscellaneous | 7<br>Total          |
|----------------|---|----------------------------|-------------------------------|-----------------------------|-----------------------------|---------------------------|-------------------------------|---------------------|
| 611X-6146      | PAYROLL COSTS                                 | \$ -                       | \$ -                          | \$ 176,314                  | \$ 758,943                  | \$ -                      | \$ -                          | \$ 935,257          |
| 6149           | Leave for Separating Employees in Fn 41 & 53  | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6149           | Leave - Separating Employees not in 41 & 53   | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6211           | Legal Services                                | -                          | -                             | 14,710                      | -                           | -                         | -                             | 14,710              |
| 6212           | Audit Services                                | -                          | -                             | -                           | 17,000                      | -                         | -                             | 17,000              |
| 6213           | Tax Appraisal/Collection - Appraisal in Fn 99 | -                          | 209,029                       | -                           | -                           | -                         | -                             | 209,029             |
| 621X           | Other Professional Services                   | 350                        | -                             | -                           | 39,227                      | -                         | -                             | 39,577              |
| 6220           | Tuition and Transfer Payments                 | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6230           | Education Service Centers                     | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6240           | Contr. Maint. and Repair                      | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6250           | Utilities                                     | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6260           | Rentals                                       | -                          | -                             | -                           | 23,151                      | -                         | -                             | 23,151              |
| 6290           | Miscellaneous Contr.                          | 7,375                      | -                             | 5,069                       | 50,140                      | -                         | -                             | 62,584              |
| 6320           | Textbooks and Reading                         | -                          | -                             | 143                         | -                           | -                         | -                             | 143                 |
| 6330           | Testing Materials                             | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 63XX           | Other Supplies Materials                      | -                          | -                             | 61                          | 29,038                      | -                         | -                             | 29,099              |
| 6410           | Travel, Subsistence, Stipends                 | 3,120                      | -                             | 10,256                      | 17,374                      | -                         | -                             | 30,750              |
| 6420           | Ins. and Bonding Costs                        | -                          | -                             | 45                          | -                           | -                         | -                             | 45                  |
| 6430           | Election Costs                                | 49                         | -                             | -                           | -                           | -                         | -                             | 49                  |
| 6490           | Miscellaneous Operating                       | 1,789                      | -                             | 10,237                      | 44,849                      | -                         | -                             | 56,875              |
| 6500           | Debt Service                                  | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6600           | Capital Outlay                                | -                          | -                             | -                           | -                           | -                         | -                             | -                   |
| 6000           | <b>TOTAL</b>                                  | <b>\$ 12,683</b>           | <b>\$ 209,029</b>             | <b>\$ 216,835</b>           | <b>\$ 979,722</b>           | <b>\$ -</b>               | <b>\$ -</b>                   | <b>\$ 1,418,269</b> |

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 42,999,520

LESS: Deductions of Unallowable Costs

FISCAL YEAR

|  |                |
|--|----------------|
| Total Capital Outlay (6600)                | (10) \$ 71,741 |
| Total Debt & Lease(6500)                   | (11) 102,118   |
| Plant Maintenance (Function 51, 6100-6400) | (12) 4,673,316 |
| Food (Function 35, 6341 and 6499)          | (13) 1,026,019 |
| Stipends (6413)                            | (14) -         |
| Column 4 (above) - Total Indirect Cost     | 979,722        |

SubTotal:

6,852,916

Net Allowed Direct Cost

\$ 36,146,604

CUMULATIVE

|   |                     |
|---|---------------------|
| Total Cost of Buildings before Depreciation (1520)                    | (15) \$ 132,728,684 |
| 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) \$ 1,625,705   |
| Historical Cost of Furniture & Equipment over 16 years old            | (19) \$ -           |
| Amount of Federal Money in Furniture & Equipment (Net of #19)         | (20) \$ -           |

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 FUNDBALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2008

**UNAUDITED**

|    |   |             |                     |
|----|---|-------------|---------------------|
| 1  | Total General Fund Balance as of 8/31/08 (Exhibit C-1 object 3000 for the General Fund Only)  |             | \$ 15,361,544       |
| 2  | Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)  | \$ 18,048   |                     |
| 3  | Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)  | 7,000,000   |                     |
| 4  | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)  | -           |                     |
| 5  | Estimate of one month's average cash disbursements during the regular school session (9/1/08-5/31/09).  | 4,200,000   |                     |
| 6  | Estimate of delayed payments from state sources (58xx) including August payment delays  | 2,600,000   |                     |
| 7  | Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount. | (2,300,000) |                     |
| 8  | Estimate of delayed payments from federal sources (59xx)  | 121,000     |                     |
| 9  | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)                           | -           |                     |
| 10 | Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)  |             | <u>11,639,048</u>   |
| 11 | Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)  |             | <u>\$ 3,722,496</u> |

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

The projected use of the Undesignated/Unreserved Fund Balance is to offset cash flow deficits due to the timing of state aid and property tax collections, deficits caused by the reimbursement plan for Special Revenue Funds, and the general facility and equipment needs of a growing school district.

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, 2008

| Data<br>Control<br>Codes                    | Budgeted Amounts |            | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---|------------------|------------|--------------------------------|--|
|   | Original         | Final      |                                |  |
| REVENUES:                                   |                  |            |                                |  |
| 5700 Total Local and Intermediate Sources   | \$ 918,866       | \$ 918,866 | \$ 969,005                     | \$ 50,139  |
| 5800 State Program Revenues                 | 65,587           | 65,587     | 68,994                         | 3,407  |
| 5900 Federal Program Revenues               | 1,020,717        | 1,173,817  | 1,237,877                      | 64,060   |
| 5020 Total Revenues                         | 2,005,170        | 2,158,270  | 2,275,876                      | 117,606  |
| EXPENDITURES:                               |                  |            |                                |  |
| 0035 Food Services                          | 2,005,170        | 2,158,270  | 2,147,002                      | 11,268   |
| 6030 Total Expenditures                     | 2,005,170        | 2,158,270  | 2,147,002                      | 11,268   |
| 1200 Net Change in Fund Balances            | -                | -          | 128,874                        | 128,874  |
| 0100 Fund Balance - September 1 (Beginning) | 446,734          | 446,734    | 446,734                        | -  |
| 3000 Fund Balance - August 31 (Ending)      | \$ 446,734       | \$ 446,734 | \$ 575,608                     | \$ 128,874   |

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, 2008

| Data<br>Control<br>Codes  | Budgeted Amounts |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---|------------------|--------------|--------------------------------|--|
|   | Original         | Final        |                                |  |
| <b>REVENUES:</b>  |                  |              |                                |  |
| 5700 Total Local and Intermediate Sources                         | \$ 6,470,000     | \$ 6,480,000 | \$ 6,505,399                   | \$ 25,399  |
| 5800 State Program Revenues                                       | 1,739,000        | 1,739,000    | 1,686,444                      | (52,556)   |
| 5020 Total Revenues   | 8,209,000        | 8,219,000    | 8,191,843                      | (27,157)   |
| <b>EXPENDITURES:</b>  |                  |              |                                |  |
| Debt Service:   |                  |              |                                |  |
| 0071 Debt Service - Principal on Long Term Debt                   | 1,293,300        | 1,293,300    | 1,293,277                      | 23   |
| 0072 Debt Service - Interest on Long Term Debt                    | 7,330,000        | 7,330,000    | 7,329,824                      | 176  |
| 0073 Debt Service - Bond Issuance Cost and Fees                   | 10,700           | 30,700       | 141,549                        | (110,849)  |
| 6030 Total Expenditures   | 8,634,000        | 8,654,000    | 8,764,650                      | (110,650)  |
| 1100 Excess (Deficiency) of Revenues Over (Under)<br>Expenditures | (425,000)        | (435,000)    | (572,807)                      | (137,807)  |
| <b>OTHER FINANCING SOURCES (USES):</b>                            |                  |              |                                |  |
| 7911 Capital Related Debt Issued (Regular Bonds)                  | -                | -            | 1,067,333                      | 1,067,333  |
| 7916 Premium or Discount on Issuance of Bonds                     | -                | -            | 689,901                        | 689,901  |
| 7917 Prepaid Interest   | -                | -            | 26,926                         | 26,926   |
| 8949 Other (Uses)   | -                | -            | (1,616,644)                    | (1,616,644)  |
| 7080 Total Other Financing Sources (Uses)                         | -                | -            | 167,516                        | 167,516  |
| 1200 Net Change in Fund Balances                                  | (425,000)        | (435,000)    | (405,291)                      | 29,709   |
| 0100 Fund Balance - September 1 (Beginning)                       | 1,742,633        | 1,742,633    | 1,742,633                      | -  |
| 3000 Fund Balance - August 31 (Ending)                            | \$ 1,317,633     | \$ 1,307,633 | \$ 1,337,342                   | \$ 29,709  |

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FEDERAL AWARDS SECTION

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, 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

*Authorized signatures available on the reports filed with TEA*

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

January 7, 2009



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
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 are applicable to each of its major federal programs for the year ended August 31, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2008.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, and 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.

*Authorized signatures available on the reports filed with TEA*

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

January 7, 2009

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2008

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. 5 I O (a): No
7. Major programs include: 10.555 National School Breakfast & Lunch Program
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

The audit disclosed no findings or questioned costs to be reported.

III. Other Findings

|                   |  |
|-------------------|--|
| Finding 2008-1    | The District exceeded appropriations in one functional category in the General Fund and one functional category in the Debt Service Fund.                      |
| Criteria          | The District is required to monitor and amend the budget and control expenditures to make sure appropriations are not exceeded in any one functional category. |
| Condition Found   | The District exceeded appropriations in one functional category in the General Fund and one functional category in the Debt Service Fund.                      |
| Instance/Universe | The District exceeded appropriations by \$2,161 in one category in the General Fund and by \$110,849 in one category in the Debt Service Fund.                 |
| Recommendation    | The District should review expenditures and amend the budget as needed to make sure expenditures don't exceed appropriations.                                  |

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2008

CORRECTIVE ACTION PLAN

Contact Person – Mr. William Moeller, Assistant Superintendent of Business Services

FINDING 2008-1 The District exceeded appropriations in one functional category in the General Fund and one functional category in the Debt Service Fund.

CORRECTIVE ACTION

District expenses exceeded appropriations in the General Fund School Nurse's Function by \$2,161 due to a late and unexpected Workers' Comp claim that was invoiced and paid after the final Budget Amendment was approved by the Board of Trustees in late August. The Debt Service Function exceeded appropriations by \$110,849 due to a misclassification of miscellaneous bond fees from the 2008 bond sale and a late invoice from one vendor. District staff will continue to monitor all functional categories in an effort to eliminate all function overages.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2008

FINDING/NONCOMPLIANCE

Finding 2007-1                    The District exceeded appropriations in one functional category in the  
Child Nutrition Fund.

STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE

The District did not exceed the budget in the Child Nutrition Fund in the current year.

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2008

| (1)   | (2)                       | (3)  | (4)                     |
|---|---------------------------|--|-------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                   |                           |  |                         |
| <u>Direct Programs</u>  |                           |  |                         |
| Impact Aid - P.L. 81.874 (Note A)                                     | 84.041                    |  | \$ 286,889              |
| Mentoring Program Grant   | 84.184B                   |  | <u>159,030</u>          |
| Total Direct Programs   |                           |  | <u>\$ 445,919</u>       |
| <u>Passed Through State Department of Education</u>                   |                           |  |                         |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010A                   | 08-610101061914                              | \$ 232,779              |
| ESEA, Title I, Part A - Improving Basic Programs                      | 84.010A                   | 09-610101061914                              | <u>11,482</u>           |
| Total CFDA Number 84.010A   |                           |  | <u>244,261</u>          |
| ESEA, Title I, Part C - Migratory Children                            | 84.011                    | 08-615001061914                              | 42,830                  |
| ESEA, Title I, Part C - Migratory Children                            | 84.011                    | 09-615001061914                              | <u>722</u>              |
| Total CFDA Number 84.011  |                           |  | <u>43,552</u>           |
| IDEA - Part B, Formula  | 84.027                    | 08-660001061914                              | 681,000                 |
| IDEA - Part B, Formula  | 84.027                    | 09-660001061914                              | <u>54,177</u>           |
| Total CFDA Number 84.027  |                           |  | <u>735,177</u>          |
| Vocational Education - Basic Grant                                    | 84.048                    | 08-420006061914                              | 21,477                  |
| IDEA - Part B, Preschool  | 84.173                    | 08-661001061914                              | 5,823                   |
| ESEA Title IV - Safe and Drug-Free Schools                            | 84.186A                   | 08-691001061914                              | 11,461                  |
| ESEA, Title I, Part B - Even Start Family Literacy                    | 84.213                    | 08-6120017110283                             | 198,968                 |
| Title V, Part A - Innovative Programs                                 | 84.298                    | 08-685001061914                              | 4,321                   |
| Texas Placement Spanish Language                                      | 84.330L                   | 08-1030271213                                | 8,325                   |
| Title III, Part A - English Language Acquisition                      | 84.365A                   | 08-671001061914                              | 82,683                  |
| Title III, Part A - English Language Acquisition                      | 84.365A                   | 09-671001061914                              | <u>5,503</u>            |
| Total CFDA Number 84.365A   |                           |  | <u>88,186</u>           |
| ESEA, Title II, Part A, Teacher/Principal Training                    | 84.367A                   | 08-694501061914                              | <u>53,003</u>           |
| Total Passed Through State Department of Education                    |                           |  | <u>\$ 1,414,554</u>     |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                                  |                           |  | <u>\$ 1,860,473</u>     |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                 |                           |  |                         |
| <u>Passed Through the State Department of Agriculture</u>             |                           |  |                         |
| National School Breakfast & Lunch Program*                            | 10.555                    | 08-71300601                                  | \$ 1,134,864            |
| Commodities   | 10.550                    |  | 103,013                 |
| Watershed Protection & Flood Control                                  | 10.559                    |  | <u>139,180</u>          |
| Total Passed Through the State Department of Agriculture              |                           |  | <u>\$ 1,377,057</u>     |
| <b>TOTAL DEPARTMENT OF AGRICULTURE</b>                                |                           |  | <u>\$ 1,377,057</u>     |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                           |                           |  | <u>\$ 3,237,530</u>     |

\*Clustered Programs as required by Compliance Supplement March, 2008

LITTLE ELM INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2008

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, 2008, 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.